

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In this era of globalization, the development of the business world and advances in information technology as a supporter of business activities are growing very rapidly and cause buying and selling activities can be done via mobile phones only. In the midst of rampant shopping in the market is present and still shows its existence as a market that provides products for people's daily needs (<https://jurnalpost.com>, retrieved in 2023, August 16).

Retail sales are also expected to grow by 6.3% month to month, up from 0.4% mtm in the previous month. This growth is also supported by an upward trend in the value of retail shopping transactions at supermarket and minimarket outlets, which rose by almost 30% in semester II/2022 compared to semester I/2022 (<https://validnews.id/ekonomi>, retrieved in 2023, August 16).

Various diverse and innovative retailing formats emerged as competitors for supermarkets. To compete with these new arrivals, supermarkets had to reconsider their offerings and implement strategies that are challenging and difficult for competitors to emulate. In this respect, Levy and Weitz (2015) found that traditional supermarkets use strategies to compete successfully by differentiating their products and services from other competitors. This they do by the freshness of perishables; focusing on the needs and wants of health-conscious and multi-cultural consumers; offering superior value with reduced cost private-

label merchandise; and providing customers a shopping experience better than those of competitors.

A positive in-store customer shopping experience provides a competitive advantage that enhances the value that a customer gets from a visit to a supermarket. Unfamiliar and complex competitive environments, and well-informed customers who continuously demand value are major forces that require the development and offering of a pleasant in-store customer shopping experiences to ensure that customers purchasing supermarket again in the future (Sánchez-Fernández et al., 2017). To provide a pleasant in-store customer shopping experience for their customers, supermarkets initially focused on offering more services to customers.

K3 Mart is one convenience store that centers on lifestyle products, both imported food and beverage products and also local products and MSME products.



Figure 1. 1 K3 Mart Logo
Source: K3 Mart (2023)

Table 1. 1 Comparison between Market at Medan

Brand	Ratings	Year of Establishment	Main Product
K3 Mart	4.4	2008	Retailer/Market
Indomaret	4.6	1988	Retailer/Market
Alfamart	4.0	1989	Retailer/Market
Alfamidi	4.4	2007	Retailer/Market

Sources: Playstore, 2023

From the table above, market rating is not much different, which is in the range of 4.0-4.6, namely K3 Mart with a rating of 4.4, Indomaret with a rating of 4.6, Alfamart with a rating of 4.0 and Alfamidi with a rating of 4.4. Besides, it also can be seen that K3 Mart is the youngest market compared to other markets. From the above data also shows that K3 Mart has lower ratings than Indomaret..

Being in competition with many other retailers who are trying to compete in the food and beverage market in Indonesia where they are trying to increase sales, it is rather important for K3 Mart to be able to increase their intention to repatronage. According to Fen and Lian (2017), intention to repatronage is a the interest that customers have in continuing to re-subscribe and become loyal against a company based on the experience provided by the company. Intention to repatronage is a very important thing to note because repurchase intentions is used by the company to create a marketing strategy that will be carried out. Intention to repatronage have a strategic role in order to encourage companies to have a growing and advanced business (Redda & Shezi, 2019). If the buyer has a pleasant shopping experience, then the buyer's intention to come back will appear.

Table 1. 2 Sales Data at K3 Mart (2018-2022)

Years	Sales Data	% Sales
2018	9.265.148.000	0
2019	10.265.840.500	10.80 %
2020	10.965.320.100	6.81 %
2021	12.054.018.600	9.93 %
2022	14.135.684.500	17.27 %

Source: K3 Mart (2023)

Based on the table 1.2 above, it can be seen that the sales data of K3 Mart in 2019 amounted 10.80%, in 2020, sales data of K3 Mart increased 6.81%, While in 2021 it increased by 9.93 and at the end of 2022 total sales grew by 17.27%. From the above data, it clearly shows that there is a shift in customer behavior that has positive growth from year to year. Importance of intention to repatronage is to be able to organize and maintain relationships with customers through the process of adapting the offer and constantly providing value and improve customer satisfaction. Although sales data has increased, the level of customer loyalty has decreased seen from the number of customers who are crowded mostly on Saturdays and Sundays and the number of negative complaints from customers.

