

CHAPTER I

INTRODUCTION

1.1 Research Background

The expansion of convenience stores around the world has grown rapidly in recent years, driven by the demand for efficient retail solutions, expansion into new markets, implementation of digital technologies, and business strategies that adapt to local needs. According to Insights (2024) the global convenience store market value will reach USD 766,320 million in 2022 and will expand to USD 846,880 million by 2028. The global expansion of convenience stores further drives the need for smart and efficient retail solutions, as well as the implementation of strategic management that leverages globalization and technological advancements. According to Babin, Feng, and Borges (2021) technology plays a crucial role in supporting the growth rate of retail businesses, although technological advancements are driving retail change, the main focus is on customers and the creation of better value. Relating to study by Mor and Sethia (2018) states that technology plays a crucial role in supporting the growth rate of retail businesses, although technological advancements are driving retail change, the main focus is on customers and the creation of better value.

Convenience stores have become an important element in the global retail trade, especially in developing countries such as Indonesia. In the competitive world of retail business, convenience stores have played an active role in the daily life style of modern society, especially in generation Z, which is the generation born between 1997 and 2012 (Jayatissa, 2023). Convenience store is a shopping place that offers a variety of daily needs products and additional services in a fast and efficient way. In Indonesia,

there are two big names that are well known as convenience stores, namely Indomaret and Alfamart. According to the latest data sourced from the official financial report of PT Sumber Alfaria Trijaya Tbk, the number of Alfamart outlets has reached 19,087 as of December 2023. Through aggressive expansion plans, Alfamart is projected to have more than 23,000 outlets in the near future. The same can also be seen from the official data of Indomaret website which notes that the number of Indomaret outlets has reached 22,414 as of February 2024.

Limited time and changes in the lifestyle of people in urban areas encourage many people to switch to more efficient shopping methods, convenience stores with their practical concept and fast service can be a solution to realize this needs (Thao, 2020). Convenience stores should be able to create experiences that make consumers feel connected, through personalization convenience stores can connect more strongly and meaningfully with a generation that is increasingly focused on connection (Salam et al., 2024). According to study by Chang and Meyerhoefer (2019) a convenient location that is strategically and easily accessible, such as being in the city centre or around a popular area can increase visitation and customer convenience. Based on research by Jung, Claire, and Kim (2024) Gen Z preferences convenience stores with easy access as they are looking to have an enhanced shopping experience and expect the use of high technology with convenience.

Convenience stores are continuously updating by providing diverse products with creative services, the strategies are successful in meeting the various customer needs while adding to the perceived value and satisfying the customers (Bilal et al., 2022). Based on study by Khatre and Iyengar (2019) product assortment and accessibility have

increased the desirability of convenience stores, which have become a key pillar of the convenience sector in the modern retail industry. Customer shopping patterns have transformed from weekly 'big baskets' at supermarkets to a 'little but often' model at small, scattered stores. Despite being small in size, convenience stores generate significant customer frequency, reflecting the change in preferences of consumers in the modern convenience retail landscape (Wrigley et al., 2018). The expansion of convenience stores as an essential consumer interest is a reflection of a larger trend shift in which consumers are seeking a more convenient and easier shopping experience, both online and offline (Kahn, Inman, & Verhoef, 2018).

Based on Deloitte (2020) convenience stores in South Korea have grown and changed remarkably over the past 42 years since their introduction in 1982. First pioneered by Lotte Seven in Seoul, these stores have become a part of everyday life (Yeung, 2024). South Korea became the Kingdom of Convenience Stores, with the number of these highly accessible retail outlets surpassing 55,200 outlets nationwide by the end of last year (Mun-hee, 2024). As these stores offer convenient and low cost food choices that cater to modern lifestyles and diverse consumer needs, they are highly desirable to young urban consumers in Seoul (Kim & Choi, 2019). These stores are highly desirable to Seoul's young urban consumers because they offer convenient and affordable food options that suit modern lifestyles and the diverse needs of consumers (Yoon & Shon, 2020). Convenience stores not only provide a variety of products at reasonable prices, but also offer an enhanced customer experience, attracting price

discounts, a pleasing ambiance, and a cafe area that provides an efficient and enjoyable place for modern consumers to have interaction (Adharini & Marsudi, 2019).



