

CHAPTER I

INTRODUCTION

1.1 Background of The Study

The rapid advancement of technology has intensified business competition in today's market. As human needs grow and diversify, the retail sector has expanded significantly. With the increasing number of retail businesses, consumers have become more discerning in choosing where to fulfill their daily needs. One prominent type of retail business is supermarkets, which attract consumers by offering competitive prices, comprehensive shopping options, and a pleasant shopping environment. The rising public interest in shopping and recreational activities within shopping centers has presented lucrative opportunities for retail businesses. Both local and international retail companies are capitalizing on these trends, with foreign retailers identifying Indonesia as a promising market. This influx of foreign retailers poses a significant challenge to local players who have traditionally dominated the market.

For Indonesians, shopping is a necessity, especially for meeting daily needs. To respond to this, retailers are striving to create comfortable shopping environments that attract customers and encourage purchases. Each retailer seeks to differentiate itself by offering unique value propositions compared to its competitors. Manufacturers are also intensifying their efforts to outpace competitors by producing similar products with distinct strategies designed to shape consumer perceptions and attract buyers. This competitive landscape has

transformed retail management from merely operating stores with complete inventories to focusing on delivering exceptional customer service.

Customer loyalty is a consumer's commitment to a brand, store or supplier, based on a very positive attitude reflected in consistent repeat purchases. Thus, talking about loyalty is talking about the future by paying attention to past behavior or attitudes towards purchasing goods or services (Wahyoedi and Suparso, 2020). Customer loyalty is a critical factor in the long-term success of any business. Loyal customers not only contribute to consistent revenue through repeat purchases but also serve as advocates for the brand by recommending products or services to others. Building customer loyalty reduces the cost of acquiring new customers, as retaining existing ones is often more cost-effective than attracting new ones. Furthermore, loyal customers are more likely to overlook minor service issues and remain committed to a brand during periods of intense competition or market fluctuations. By fostering strong relationships with their customers, businesses can create a reliable foundation for growth, sustainability, and a competitive edge in their respective markets.

Today, retail competition extends beyond providing daily necessities; it includes offering entertainment facilities for families. As a result, supermarkets are no longer just venues for fulfilling basic needs but have also become recreational spaces where individuals and families can unwind and alleviate stress from their daily routines. PT. Tahta Sukses Abadi operates in the self-service retail sector and is better known as Brastagi Supermarket. Before the establishment of Brastagi Supermarket, the company operated under the name

"Supermarket Club Store," which offered a range of products similar to those now available at Brastagi Supermarket. Brastagi Supermarket officially commenced operations on June 6, 2006, in the former Clubstore building. Since its inception, it has remained a notable local supermarket that continues to operate successfully despite facing competition from major retailers like Transmart, Maju Bersama, Lottemart, and others. One notable issue is that while Brastagi Supermarket attracts many visitors, this does not guarantee consistent sales growth. Based on observations, it was found that the supermarket has experienced a gradual decline in sales over the years. Although the decline has not been drastic or significantly detrimental thus far, if left unchecked, it could negatively impact the supermarket's long-term development and sustainability. The following is the sales data of company can be seen below:

Table 1.1. Company Sales Data Period 2020 – 2024

Period	Sales Total
2020	Rp. 297.914.281.000
2021	Rp. 286.820.907.000
2022	Rp. 274.741.228.000
2023	Rp. 261.527.393.000
2024	Rp. 258.142.742.000

Sources: Brastagi Supermarket Tiara, 2025

The data above indicates a consistent decline in the annual revenue of Brastagi Supermarket Tiara over the past five years. From 2020 to 2024, total revenue dropped from Rp. 297.914.281.000 in 2020 to Rp. 258.142.742.000 in 2024, reflecting a significant reduction of nearly Rp. 40 billion over this period. Year by year, the figures demonstrate a steady downward trend, with revenue decreasing by Rp. 11.093.374.000 from 2020 to 2021, Rp. 12.079.679.000 from 2021 to 2022, and so on. This consistent decline is a clear indicator that the

company is struggling to maintain its growth trajectory. Such a situation is a negative signal for the business as it indicates weakening performance and possibly unmet market expectations. If this downward trend continues, it may jeopardize the long-term sustainability of the supermarket. One of the contributing factors to this issue could be a decline in customer loyalty, as loyal customers are crucial in sustaining consistent sales over time. The loss of loyal customers, combined with increased competition and evolving consumer preferences, may exacerbate the challenges faced by Brastagi Supermarket Tiara in maintaining its market position.