Thus, in industries such as market, where customers have many choices, it is critical for owners and managers to understand what makes customers want to come back. Therefore, it is important for K3 Mart to increase the intention for their customers to visit and repurchase items again in the future.

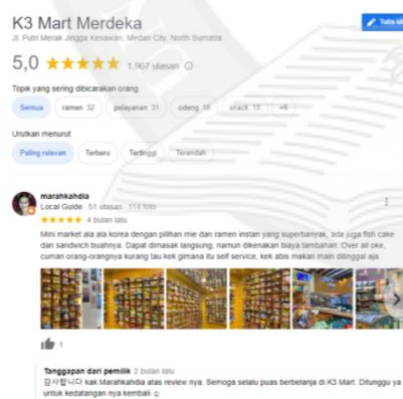


Figure 1. 2 K3 Mart Merdeka, Medan for Customer's Review on Repurchase Intentions
 Source: <https://www.google.com> retrieved in 2023, August 16

Figure 1.4 show a positive review with 5 stars and a pleasant experience when shopping at K3 Mart see the completeness of the product and will continue to shop for more products in the future.

The variable that can influence the intention to repatronage is customer satisfaction. Important aspect that should be considered is customer satisfaction, According to Minarti and Segoro (2014) customer satisfaction as identifying its customers' behavior, perceptions, and immediate emotional reaction towards the brand to whether the customers feel satisfied with the products after completing the transaction process. If customers' expectations of the products are met, customers will then be identified as satisfied, and brands will be able to mark its success. Generally, a customer will feel a sense of satisfaction when the product or service of K3 Mart Merdeka customers purchased has met the users' expectations. Customer satisfaction is an important aspect, especially for brands as it is a way to know whether customers are happy with the product or services that is being offered.

According to Terblanche (2018), in order to encourage customer satisfaction that impact on high repurchase intention, things that must be considered are merchandise value, internal shop environment, interaction with staff, merchandise variety, presence interaction other customers and in-shop emotions.

According Baker et al. (2017), merchandise Value is the result of the perceived merchandise price, merchandise quality and merchandise value that has a positive influence on repurchase intention. Merchandise value as "what you get

for what you pay”, suggesting that merchandise value is a compromise between money spent and the benefits offered by a supermarket.



Figure 1. 3 Customer Review of Merchandise

Source: <https://www.K3mart+merdeka.com>, retrieved in 2023, August 15

Figure 1.3. quality merchandise have products that are free from defects and deficiencies and the quality of food and beverages in accordance with the price offered. The product also contains complete halal and non-halal information. Products are available in many variations of sizes and flavors that can trigger a sense of customer interest. In addition, a variety of interesting complete ramen by giving customers the privilege to mix favorite ramen.K3 Mart Merdeka Medan offers less products that have guaranteed quality from brands that have been known to the public because more imported food so that the taste of food that is less suitable for customers.

According to Peter and Olson (2017), Internal shop environment is a relatively closed environment that can have a significant impact on affection, cognition and consumer behavior. The internal shop environment represents both the décor and in-store physical facilities and amenities such as check-out counters, display shelves and promotional displays. The floor layout of the shop, product

and service groupings, shelf space allocation, product locations and their role to encourage buying, also form part of the internal shop environment factor.