Source: Taken by Author

Figure 1 Citra Express One of Convenience Store in Padang

Citra Express is a form of business diversification from Citra Group, which initially operated through Citra Swalayan as a provider of daily necessities. Along with business development and increasing market demand, Citra Group continues to expand its business network by presenting various retail formats tailored to consumer needs. Currently Citra Group manages five branches of Citra Swalayan, five branches of Grand Citra, and six branches of Citra Mart, in addition to presenting Citra Express as the latest innovation in the convenience store category. Based on the completeness of products available, Grand Citra has the most complete products, followed by Citra Supermarket, Citra Express, and Citra Mart. As part of Citra Group's business expansion, Citra Express comes with a Korean-style convenience store concept that

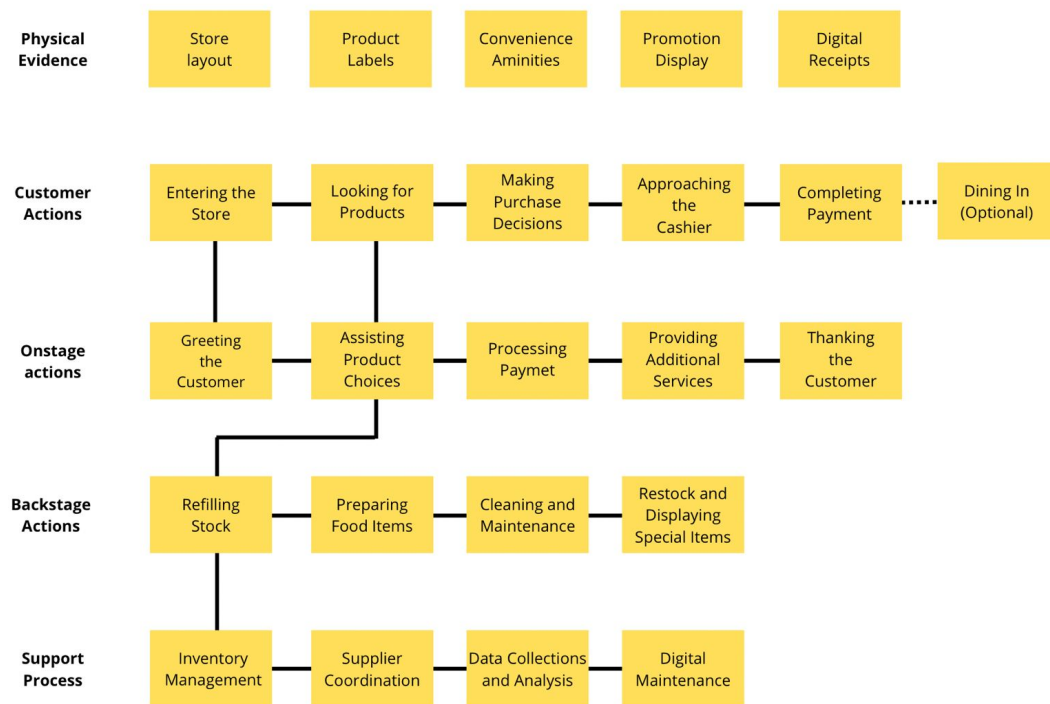
carries typical South Korean retail by providing a variety of imported products, ranging from Korean food and beverages such as Ramyeon, Tteokbokki, and popular snacks. In addition, the store also offers a dine-in concept with a dining area and facilities such as food stoves and heaters, allowing customers to enjoy meals on the spot.

With the presence of Citra Express, Citra Group continues to adapt to changing market trends, offer innovative retail concepts, and strengthen its position as a provider of more varied and modern community needs. Citra Express operates in two different locations, the first outlet is located on Dr. Mohammad Hatta Street, specifically in the Pasar Ambacang area, while the second is situated on Rasuna Said Street, within the Rimbo Kaluang area. Citra Express is a Korean-style convenience store that offers a variety of products, including Korean food. As can be seen in Figure 1, there is also Korean writing on the front of the store, which can reinforce the Citra Express as one of the Korean-style convenience stores in the Padang city. As illustrated in Figure 1, Citra Express employs a Korean-style convenience store concept, offering a distinctive shopping experience compared to conventional Citra Mart outlets. The interior design of the store features a vibrant color scheme, including yellow, pink, and pastel blue, contributing to an ambiance that is both contemporary and inviting, inspired by convenience stores found in South Korea.

A pre-survey was conducted on 20 respondents to identify convenience stores in Padang City that have a specific concept. The results of the pre-survey indicated that Citra Express is one of the Korean-style convenience stores that attracted attention. The respondents further noted several notable attributes of Citra Express, including its assortment of products, which encompasses contemporary beverages, snacks, and

select imported goods. Citra Express offers a selection of Korean dishes, including Oden (fish cake), Jjang Food, and Tteokbokki (Korean-style spicy rice cake). Furthermore, respondents noted the availability of instant noodles from various brands, such as Samyang, Nongshim, Jin Ramen, Paldo, and Segye.