Consumer satisfaction is the result of a perceived comparison between product performance and the conformity of consumer expectations after making a purchase. If the product meets or exceeds consumer expectations, consumers will feel satisfied and vice versa, if the product does not meet expectations, consumers will not feel satisfied (Djunaidi, 2020). The phenomenon of customer satisfaction plays a crucial role in determining the success of any business, including Brastagi Supermarket Tiara. However, a decline in customer satisfaction could be one of the underlying reasons behind the decreasing revenue observed in recent years. When customers are not fully satisfied with the products, services, or overall shopping experience, they are less likely to return, leading to a gradual erosion of the supermarket's customer base. Dissatisfied customers may also avoid recommending the supermarket to others, further reducing the influx of new customers. Moreover, negative experiences, such as limited product variety, lack of competitive pricing, or inadequate customer service, can leave customers

feeling undervalued and frustrated. In an era where alternatives are abundant, even minor shortcomings can prompt customers to switch to competitors who offer a more satisfying shopping experience. If Brastagi Supermarket Tiara fails to address these issues effectively, the decline in customer satisfaction will continue to undermine customer loyalty, ultimately contributing to the supermarket's ongoing revenue challenges.

Perceived value is a consumer's view of the benefits obtained from a product or service compared to the sacrifices they make, such as price, time, or effort. This perception is subjective, because it is influenced by the needs, experiences, and expectations of consumers for the product or service. Perceived value is a way for consumers to estimate which offering (product/service) will be chosen from the many alternative choices available, of course, which is perceived to have superior value (Syahputra, 2023). The phenomenon of perceived value plays a critical role in influencing consumer behavior and can negatively impact the revenue of businesses like Brastagi Supermarket Tiara when not managed effectively. Perceived value refers to how customers evaluate the worth of a product or service in relation to its quality, price, and overall benefits. When customers feel that the products or services offered do not justify their cost or fail to meet their expectations, they are less likely to make purchases or remain loyal to the business. For Brastagi Supermarket Tiara, this perception may stem from factors such as inadequate product variety, uncompetitive pricing, or a shopping experience that falls short compared to competitors. The supermarket may also struggle to differentiate itself from larger chains or fail to effectively communicate

its unique value to consumers. A failure to consistently deliver value can lead to a gradual loss of customer interest, resulting in declining sales and reduced market presence. Without addressing these gaps, perceived value remains a silent yet powerful factor driving customers away, ultimately eroding their loyalty and further contributing to the downward trend in the supermarket's revenue.

Customer experience (CX) refers to the overall perception and feelings that customers have about their interactions with a company, from the initial contact through to post-purchase. It encompasses every touchpoint a customer has with a business, including marketing, sales, customer service, and product use. Creating a positive customer experience is essential for building customer loyalty, enhancing brand reputation, and driving business success (Candra, et al. 2021). Customer experience directly influences customer loyalty and satisfaction, and Brastagi Supermarket Tiara faces significant challenges due to various negative aspects of its service. Inconsistent product quality, unresponsive and unfriendly staff, long checkout queues, and difficulties in returning products create frustration among shoppers. These issues reduce overall satisfaction and discourage customers from making repeat purchases. Frequent inconveniences push shoppers to explore alternative supermarkets that provide better service and a more seamless shopping experience. The absence of prompt customer assistance, inadequate product availability, and poor store maintenance further contribute to dissatisfaction, leading to a decline in customer loyalty. The competitive retail market in Medan offers numerous alternatives, making it easier for dissatisfied customers to switch to competitors. Negative word-of-mouth from unhappy

shoppers damages the supermarket's reputation and discourages new customers from visiting. Without improvements in service quality, product reliability, and overall shopping convenience, Brastagi Supermarket Tiara continues to lose customers to competitors that offer a more satisfying and efficient shopping environment.