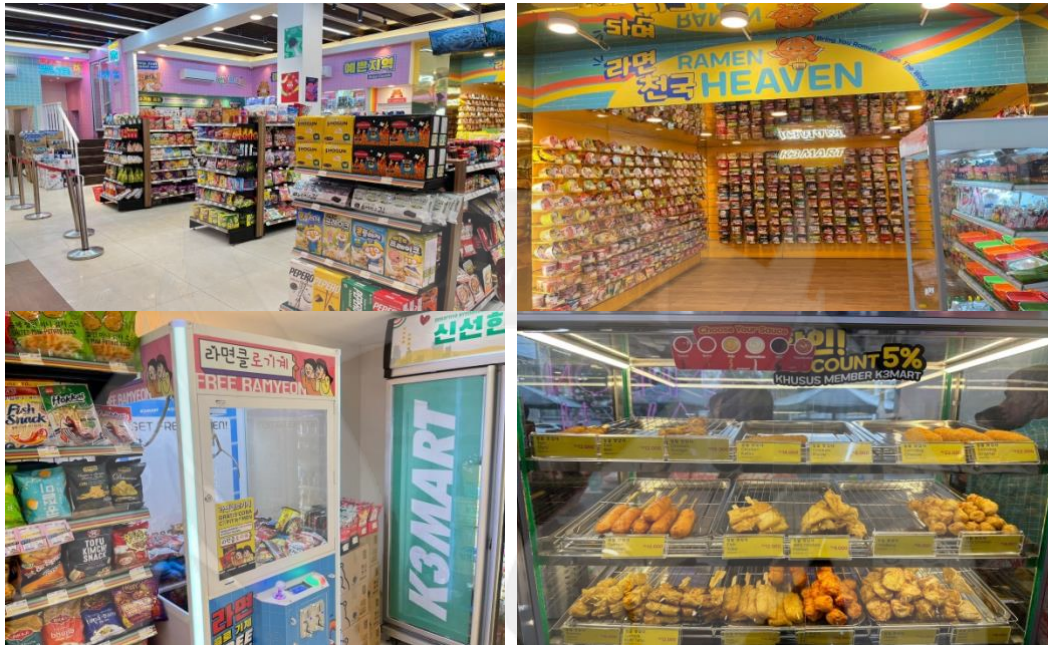


Figure 1. 4 Internal Shop Environment

Source: K3 Mart Merdeka (Prepared by writer, 2023)

Figure 1.4 shows that In K3 Mart Merdeka for the internal store can be seen in Figure 1.6 shows that the display is very clean, neatly arranged and spacious. K3 Mart Merdeka prepares products according to the type of food and beverages and non-halal products that are not mixed. Then the number of imported goods in stacking shelves and decorated in an attractive appearance making it easier for customers to see the desired product. Some games are provided in order to create comfort and excitement for customers. K3 mart is too narrow because of the many goods and toys that are provided to customers in order to relax and be comfortable. However, for the location of tables and benches quite a bit is available for the interior of the room.

According Bitner (2019), Interaction with staff is communication between staff and customers who are kind and polite. The interaction between customers and employees has been found to affect a customer's in-store shopping experience. factor 'presence of and interaction with other customers' did not emerge as a factor of the in-store customer shopping experience construct. This could possibly be ascribed to the manner in which many customers still shop in a supermarket, namely to "get it over with" as soon as possible. It implies that shopping for groceries in a supermarket rarely needs input from other customers and when the need for assistance or advice is necessary, staff will most likely be approached. Customer satisfaction is often influenced by the quality of the interpersonal interaction between the customer and contact employees. Relationships between employees and customers that increase rapport and employee responsiveness have led to greater customer satisfaction (Menon et al., 2017).

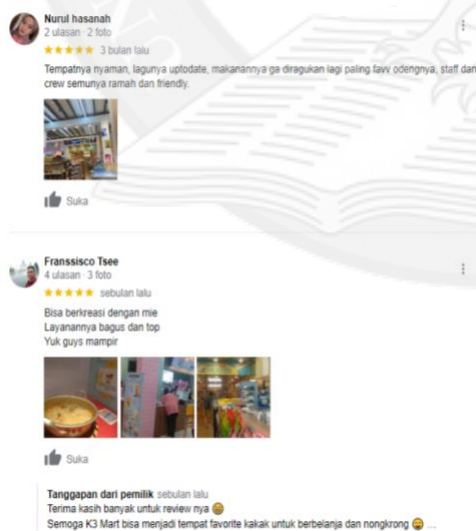


Figure 1. 5 Interaction with staff on K3 Mart Merdeka

Source: <https://www.k3martmerdeka.com>, retrieved in 2023, August 16



Figure 1. 6 Interaction with staff on K3 Mart Merdeka

Source: K3 Mart Merdeka (Prepared by writer, 2023)

Staff at K3 Mart Medan provide satisfactory service as seen from Figure 1.5 and Figure 1.6. The staff has friendliness in communicating, helping customers. Some complaints from customers stating that the special staff yes cashier who is less competent in serving seen from sometimes when K3 mart is crowded, then when customers ask questions related to the product you want to buy less well served. When Saturday and Sunday staff are overwhelmed because of the crowds of customers so often the service provided is quite slow.