The entire business environment including the structure of the convenience store, can create the brand image and customer experience throughout the buying experience (Lo & Wang, 2019). According to Zhang and Kang (2023) the design of the store is well considered to represent the brand personalities and store image to create a special shopping experience with visible attributes such as the use of colour and product display to convey a strong and steady statement. Based on Figure 1, Citra Express uses a bright yellow color as its display which can give a cheerful and attractive impression to customers. According to research by Nguyen and Yamaoka (2022) in an intensively competitive retail environment, a strong store image is a critical factor. A creditable image will provide differentiation from the competition and increase the likelihood that customers will patronise the store. As a convenience store company, Citra Express can encourage some creative ideas for the in store area and can deliver a subtle message to the customer about the value of the brand. This innovation in turn leads not only to a better shopping experience, but also to a subtle communication of its values and identity, and eventually to a stronger relationship with its customers (Szocs et al., 2023).



Source: Made by Author

Figure 2 Customer Path Atmosphere of Citra Express

Figure 2 above illustrates the path of the atmosphere that customers feel when visiting Citra Express. From the store image, customers feel the atmosphere of the store through elements such as layout, product labels, facilities provided, and promotional displays that can form initial customer perceptions. Product assortment will be felt by customers when they search for and select the items they want. Price and ease of transaction influence the purchase and payment decision-making process, where additional services such as dining-in options can increase customer satisfaction. Overall, this path illustrates how physical, service, and operational factors contribute to the overall shopping experience.

Citra Express is one of convenience stores in Padang City that have adopted the Korean concept. The growing spread of Korean culture, especially through the

popularity of Korean entertainment channels such as K-pop and K-drama, has created an increased interest among the younger generation in a variety of aspects related to Korea, including their consumption habits (Jin, 2019). Based on Figure 2, Citra Express have a comprehensive facility, including a dining area where customers can prepare their own instant noodles, further strengthen Citra Express position as a mini-Korean representation in the middle of Padang City. The dining area is configured with comfortable lighting and K-Pop music, creating an atmosphere conducive to staying longer. The walls are adorned with posters of K-Pop artists and representative Korean decorative elements, contributing to an authentic ambiance.

According to Tian, Jiang, and Zhao (2024) product assortment in convenience stores determines consumer behaviour and purchase, these management strategies include product assortment, shelf life, and variety, which influence the consumers' choice and store sales trends. Research by Farkas, Katsifou, and Seifert (2020) states product assortment is made up of snacks, beverages, self-care products and other grocery items. This reflects a commitment to creating a balance between engaging loyal shoppers, who shop for specific brands or products, and non-loyal shoppers, who prioritise convenience and quick access. With a product assortment that maximises customer satisfaction and sales while taking into account consumer preferences and demand elasticity, it can also optimise what fulfils the needs of the domestic and local market, and consequently increase convenience store sales (Hekimoglu et al., 2019). By creating an impression of wide product choice, convenience stores can mitigate consumers fears of lack of choice, thereby heightening their appreciation of the variety of products on offer (Gu & Wu, 2023).

Price takes a major role in the consumer spending decision, if the price of a product is assessed to be too high, consumers prefer to explore other options that are more reasonably priced (Son & Jin, 2019). The connection between price and consumer behaviour is very powerful. Lower set prices can attract consumers to spend more money, while prices that are too high can prevent consumers from making purchases (Yan, et al., 2024). Based on research by Shi (2024) the price setting strategy is one of the primary issues that can have an influence on the efficiency of a convenience store. By adjusting the price of products according to customer demand, convenience stores can more appropriately face business difficulties and guarantee business stability (Li & Wang, 2023). According to Zhong and Moon (2020) customer satisfaction is an intricate consideration in terms of building customer loyalty. This study reveals that when consumers are delighted with product quality, price, service, and the ambience in which they do their shopping, they are highly likely to become loyal customers. To build a strong connection with customers, it is beneficial to be aware of their needs and wishes (Woratschek, Horbel, & Popp, 2019).

Customer satisfaction has a beneficial effect on the propensity to return, it indicates that when customers are satisfied with their experience in a convenience store, they are more likely to return, confirming the importance of customer satisfaction in driving repeat business (Gibson, Hsu, & Zhou, 2022). High customer satisfaction can stimulate positive word-of-mouth marketing, where customers spontaneously promote a brand to others through social media and personal recommendations (Pu, Zaidin, & Zhu, 2023). If Citra Express is able to successfully satisfy its customers, it will encourage

them to recommend Citra Express to their friends, family, or co-workers, thus increasing brand awareness and encouraging repeat purchases.

Attitudinal beliefs, social standards, perceived usability and the attractiveness of the product on offer all contribute significantly to a consumer's intention to return (Nazli, Hamir, & Hashim, 2024). By looking at previous literature, it is also evident that researchers consider customer satisfaction as an important factor influencing customer retention in the context of convenience stores. Previous research by Gibson, Hsu, and Zhou (2022) has also studied the effect of store image, product assortment, and price on revisit intention. This research has investigated how customer satisfaction strengthens the relationship between these factors and revisit intentions, highlighting their important role in fostering customer satisfaction. In line with the background that has been explained, the researcher wants to compile research with the title of **“Analysis The Influence of Store Image, Product Assortment, and Price On Revisit Intention Among Gen Z Mediated by Customer Satisfaction at Citra Express ”**.



