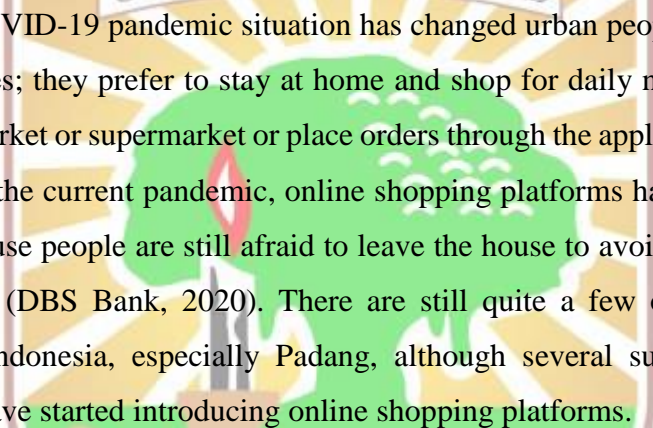# CHAPTER I
INTRODUCTION

This chapter contains the research background, problem formulation, research objectives, research scopes, and report outline.

1.1. Background

The COVID-19 pandemic situation has changed urban people's buying and selling activities; they prefer to stay at home and shop for daily necessities at the nearest minimarket or supermarket or place orders through the application (Kamim, 2020). During the current pandemic, online shopping platforms have significantly benefited because people are still afraid to leave the house to avoid being infected with the virus (DBS Bank, 2020). There are still quite a few online shopping platforms in Indonesia, especially Padang, although several supermarkets and minimarkets have started introducing online shopping platforms.

DBS Bank (2020) stated that during the COVID-19 pandemic, the ASEAN region experienced a shift, namely the increase in home food consumption due to government regulations regarding restrictions on activities outside the home to reduce the spread of COVID-19. This phenomenon is also considered to have a positive impact on convenience stores. Since there are still many people who carry out the Pembelajaran Jarak Jauh (PJJ) or Work From Home (WFH), people prefer to order food using online shopping platforms, thus enabling an increase in sales of instant noodles, snacks, and frozen foods (DBS Bank, 2020).

According to Sudirga (2017), several factors affect the retail industry's increase in Indonesia, one of which is the rapidly increasing population. The increasing population has resulted in higher demand for daily needs fulfillment, so that the retail industry's growth has also increased.

The population growth of the city of Padang increased in 2010-2020, as shown in **Figure 1.1**. So that many modern retailers have started to emerge in the city of Padang. Currently, there are 86 modern retail outlets in Padang based on data collected via Google Maps. Competition in the retail industry in the city of Padang is also increasing, so the right strategy is needed to compete with competitors and maintain business existence (Yuliani and Susanto, 2019). According to Sitathan (2003) in Tecoalu (2020), the right strategy is aimed to build customer trust through quality retail services. Many businesses use various strategies to achieve long-term and short-term goals through a quality strategy (Wijaya, 2018).
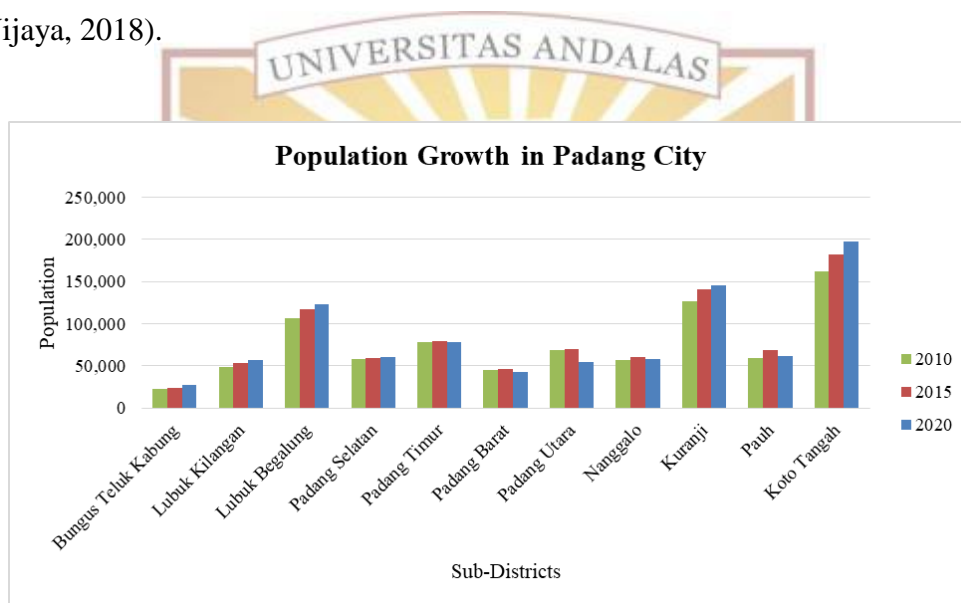
Figure 1.1 Population Growth in Padang City
(Source: Badan Pusat Statistik Kota Padang, 2021)