Trust is the willingness to rely on the ability, integrity, and motivation of another party to act in order to satisfy one's needs and interests as mutually agreed upon implicitly or explicitly (Rizal, 2020). The phenomenon of customer trust is a critical factor influencing the success of any retail business, including Brastagi Supermarket Tiara. However, the decline in annual revenue over the past five years suggests that the supermarket has been unable to fully retain or strengthen this trust among its customers. Trust, which serves as the foundation for long-term customer relationships, seems to be diminishing as consumers increasingly seek alternatives that they perceive to offer better value, quality, or service. Without sufficient trust, customers are less likely to return, recommend the supermarket to others, or remain loyal amidst growing competition. This erosion of trust may stem from unmet expectations, such as inconsistent product quality, inadequate service standards, or a perceived lack of commitment to customer satisfaction. Furthermore, with the rise of competitors offering innovative experiences, competitive pricing, and superior convenience, Brastagi Supermarket Tiara may struggle to convince customers of its reliability and value proposition. If the supermarket fails to rebuild this trust and address the underlying issues, it risks further revenue declines and losing its competitive edge in the market.

Based on the research conducted by Suwarni, et al. (2023), the study's findings indicate that customer value has a significant impact on customer satisfaction, while location does not significantly influence customer satisfaction. Price plays a crucial role in shaping customer satisfaction, whereas customer value does not have a notable effect on customer loyalty. Similarly, location does not contribute significantly to customer loyalty, but price exerts a meaningful influence in this regard. Furthermore, customer satisfaction demonstrates a strong positive effect on customer loyalty. Additionally, customer satisfaction serves as a mediating factor in the relationship between customer value and price with customer loyalty. However, it does not mediate the impact of location on customer loyalty.

Based on the research conducted by Udayana, et al. (2022), the results showed that customer experience and service quality variables had a positive and significant effect on customer loyalty and customer satisfaction. The customer satisfaction variable also has a significant positive effect on the customer loyalty variable. The customer satisfaction variable is able to mediate the customer experience and service quality variables on the customer loyalty variable.

Based on the research conducted by Rejeki dan Atmaja. (2022), the findings indicate that product attributes have a positive and significant impact on customer value, yet they do not significantly influence customer loyalty. Similarly, customer value does not have a significant effect on customer loyalty. In contrast, customer trust exerts a positive and significant influence on customer loyalty, while customer satisfaction also plays a crucial role by positively and significantly

affecting customer loyalty. Additionally, customer trust has a significant positive impact on customer satisfaction. Customer satisfaction serves as a partial mediator in the relationship between customer trust and customer loyalty, reinforcing its importance in fostering customer commitment. However, customer value does not significantly mediate the relationship between product attributes and customer loyalty, indicating that it does not function as a bridging variable in this context.

Based on the background study, the writer is interested to conduct research with the title: **“The Role of Perceived Value, Customer Experience, and Trust in Building Customer Loyalty at Brastagi Supermarket Tiara with Customer Satisfaction as Intervening.”**

1.2 Problem Limitation

Due to limitations in the abilities and time, the goal of problem solving is to create boundaries to focus on the main issue being discussed. Therefore, the discussion was not long and effective, to limit the problem, the author will focus on three variables: perceived value, customer experience and trust as independent variable while customer loyalty as dependent variable and customer satisfaction as intervening variable. This thesis aims to study the extent to which perceived value, customer satisfaction and trust can effect customer loyalty. This study will focus on Brastagi Supermarket Tiara.

