

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The retail sector is always changing and growing around the world, particularly in Indonesia. This industry makes a substantial contribution to the national economy in addition to producing jobs. Supermarkets, department stores, minimarkets, and wholesale warehouses are examples of contemporary retail establishments that are already familiar to many Indonesians. Because it provides a large selection of primary and secondary products, handy locations, and a welcoming shopping atmosphere, the public greatly favors the retail sector.

Indonesia's retail industry got its start in the 1960s and experienced rapid expansion in the 1980s. Since then, a large number of people have launched retail businesses selling a range of domestic and foreign goods. This has made retail businesses an essential part of fulfilling people's daily needs. Retail businesses have implemented many innovations to maintain their operations in response to technological changes. The public can now more easily obtain the necessities due to the significant expansion in retail locations in Indonesia. An further factor in Indonesia's consistent economic growth has been the growth of the retail industry.

The continuous challenges faced by the retail industry require its players to work harder to maintain their presence. The retail business is not going extinct, but the convenience and expansion of the digital world are gradually

putting pressure on the continued presence of physical establishments. Given that a number of well-known retailers have already shuttered their doors, these difficulties are serious. The speed at which technology is developing is one of the biggest obstacles facing retailers since it can be challenging to select new systems or combine them with existing ones. Online shopping is a perfect example of how quickly technology is changing, and how much customer faith in its use is related to this. Another difficulty comes from shifts in consumer behavior, as the preference for internet shopping puts more and more pressure on traditional stores. In addition, customers can now easily purchase goods without having to travel to far-off stores, saving their money on transportation, time, and energy. This is due to the growing popularity of digital transactions.

The country of Indonesia currently has a large number of retail establishments, both in large cities and rural towns. People can more easily reach these retail establishments without having to travel to the metropolis due to their extensive presence in different regions. The retail sector is characterized by the sale of goods and services with added value to satisfy the demands of end users, families, groups, and individuals. Retail is the last phase of distribution, where manufacturers sell their goods directly to customers. Snacks, essential goods, and household necessities make up most of the merchandise offered in retail establishments.

People can buy products and services from many sources. Store, supermarket, online shop, or traditional markets. It depends on their preferences and capability to choose whether they want to purchase things. In the digital age,

when needs are easily accessed through online stores or Online retailers can often offer a wider range of products at more affordable costs, the retail sector must also contend with the issue of growing and retaining consumer purchasing decisions. Because of this, customers have a lot of options nowadays, which can quickly find alternatives if a store no longer offers the services, goods, costs, or atmosphere they're looking for. The retail sector needs to take a more direct approach to customers in order to overcome this obstacle. Some examples of this strategy include giving regular customers special attention and providing information about the items and needs that they have access to.

As society evolves and lifestyles continue to change, various services and facilities have been created and offered to help people meet their diverse needs. New lifestyle trends have emerged as a result. One such trend is self-service shopping, which provides customers with more comfort and freedom in selecting products without the need for assistance. This was one of the reasons why the board of commissioners at PT Nusa Bakti Pratama decided in early 1990 to establish the Swalayan Maju Bersama supermarket on Jl. Mangkubumi No. 3-5, Medan. This became the foundation for what is now known as PT Pasar Swalayan Maju Bersama. In every publication, the slogan "PRACTICAL AND AFFORDABLE" is always emphasized. It's considered practical because Swalayan Maju Bersama is located on the ground floor, making it easy for customers to carry their shopping to the parking area, regardless of the amount. The term "affordable" refers to the supermarket's focus on competitive pricing.

In recent years, Swalayan Maju Bersama Kapten Muslim has encountered several challenges, such as growing competition from online retailers, the economic impact of the COVID-19 pandemic, and shifting consumer preferences. Initially, there was a decline in consumer spending due to the COVID-19 pandemic. Secondly, because of government lockdowns, the store was closed for several weeks and is still in the recovery process in retaining customers. Thirdly, a rise in internet shopping reduced the amount of revenue that offline stores were able to generate.

Purchasing decisions involve a series of stages that buyers typically go through when selecting a product or service. These phases consist of identifying the issue, gathering information, evaluating options, making the actual purchasing decision, and following up on the purchase. Consumers typically identify a need or problem, learn about the solutions that are available, and weigh the pros and disadvantages of each option before deciding on one. This process helps consumers assess whether specific products or brands can effectively address their needs, ultimately leading to a purchase decision. To make sure the selected product fulfills consumer expectations and adds value, a comprehensive assessment is necessary.