Retail businesses need to know the level of customer satisfaction, to evaluate the quality of service provided. According to Gomez and Wittink (2004) in Tran and Le (2020), customer satisfaction is a significant factor in successful business and affects store sales performance. Customer satisfaction benefits the company, including maintaining long-term relationships with customers, generating repeat purchases, and encouraging customer loyalty passively or actively (Wijaya, 2018). Customer dissatisfaction can lead to several consequences, such as customers sharing complaints via social media and spreading them to a larger community than when they received a positive experience (Basari and

Shamsudin, 2020). Therefore, customer dissatisfaction can have a negative financial impact on a business (Basari and Shamsudin, 2020).

Service is an essentially intangible act or activity offered by one party and addressed to another party (Kotler and Keller, 2012). Service is the manufacturer's behavior to meet consumers' needs and desires to achieve consumer satisfaction (Putro, 2014). The service quality that is properly managed can impact customer satisfaction and retention to minimize the turnover of existing customers due to repeat purchases and brand loyalty (Tecoalu, 2020). Recommendations that existing customers give to others can bring in new customers.
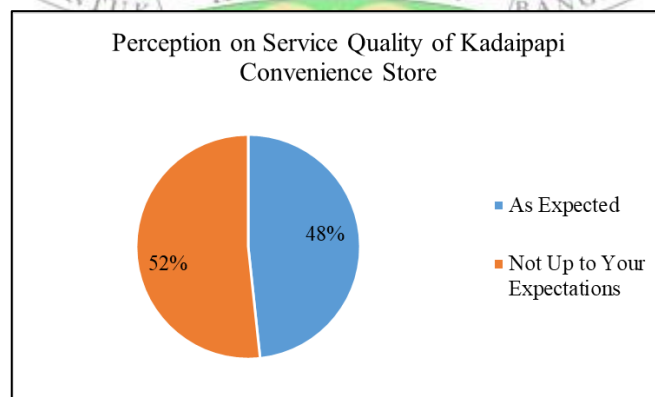
Kadaipapi Convenience Store is one of the modern retail located in Jalan Veteran No. 37 Padang. The business was established on June 25, 2014. Kadaipapi Convenience Store is open daily, from 07:00 am to 01:00 am. Kadaipapi Convenience Store has six employees. Each employee has a different job consisting of the cashier, arranging and tying items on shelves, arranging goods in the warehouse, ordering goods to suppliers, keeping the store clean both shopping area and outside the store, and inserting the barcode of goods into the cashier's computer. Every employee in Kadaipapi Convenience Store has the appropriate skills to perform all the work assigned. Kadaipapi Convenience Store management sets each employee to work for nine hours. Each employee has different hours of entry for that purpose, i.e., at 06:00 am, then 09:00 am, 10:00 am, 01:00 pm, and 06:00 pm.