1.2 Problem Statement

1. How does store image at Citra Express influence customer satisfaction?
2. How does product assortment at Citra Express influence customer satisfaction?
3. How does price at Citra Express influence customer satisfaction?
4. How does customer satisfaction at Citra Express influence revisit intention?
5. How does customer satisfaction at Citra Express mediate the relationships between store image and revisit intention?
6. How does customer satisfaction at Citra Express mediate the relationships between product assortment and revisit intention?
7. How does customer satisfaction at Citra Express mediate the relationships between price and revisit intention?

1.3 Research Objective

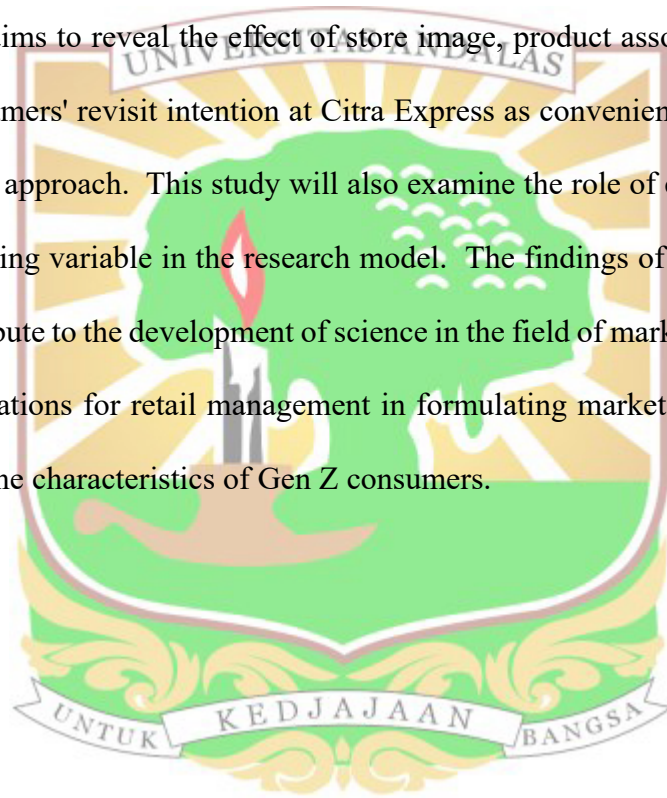
1. To determine the influence of Store Image at Citra Express on customer satisfaction.
2. To determine the influence of Product Assortment at Citra Express on customer satisfaction.
3. To determine the influence of Price at Citra Express on customer satisfaction.
4. To determine the influence of Customer Satisfaction at Citra Express on revisit intention.
5. To determine the mediating role of customer satisfaction at Citra Express in the relationship between store image and revisit intention.



6. To determine the mediating role of customer satisfaction at Citra Express in the relationship between product assortment and revisit intention.
7. To determine the mediating role of customer satisfaction at Citra Express in the relationship between price and revisit intention.

1.4 Research Contribution

This study aims to reveal the effect of store image, product assortment, and price on Gen Z consumers' revisit intention at Citra Express as convenience store using the Korean concept approach. This study will also examine the role of customer satisfaction as a mediating variable in the research model. The findings of this study are expected to contribute to the development of science in the field of marketing and provide practical implications for retail management in formulating marketing strategies that are relevant to the characteristics of Gen Z consumers.



1.5 Scope of Research

The main focus is Gen Z consumer who visit Citra Express in Padang. Independent variables of this study consist of store image, product assortment, and price, dependent variable used is revisit intention and mediating variable used is customer satisfaction.

1.6 Outline of Research

This research contains of five chapters and each chapters contains of subsections with the following systematization of writing:

CHAPTER I: Introduction

Comprising the research context, problem definition, research objectives, research advantages, research limitations, and systematic writing.

CHAPTER II : Literature Review

This section provides a structured and conceptual explanation of the variables, along with the hypotheses supporting each variable employed in the analysis, framework for constructing research questions.

CHAPTER III: Research Methods

This section provides a conceptual and systematic description of the variables, and the hypotheses that support each variable used for the analysis and framework for developing research questions.



CHAPTER IV: Results and Discussion

This chapter describes the results of the analysis consisting of the characteristics of respondents, descriptions of research variables, data testing, and also the discussion and research results to answer research problems.

CHAPTER V: Closing

This section will explain the conclusion of the study, implications of the research, limitation of the research, and suggestions that can be concluded from this study.

