

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Customers are one of the most valuable assets for every business. They are one of the important components that determine the future business of a company. A great management system and human resources in a company will go in vain if they do not have good product and service quality to satisfy and suit customers demand. Loyal customers will make repeat purchase and promoting one business through word of mouth. To attract and gain customers attention, many strategies have been done by companies such as through advertisement, offer attracting promotion, excellent service, products innovation, and other advantages.

Innovation is important as it differentiate one company from the others. Customers like to get something new and fresh from the market. It give reasons to customers why to choose their products rather than other competitors. Innovation itself can be done through new product creation, unique advertising or through service innovation. When firms consistently display signs of innovativeness, and the consumers experience a string of successful innovation introductions, the firm becomes relevant and the customers remain loyal (Henard and Dacin, 2010, as cited in Innovating for Loyalty, 2016).

In this research, writer choose to discuss on one of the most popular brand in footwear industry which is Nike. Because of their quality innovation, this brand had been used by many famous athletes for decades.

Despite of its innovativeness, Nike still face its high competitiveness with their nearest competitor “Adidas”. In 2019 Forbes article, it was stated that “Wall Street announced that Adidas share price had win over Nike with the gained of 21.87% compared to Nike 16.92%”(2019,Mourdokoutas).

According to Mourdokoutas as writer of this article, this situation is happening because Adidas is targeting those innovators and early adopters with their newest innovative products. For instance, producing a yoga collection shoes which is made of recycled ocean plastic and certainly their popular Ultraboost that was sold almost 11,000 pairs in the first hour. Their innovative marketing strategy by collaborating with artist like Kanye West was also being recognized as one of the factor that make Adidas become one of the serious contender to Nike. In order to gain more market share, Nike has also done some strategies such as partnering with football stars like Cristiano as their endorsement, catch up with Adidas in designing trendier shoe fashion, introduce a comfortable shoes quality and labels it more pricey to show off their quality.

In this research, writer will do research on Nike Factory at Perintis street. This research will focus on Nike shoes products. The problem that writer encounter is the number of customers that pay visit to the store are few. This problem is also being recognized by the store manager. Based on the information provided by the store manager, there are around 200 customers that pay visit to Nike Factory each month which these number are considerably low for brand level like Nike.

From the figure below it can be concluded that number of customers that pay visit to Nike Factory located at Perintis street are few in the average around 200 customers a month

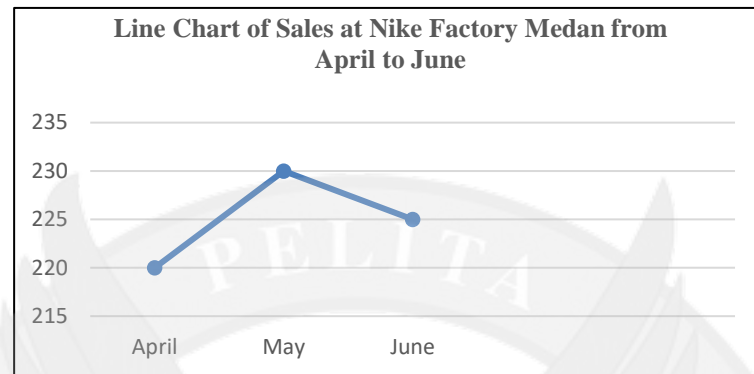


Figure 1.1 Numbers of Sales from May to June

Source: Prepared by the writer (Nike Factory Medan, 2019)

Additionally, referring back to the Forbes article on Nike stock being beaten up by Adidas, it can be concluded that despite of Nike innovativeness, in some points their innovative strategy still can be lost from Adidas.

Therefore, writer want to analyze deeper on how Nike innovation can increase customers' loyalty on buying their products again at Nike Factory as a retailer in Medan. The title of this final paper is **"The Impact of Innovation in Increasing Customers Loyalty at Nike Factory Medan"**.

1.2 Problem Limitation

The problem limitation of this research is on the impact of innovation in increasing customer loyalty. The location will be limited only at Nike Factory located on Perintis street. There are some problems that face by Nike Factory such as lack of stocks availability, unsatisfied customers service, non up to date shoes types, unstrategic store location, and a big threat coming from Adidas towards the innovative products of Nike brands itself. Because of the time limitation, writer will only analyze on the impact of innovation in increasing their customers loyalty. Other problems beside innovation will be discussed in further research. The research will be done through interviewing the store manager and distributing questionnaires to respondents.

1.3 Problem Formulation

Before attempting to solve problems, first of all writer needs to formulate and define the problems. The research problems in this final paper is the number of customers that pay visit to Nike Factory are few. Research problem formulation enable writer to easily analyze and solve the problems. The problem formulation of this research is “Does Innovation have impact in increasing customers loyalty at Nike Factory Medan?”

1.4 Objective of the Research

The objective of research summarizes on what is going to be achieved by the study. Writer specify the accomplishment or purposed to be achieved so it can clearly defined and help researcher to focus on the study and problem to be solved.

The purposed of this study is to understand the impact of innovation in increasing customers loyalty at Nike Factory Medan.

1.5 Benefit of the Research

1. This research goal is to make the writer understand on the impact of innovation in increasing customers loyalty at Nike Factory, Medan.
2. This research has other goal to give advices based on the research in improving Nike business.
3. This research is expected can be used for reference in other research.

1.5.1 Theoretical Benefit

The theory in this research support writer's final paper on how innovation and customers loyalty can bring benefit to business practitioner. The goal of this research is to analyze on the impact of innovation in increasing customers loyalty.

1.5.2 Practical Benefit

1. This research goal is to make the writer understand on the impact of innovation in increasing customers loyalty at Nike Factory, Medan.
2. This research has other goal to give advices based on the research in improving Nike business.
3. This research is expected can be used for reference in other research.

1.6 Systems of Writing

The systems of writing in this final paper will be as follows:

CHAPTER I INTRODUCTION

Chapter I consists of background of study, problem limitation, problem formulation, objective of the research, benefit of the research, theoretical benefit, and practical benefit.

CHAPTER II LITERATURE REVIEW AND HYPOTESIS DEVELOPMENT

Chapter II consists of theoretical background, previous research, hypothesis development, research model, and framework of thinking.

CHAPTER III RESEARCH METHODOLOGY

Chapter III consists of research design, population and sample, data collection method, operational variable, variable measurement, and analysis method.

CHAPTER IV DATA ANALYSIS AND DISCUSSION

Chapter IV consists of research object, data analysis, descriptive statistic, result of data quality testing, result of hypothesis testing, and discussion.

CHAPTER V CONCLUSION

Chapter V consists of conclusion, implication, and recommendation