Kadaipapi Convenience Store provides household goods (soap, shampoo, rice, sugar, and others), food, beverages, and medicines. Kadaipapi Convenience Store carries the concept of self-service by providing hot water facilities and cup glasses for customers who want to brew instant drinks or instant cup noodles. Kadaipapi Convenience Store management also utilizes the outside of the store by providing chairs and tables so that customers who come not only for shopping but also hang out with friends or business associates. Besides, Kadaipapi Convenience management also provides free wifi and electricity facilities for customers. **Figure 1.2** shows the outside and inside of the Kadaipapi Convenience Store.

Figure 1.2 Outside and Inside of Kadaipapi Convenience Store
(Source: Instagram Official Account of Kadaipapi Convenience Store)

A preliminary survey has been carried out to determine the service quality of the Kadaipapi Convenience Store. The questionnaires were distributed to customers on October 11, 2020. A total of 58 respondents were obtained. The results show that 51.7% or 30 respondents stated that Kadaipapi Convenience Store's service quality was below the customer expectations, as presented in **Figure 1.3**.

Figure 1.3 Perception on Service Quality of Kadaipapi Convenience Store

Based on the results of the preliminary study, the lack of quality service felt by the customers is caused by unorganized parking due to limited parking space, limited seat availability, lack of employee performance, lack of employee communication, items are not being neatly arranged, and sometimes the goods are already dusty, the shopping area is not spacious, incomplete goods and less variety of types of goods provided, lack of store convenience, lack of cleanliness of seating area, employees are not friendly, and lack of information on the location of the goods.

Improving the quality of service at Kadaipapi Convenience Store must adapt to new normal habits during the current pandemic. Based on the Decree of the Minister of Health of the Republic of Indonesia No. HK. 01. 07 / MENKES / 382/2020, health protocols need to be implemented in public places and facilities to prevent and spread COVID-19. To improve the quality of service at Kadaipapi Convenience Stores, necessary to pay attention to the application of health protocols in the shop environment. Therefore this research needs to analyze the quality of services at Kadaipapi Convenience Stores by implementing health protocols in public places so that it can be done to improve the quality of service at Kadaipapi Convenience Store.

1.2. Problem Formulation

Based on the research background, the problem formulations in this final project are:

1. How is the service quality at Kadaipapi Convenience Store based on the dimensions of service quality and the implementation of health protocols in public places?

2. What improvements can be made to Kadaipapi Convenience Store to improve service quality by considering health protocols during the COVID-19 pandemic?

1.3. Research Objectives

The objectives of this study are:

1. To analyze the service quality of the Kadaipapi Convenience Store according to service quality dimensions and the implementation of health protocols in public places.

2. To suggest recommendations for improvements that are prioritized to improve the quality of services at Kadaipapi Convenience Store.

1.4. Research Scopes

This research is focused on Gap 5 service quality, i.e., the gap between customer expectations and customer perceptions.

1.5. Outline of Report

The outline of this report are as follows:

CHAPTER I INTRODUCTION

This chapter contains the research background, problem formulation, research objectives, research scopes, and outline of the final project report.

CHAPTER II LITERATURE REVIEW

This chapter contains theories related to research use as a basis and reference in this Final Project's work, including service quality, service quality (SERVQUAL) method, importance-performance analysis (IPA) method, potential gain in customer value (PGCV) method, retail business, and health protocol during COVID-19.

CHAPTER III RESEARCH METHODOLOGY

This chapter contains the stages or steps in the final project research. The research stages consisted of a preliminary survey, literature study, problem formulation, method selection, data collecting and processing, conclusions, and suggestions.

CHAPTER IV DATA COLLECTING AND PROCESSING

This chapter contains data collecting and processing, which consists of summarizing the questionnaire data, respondent background, validity and reliability tests, determination of service quality using the SERVQUAL method, determination of service improvement priorities using the IPA method, and calculation of the PGCV index.

CHAPTER V DISCUSSIONS

This chapter contains the discussions of the service quality of the Kadaipapi Convenience Store according to service quality dimensions and discussion of the improvements for the service quality at Kadaipapi Convenience Store.

CHAPTER VI CONCLUSIONS

This chapter contains conclusions based on the research results carried out and suggestions for further research.