1.3 Problem Formulation

The problem formulation that will be used in this research can be described as follow:

- a. Does perceived value have a partial effect on customer loyalty at Brastagi Supermarket Tiara?
- b. Does customer experience have a partial effect on customer loyalty at Brastagi Supermarket Tiara?
- c. Does trust have a partial effect on customer loyalty at Brastagi Supermarket Tiara?
- d. Does perceived value have a partial effect on customer satisfaction at Brastagi Supermarket Tiara?
- e. Does customer experience have a partial effect on customer satisfaction at Brastagi Supermarket Tiara?
- f. Does trust have a partial effect on customer satisfaction at Brastagi Supermarket Tiara?
- g. Does perceived value have a partial effect on customer loyalty at Brastagi Supermarket Tiara with customer satisfaction as intervening?
- h. Does customer experience have a partial effect on customer loyalty at Brastagi Supermarket Tiara with customer satisfaction as intervening?
- i. Does trust have a partial effect on customer loyalty at Brastagi Supermarket Tiara with customer satisfaction as intervening?
- j. Do perceived value, customer experience, and trust have simultaneous effect on customer satisfaction at Brastagi Supermarket Tiara?
- k. Do perceived value, customer experience, trust and customer satisfaction have simultaneous effect on customer loyalty at Brastagi Supermarket Tiara?

1.4 Objective of the Research

The objective of the research that will be used in this research can be described as follow:

- a. To analyze whether perceived value have a partial effect on customer loyalty at Brastagi Supermarket Tiara?
- b. To analyze whether customer experience have a partial effect on customer loyalty at Brastagi Supermarket Tiara?
- c. To analyze whether trust have a partial effect on customer loyalty at Brastagi Supermarket Tiara?
- d. To analyze whether perceived value have a partial effect on customer satisfaction at Brastagi Supermarket Tiara?
- e. To analyze whether customer experience have a partial effect on customer satisfaction at Brastagi Supermarket Tiara?
- f. To analyze whether trust have a partial effect on customer satisfaction at Brastagi Supermarket Tiara?
- g. To analyze whether perceived value have a partial effect on customer loyalty at Brastagi Supermarket Tiara with customer satisfaction as intervening.
- h. To analyze whether customer experience have a partial effect on customer loyalty at Brastagi Supermarket Tiara with customer satisfaction as intervening.
- i. To analyze whether trust have a partial effect on customer loyalty at Brastagi Supermarket Tiara with customer satisfaction as intervening.

- j. To analyze whether perceived value, customer experience, and trust have simultaneous effect on customer satisfaction at Brastagi Supermarket Tiara.
- k. To analyze whether perceived value, customer experience, trust and customer satisfaction have simultaneous effect on customer loyalty at Brastagi Supermarket Tiara.

1.5 Benefit of the Research

The benefit of the research can be described as follow:

1.5.1 Theoretical Benefit

For Readers, the result of this study can be proof for readers to know that perceived value, customer experience, and trust having effect towards customer loyalty at Brastagi Supermarket Tiara with customer satisfaction as intervening variable. For Writer, the of from this study can provide insight and experience as well as observations in a real life situation which is very useful for the writer in the future. For Other Researches, the result from this study can be used for reference for those who are interested in studying the same problem in the future.

1.5.2 Practical Benefit

The practical benefits of this research consist of :

- a. For Brastagi Supermarket Tiara

The researcher expects the result of this study could benefit the business to evaluate, and take the result as suggestion to know the effect of perceived value, customer experience, and trust towards customer loyalty with customer satisfaction as intervening variable.

b. For Writer

The result of this study can make the writer gain new experience and more knowledge about the importance of perceived value, customer experience, and trust towards customer loyalty Tiara with customer satisfaction as intervening variable.

c. For Future Research

The researcher expects the result of this study could become a comparison for the future researchers who are interested of studying the same topic which is the effect perceived value, customer experience, and trust towards customer loyalty Tiara with customer satisfaction as intervening variable.