Product diversity is the variety of goods and products that a business sells through a specific vendor. This diversity is essential in influencing the decisions that consumers make about what to buy. A larger assortment of goods makes it possible for customers to locate goods that suit their requirements and tastes, which can improve their pleasure and raise the possibility that they will

make a purchase. Product diversity should also be a top priority for Swalayan Maju Bersama Kapten Muslim Medan because companies with a broad product offering are frequently seen as more creative and aware of market trends, which builds consumer trust. The incompleteness of Swalayan Maju Bersama Kapten Muslim Medan's product offers is one of its problems. Key indicators of product diversity such as product completeness, product brand, product size, and product quality are areas where the store has room for improvement.

Each store offers a unique experience, some are designed to be comfortable, attractive, and well-maintained, while others may come across as unappealing or cluttered. In order to effectively attract customers, a store must carefully plan its atmosphere to align with its target market. Customers' purchase decisions are greatly influenced by a well-designed store environment since it makes them feel at ease and encourages customers to stay longer. The physical layout of a store reflects the ambiance created by elements like that.

A store's atmosphere has the power to emotionally connect customers and increase the chance that the consumer will make a purchase. The external environment, overall interior design, and store layout are important factors that have a direct impact on how customers view the store. Customers might more quickly explore a store and find the products they need with the aid of an aesthetically pleasing and well-organized layout, which makes for a more enjoyable shopping experience. Thus, creating a pleasant shopping environment, influencing customer behavior, and ultimately influencing purchase decisions may all be achieved with the help of a well-curated store setting. According to

the store's current situation, several things of improvement can be made in Swalayan Maju Bersama Kapten Muslim Medan store atmosphere. The disorganized, with boxes placed all over the walkways used by customers, makes for a stuffy and uncomfortable purchasing environment. A lot of the goods seem neglected and dusty, and the store is hot and uncomfortable because the air conditioner isn't working. Consumers become frustrated and confused when consumers can't easily browse it due to its disorganization and improper layout. These elements might discourage customers from making purchases in Swalayan Maju Bersama Kapten Muslim Medan because the ambiance of the store greatly influences how consumers feel about shopping in general and how they make decisions. A store needs to be well-kept, orderly, and welcoming in order to draw in and keep consumers.

Moreover, there are displays of Swalayan Maju Bersama Kapten Muslim Medan products that have been put up and displayed at the middle of the walkways of the consumers, which become very narrow as seen as the picture. It also can be seen that with only one person standing there to look the Swalayan Maju Bersama Kapten Muslim Medan products, the road access is only blocked, and it is only half left.

Retailers need to carefully match the atmosphere of their stores with the things sold to effectively attract potential consumers. A store's atmosphere has a big influence on what people decide to buy and can also make them want to come back and make more purchases. It is essential for retailers seeking to draw and hold onto customers to understand the elements that impact consumer

behavior when making purchases in grocery retail stores, especially in a cutthroat industry like Medan. For instance, Brastagi Supermarket Tiara Medan has improved the layout of their store by creating more roomy and comfortable walkways, which has removed the uncomfortable sensation that used to hinder the shopping experience. This tactical enhancement shows how enhancing the retail environment can enhance customer happiness and encourage return to business.

Compared to Swalayan Maju Bersama Kapten Muslim Medan, Brastagi Supermarket Tiara Medan is thought to have a more spacious store environment and layout that allows consumers to move around more freely while shopping. Additionally, overload product arrangement does not provide the impression that product placements are packed or dense. Its brighter retail environment and distinct product hierarchy allow consumers to shop comfortably while maintaining a positive store atmosphere. By using this comparison example and a thorough understanding of the store atmosphere, Swalayan Maju Bersama Kapten Muslim Medan may be able to improve the store atmosphere and thereby raise the rate at which consumers in Medan make purchases.

Service quality is an activity, or a collection of related activities, that are typically intangible and arise from the interaction between the service facilitator and the service user as well as from the tangible resources that the facilitator uses to support the services. The purchasing decisions of consumers are significantly influenced by the quality of the service provided. A consumer's decision to purchase can be greatly influenced by receiving high quality service,

which not only fulfills their expectations but also fosters trust and happiness. Positive brand perceptions are more likely to arise from exceptional customer service, which boosts repeat business and customer loyalty. Careless customer service, on the other hand, can drive away potential clients and harm a brand. Therefore, by influencing customer behavior and developing enduring relationships, Swalayan Maju Bersama Kapten Muslim Medan should spend in enhancing service quality that could result in gaining a competitive edge. However, Swalayan Kapten Muslim Medan's level of service has been far from adequate. There is a need for major improvement in a number of crucial service quality measures, including tangibles, assurance, responsiveness, empathy, and reliability. For example, the business has often received complaints about long wait times, which annoy consumers and result in bad experiences. Further harming the store's reputation are reports of some employees acting impolitely toward clients. The situation becomes worse by staff members' lack of empathy, as they frequently show disinterested and indifferent needs the requirements of customers. If these problems are not resolved, the company may suffer permanent harm from losing current clients and alienating prospective ones. Based on the previous study that is conducted by Essardi et al., (2022), it has resulted that Product Diversity, Store Atmosphere, and Service Quality have the influence of the Consumer Purchase Decision in grocery retail stores.