According Donovan (2018), Merchandise Variety is any form of product that displays a company or brand name, logo and other profiles, given to consumers. Not only large companies that provide merchandise to customers, small and medium businesses can also use it for business promotion activities. Customers look forward to choose from a variety of merchandise that offer value to them and it is therefore important that a supermarket ascertain that its merchandise assortment meet all the requirements of its customers. Analyses of the contents of baskets and trolleys could be helpful in this regard.



Figure 1. 7 Merchandise Variety at K3 Mart Merdeka

Source: <https://www.K3mart+merdeka.com>, retrieved in 2023, August 15

Figure 1.7 show that K3 Mart Merdeka various products with quality and in accordance with the wishes of customers so as to create satisfaction. Many food products that follow the trend as well as other goods products are again hits. In addition, the overall product is quality and safe from defects and at a price that is classified according to the product. K3 Mart Merdeka offers a variety of brands that the majority of food from imports so that food brands that are less known by many customers.

According to Tombs and Kennedy (2016), presence interaction other customers is a frequently “takes on a supplementary or substitute role to the personal selling efforts of the service employee and may greatly impact on customer satisfaction and perceptions of service quality. Brocato et al. (2014) suggest that the importance of investigating the impact of the presence of other customers is to ascertain what their influence is on the assessment of a customer’s in-store shopping experience. In-store customer shopping experiences are largely social activities that can be influenced extensively by other customers’ in-store behavior and interaction.



Figure 1.9 Presence Interaction other Customers on K3 Mart Merdeka
Source: K3 Mart Merdeka (Prepared by writer, 2023)

Figure 1.9 shows that at K3 Mart Merdeka also harmonious interaction between customers. Customers likes to discuss with other customers in the store K3 Mart Merdeka Medan related to products that are hits or Korean products that are viral. Many customers are comfortable interacting with other customers at the

K3 Mart Merdeka store. However, some customers are less willing to interact with others for reasons of fear and trust issues due to anonymity.

According to Machleit and Mantel (2017), In-Shop Emotions is attributed to a store, have a stronger impact on customer satisfaction than emotions that are attributed internally. While Dawson et al. (2016) believe that emotions experienced in the retail marketplace affect preference and choice and that positive emotions should initiate customer satisfaction. Consumer behavior in a retail store environment is very much a social activity and it is likely that customers' interactions with staff members may well be affected by the emotions of staff members as well.



Figure 1. 8 In-Shop Emotions at K3 Mart Merdeka

Source: K3 Mart Merdeka (Prepared by writer, 2023)

Figure 1.10 shows that the store at K3 Mart Merdeka with a Korean theme follows the trend of viral things that are currently favored by the public. K3 Mart also provides a lot of Korean food, Korean drama posters that are viral, Korean idol groups. Customers are satisfied with the products provided by K3 Mart Merdeka. K3 Mart Merdeka also provides outdoor that can keep the mood of customers from the hustle and bustle in the store and a variety of toys that can trigger customer excitement. The number of consumers to K3 mart just because it's viral and hits again. But more customers make orders such as *ramen*, *odeng* and so on because many customers complain that the prices offered are quite expensive.

The phenomenon and explanation above show that the competitors of fashion industries keep increasing over time. As a result, K3 Mart Merdeka must continue to improve their customers satisfaction identifying variables that influence intention to repatronage. Based on the explanation above, the writer decides to conduct a research focusing on identifying the “Influence of Merchandise Value, Internal Shop Environment, Interaction With Staff, Merchandise Variety, Presence Interaction Other Customers and In-Shop Emotions has significant influence towards Customers Satisfaction in will eventually increase Intention to Repatronage at K3 Mart Merdeka”.

