

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The existence of trading activities such as traditional market and modern market cannot be separated in the urban life (Bintoro, 2010). For fulfilling the citizen's needs and wants, the citizens tend to buy rather than produce by themselves. Formerly, citizens tend to shop in the traditional market. Bintoro then explained, many modern market spread in the citizen's environment so that citizens tend to shop in the modern market rather than traditional market. However, citizens have many alternatives to shop in the modern retail store, such as minimarket, hypermarket, and supermarket.

The growth of minimarket in Indonesia is growing rapidly, such as Alfamart, Indomaret, Alfa Express, Circle K, and others. Based on Okezone.com, the quantity of minimarket in Indonesia was increasing 42% in 2010, from 11,927 units in 2009 to 16,922 in 2010. Specifically, Alfamart succeeded to open 858 outlets in 2011 from 4,812 units to 5,670 units (www.investor.co.id). In the other hand, Indomaret could expand their store from 4,995 stores in 2010 to 6,003 stores in 2011 (www.swa.co.id).

Table 1.1

Comparison of Alfamart and Indomaret Stores in 2010 and 2011

Year	Alfamart	Indomaret
2010	4,812 units	4,955 units
2011	5,670 units	6,003 units

Note. From www.investor.co.id and www.swa.co.id

Not only as general in Indonesia, but Surabaya also increased significantly for minimarket quantity. It can be seen in Table 2. Until June 2011, Indomaret could open 143 stores; Alfamart could open 153 stores; Alfa Express could open 14 stores; Alfa Midi could open 19 stores; Circle K could open 10 stores; Super

Indo could open 3 stores; Giant could open 2 stores; and other store could open 53 stores (www.surabayapost.co.id).

Table 1.2
Total Minimarket in Surabaya until July 2011

Shop	Quantity
Indomaret	143 units
Alfamart	153 units
Alfa Express	14 units
Alfa Midi	19 units
Circle K	10 units
Super Indo	3 units
Giant	2 units
Others	53 units
Total	397 units

Note. From Komisi A DPRD Surabaya, 2011

The existence of modern retail in Surabaya should receive serious attention from the government, protect the traditional market, and then the traditional retail will survive. Indonesian president's regulation of Perpres No. 112 Tahun 2007 concerning Traditional Market, Shopping Centers and Modern Stores, also Pemendag No. 53 Tahun 2008 are the regulations which are some of the government's efforts not only to empower traditional market and protect the position of weak suppliers but also reduce the negative effects from the growth of modern market. Those regulations are expected to be the cornerstone of the retail industry setting which emphasizes harmony among the various elements in the retail industry. However, traditional retail owners should not expect a lot for the policy of the government but have entrepreneurship spirit. Many studies conducted gain store loyalty, one of which is the factor of "psychological" which cannot be obtained by consumers when shopping at the modern market.

Behind the increasing number of minimarket in Surabaya (www.antaranews.com), there are some local minimarkets that still survive. One of them is Barata Pasaraya. It is located at Baratajaya Street in Surabaya. Based on the interview with the owner, Barata Pasaraya has established since 1997. At first, the owner only employed 20 people, but the business of Barata Pasaraya has grown. It can be looked by the number of employees in 2012, which are doubled to 40 people. The potential local store competitor is Bilka. Barata Pasaraya has already given the satisfaction to the customers from the price and the availability

of products. In the other hand, from the interview with the owner of Barata Pasaraya, there would still complaint about the long queuing in the cashier and insufficient parking service if the supermarket was very crowded. the owner also stated that the transaction per day ranges from 30 to 60. Hence, the crowded behavior in a store reflects positive store loyalty (East *et al.*, 2005).

As a traditional store, Barata Pasaraya had never given the expense for advertising for promoting the store but, the satisfy customers are promoting Barata Pasaraya from one to another. It is different with the Alfamart minimarket which made many promotion and member for its loyal customer (www.alfamartku.com). Hence, store loyalty as the biased behavioral response, expressed over time, by some decision making unit, with respect to one store out of a set of stores, which is a function of psychological (decision making and evaluative) processes resulting from commitment (Jacoby & Chestnut, 1978). According to Jacoby and Chestnut's definition of store loyalty, customer's behavioral response in Barata Pasaraya has not already shown, so that preliminary study was held.

According to Leelayouthayotin (2004), purchase intention is degree of decision to buy more from the store or the recommendation others to purchase. Beside it, purchase intention also can be defined as the purchasing behavior after the customers considered and evaluated the product (Chen, 2008). This behavior can be seen as the way to predict customers' purchasing behaviors as well as subjective intentions (Keller, 2001). This definition also has the same meaning as Sam and Tahir (2009), which is stated that purchase intention is defined as the probability or prediction of customer to buy the product. So, purchase intention is the first step in gaining store loyalty because based on Bloemer and Schröder (2002) purchase intention is one of the dimensions of store loyalty. The antecedents of purchase intention are commitment as direct effect, then trust, satisfaction, positive affect, store image, and consumer relationship proneness as indirect effect. The original conceptual framework from Bloemer and Schröder (2002) was tested with eight hypotheses, with store loyalty (price insensitivity, purchase intention, word of mouth, and complaint behavior as the dimensions).