Thus, this study possesses the objective of investigating the influence of Product Diversity, Store Atmosphere, and Service Quality on Consumer Purchase Decisions towards grocery retail stores, particularly in Swalayan Maju

Bersama Kaptan Muslim Medan. By investigating the relationships between the variables, the study aims to provide insights into how Swalayan Maju Bersama Kaptan Muslim Medan can optimize its methods through the attributes mentioned to increase Consumer Purchase Decisions in a competitive retail market. Thus, the writer of this research titled the paper **“The Influence of Product Diversity, Store Atmosphere, and Service Quality towards Consumer Purchase Decisions at Swalayan Maju Bersama Kaptan Muslim Medan”**

1.2 Problem Limitation

To ensure accurate outcomes and produce reliable results, this study is conducted with specific limitations. The data for the research is collected from Swalayan Maju Bersama, located at Jl. Kaptan Muslim No.71, Dwi Kora, Medan Helvetia, Sumatera Utara 20123, Indonesia, and the respondents targeted for the research are consumers from Medan who have visited or made purchases at Swalayan Maju Bersama Kaptan Muslim Medan. The study uses four variables, consisting of three independent variables: Product Diversity with the indicator product completeness, product brand, product size, and product quality (Adinugroho & Suharlina 2023). Store Atmosphere with the indicator store exterior, general interior, store layout, and interior display (Assegaf et al., 2024). Service Quality with the indicator reliability, responsiveness, assurance, empathy, and tangibles (Curatman et al., 2023). Dependent variable which is Consumer Purchase Decision is assessed based on factors such as product choice,

brand choice, dealer choice, time of purchase, number of purchases, and payment method (Wydyanto & Ilhamalimy 2021). This framework is intended to ensure that the study maintains focus and delivers relevant insights into the relationship between the variables.

Table 1. 1 Timeline

No	Information	Month/Year															
		August 2024				September 2024				October 2024				November 2024			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
1	Research Title Submission																
2	Proposal Preparation																
3	Proposal Guidance																
4	Questionnaire Distribution																
5	Data Collection																
6	Data Processing																
7	Skripsi Preparation																
8	Skripsi Defence																

Source: Prepared by Writer (2024)

1.3 Problem Formulation

Below are the problem formulation in this research:

- a) Does Product Diversity have partial influence on Consumer Purchase Decision in Swalayan Maju Bersama Kapten Muslim Medan?
- b) Does Store Atmosphere have partial influence on Consumer Purchase Decision in Swalayan Maju Bersama Kapten Muslim Medan?
- c) Does Service Quality have partial influence on Consumer Purchase Decision in Swalayan Maju Bersama Kapten Muslim Medan?

- d) Do Product Diversity, Store Atmosphere, and Service Quality have simultaneous influence on Consumer Purchase Decision in Swalayan Maju Bersama Kapten Muslim Medan?

1.4 Objective of the Research

The objectives of the research are as follows:

- a) To analyze whether Product Diversity has partial influence on Consumer Purchase Decision in Swalayan Maju Bersama Kapten Muslim Medan.
- b) To analyze whether Store Atmosphere has partial influence on Consumer Purchase Decision in Swalayan Maju Bersama Kapten Muslim Medan.
- c) To analyze whether Service Quality has partial influence on Consumer Purchase Decision in Swalayan Maju Bersama Kapten Muslim Medan.
- d) To analyze whether Product Diversity, Store Atmosphere, and Service Quality, have simultaneously influenced the Consumer Purchase Decision in Swalayan Maju Bersama Kapten Muslim Medan.

1.5 Benefits of the Research

This research is done to achieve two types of benefits, which are Theoretical Benefit and Practical Benefit. The following are benefits that are aimed to be achieved through this research.

1.5.1 Theoretical Benefits

The conducted research is expected to give a profound understanding to the writer about the topic chosen. It is also expected to give an insight into the influence of Product Diversity, Store Atmosphere, and Service Quality on Consumer Purchase Decisions for further research. Furthermore, the writer expects this research can be useful for other parties who might face the same problem in a theoretical way or use it for academic purposes.

1.5.2 Practical Benefits

The following are some practical benefits of this study:

- a) For the writer, the writer's understanding of the applied knowledge related to the implication of Product Diversity, Store Atmosphere, and Service Quality can be improved with a greater understanding of the variables influencing Consumer Purchase Decision.
- b) For the company, the research is expected to assist Swalayan Maju Bersama Kapten Muslim Medan in better understanding how consumers develop purchase decisions. The result of this study is also expected to help the company in maximizing the decision making on its strategy so that it can give an effective result for the sales performance.
- c) For future researchers, the writer anticipates that the findings may be useful in further studies on this subject in the future.