1.2 Problem Limitation

Based on the background described above, the authors need to limit the problem with the aim that the discussion of the problem is not too broad. This research will focus on:

1. Merchandise value, internal shop environment, interaction with staff, merchandise variety, presence interaction other customers and in-shop emotions, customers satisfaction and intention to repatronage.
2. The Data of this research is gathered from K3 Mart Merdeka located at Jl. Putri Merak Jingga Kesawan.
3. The data that is going to be used in further analyzing the research model is going to be collected in a form of questionnaires that are designed based on the research object.
4. The sample that will be further analyzed in this study is narrowed to a set of criteria:
 - a. Both males and females.
 - b. Currently living in Medan.
 - c. The age range of 18 to 60 years old.
 - d. Make purchases at K3 Mart Merdeka Medan for personal needs.
 - e. Have made a purchase at K3 Mart Merdeka Medan within 2 times in the last 3 months.

1.3 Problem Formulation

Based on the background of the study, the writer formulates several questions, as follows:

1. Does merchandise value significantly influence customer satisfaction at K3 Mart Merdeka Medan?
2. Does internal shop environment significantly influence customer satisfaction at K3 Mart Merdeka Medan?
3. Does interaction with staff significantly influence customer satisfaction at K3 Mart Merdeka Medan?
4. Does merchandise variety significantly influence customer satisfaction at K3 Mart Merdeka Medan?
5. Does presence interaction other customers significantly influence customer satisfaction at K3 Mart Merdeka Medan?
6. Does in-shop emotions significantly influence customer satisfaction at K3 Mart Merdeka Medan?
7. Does customer satisfaction significantly influence intention to repatronage at K3 Mart Merdeka Medan?

1.4 Objective of the Research

Based on the problem formulation the objectives of this research are:

1. To determine whether merchandise significantly influences Customer Satisfaction at K3 Mart Merdeka Medan.

2. To determine whether internal Shop Environment significantly influences Customer Satisfaction at K3 Mart Merdeka Medan.
3. To determine whether interaction with staff significantly influences Customer Satisfaction at K3 Mart Merdeka Medan.
4. To determine whether merchandise variety significantly influences Customer Satisfaction at K3 Mart Merdeka Medan.
5. To determine whether presence interaction other customers significantly influences Customer Satisfaction at K3 Mart Merdeka Medan.
6. To determine whether in shop emotions significantly influences Customer Satisfaction at K3 Mart Merdeka Medan.
7. To determine whether customer Satisfaction significantly influences intention to repatronage at K3 Mart Merdeka Medan.

1.5 Benefit of the Research

The writer expects that this research can give benefits both theoretically and practically.

1.5.1 Theoretical Benefit

In terms of theoretical benefit, this report is expected to provide appropriate information and investigation regarding the influence of factors consists of merchandise value, internal shop environment, interaction with staff, merchandise variety, presence interaction other customers and in-shop emotions, toward customer satisfaction through intention to repatronage. Moreover, the

researcher expects that this study will be utilized as a future reference for both general and academic research.

1.5.2 Practical Benefit

The practical benefits on this research are:

1. For the writer

The writer as the researcher to get more experience in doing the research and as an addition to knowledge with regard to merchandise value, internal shop environment, interaction with staff, merchandise variety, presence interaction other customers, in-shop emotions, customer satisfaction and intention to repatronage.

2. For the K3 Mart Merdeka Medan

To provide useful suggestions for the company in increasing customer satisfaction and intention to repatronage especially by improving the merchandise value, internal shop environment, interaction with staff, merchandise variety, presence interaction other customers and in-shop emotions.

3. For other researchers

The findings of this study ought to provide important insights and foundation regarding how merchandise value, internal shop environment, interaction with staff, merchandise variety, presence interaction other customers and in-shop emotions are influencing customer satisfaction through intention to repatronage.