The researcher wants to adopt this conceptual framework, but based on the preliminary study, it showed only several variables dominantly encountered.

The dimensions of store loyalty from the prior research are word of mouth, price insensitivity, purchase intention, and complaint behavior (Bloemer and Schröder, 2002). In the Barata Pasaraya, the owner said that the only way to advertise the store is coming from word of mouth. Then, the interview with ten customers stated that the store provides formula milk with the cheap price so insensitivity price is not a problem in this store. Beside it, the customers also give the complaint behavior in term of the crowded store that impact in the long queue and full parking space. However, the owner wants to increase the sales of Barata Pasaraya so that the researcher wants to analyze the purchase intention for the store loyalty. Thus, the interview with the owner was not enough so that the researcher is motivated to do the interview with some customers. Based on the interview from 10 customers, Barata Pasaraya provides various kind of milk with the cheap price. Hence, the researcher found that there is a gap between empirical study and previous study mentioned, so this research is aim to answer the gap and tried to test the result of previous study, whether a customers' purchase intention in Barata Pasaraya will be explained by several antecedents such as commitment, trust, satisfaction, store image, and positive affect.

1.2 Research Problem

The following research problems that will be tested in this research:

1. Does commitment positively influence toward the purchase intentions in the customer of Barata Pasaraya Surabaya?
2. Does trust positively affect toward the commitment in the customer of Barata Pasaraya Surabaya?
3. Does customer satisfaction positively influence toward the trust in the customer of Barata Pasaraya Surabaya?
4. Does positive affect positively effect on the customer satisfaction in the Barata Pasaraya Surabaya?

5. Does store image positively influence to the customer satisfaction in the Barata Pasaraya Surabaya?
6. Does store image positively effect on the positive affect in Barata Pasaraya Surabaya?

1.3 Research Objectives

As a result of completing this research, the researcher will be able to:

1. To identify the influence of commitment toward the purchase intentions in the customer of Barata Pasaraya Surabaya.
2. To analyze the effect of trust on the commitment in the customer of Barata Pasaraya Surabaya.
3. To identify the influence of customer satisfaction toward trust in the customer of Barata Pasaraya Surabaya
4. To analyze the effect of positive affect on the customer satisfaction in the Barata Pasaraya Surabaya.
5. To identify the influence of store image toward the customer satisfaction in the Barata Pasaraya Surabaya.
6. To analyze the effect of store image on the positive affect in Barata Pasaraya Surabaya.

1.4 Research Contributions

1. Theoretical

It will contribute to the theory of purchase intentions that is affected by commitment, trust, satisfaction, positive affect, and store image in the sector of traditional store.

2. For the Owner of Barata Pasaraya

At first, the owner of traditional stores can use the result of this study as benchmarking to their traditional store so that the other traditional stores also can exist among the hard competition of minimarket in

Surabaya. Secondly, the owner also can use this research to increase the sales. Last, this study also contributes empirically to the owner of Barata Pasaraya Surabaya to use the result of this research for giving Barata Pasaraya an insight about customers' psychological perspectives that affect the purchase intentions.

3. For International Retail Business

This research will contribute to international retail business which international retail companies can implement the ways of Barata Pasaraya in maintain the store and increasing the sales.

4. For Researcher

This research can give additional knowledge to the researcher in accordance the field of study.

1.5 Research Limitations

First, this research will be limited only to the one traditional store as the research object, which is Supermarket Barat Surabaya. Second, this research will only focus on six variables and its interrelationship such as positive affect, store image, satisfaction, trust, commitment, and purchase intentions. Third, the research conducted during August until December 2012. Fourth, not all respondents agreed to fill the questionnaire. Only 96% of respondents agreed to fill the questionnaire. Fifth, analyzing the data needs a long time in processing.

1.6 Research Outline

This research is divided into three chapters, each describes specific information, and the descriptions of chapters are as follow:

- Chapter I: Introduction
Chapter one of this research explains the problem formulation and objectives that is wished to be attained by this research. Further, limitation in doing this research and advantages gained by doing this research is also explained.
- Chapter II: Review of Related Literature
Chapter two of this research covers the antecedents' theories and references on related topics such as positive affect, store image, satisfaction, trust, commitment, and purchase intentions. Subsequent to theories and references, theoretical framework, assumption, and formulation of hypothesis of the research will be presented in this chapter.
- Chapter III: Research Methodology
Chapter three will elucidate details in the methodology on how this research will be executed that includes determination of research design, population, sample and sample design, method of measurement, sources and collection of data, instruments to be used, and method of analysis. Variables to be tested and its indicators and time horizon of this research is also included in this chapter.
- Chapter IV: Results and Discussion
This chapter starts with describing the object of the study, descriptive analysis of the data collected proceed with hypotheses testing and discussion.
- Chapter V: Summary, Conclusions, and Recommendation
This chapter consists of the summary of the study, conclusions on the finding of the study and the recommendation proposed.