

CHAPTER 1

INTRODUCTION

1.1 General description of IKEA Indonesia

Company Name	: IKEA
Company Address	: IKEA Alam Sutera Jl. Jalur Sutera Boulevard No. 45 Alam Sutera, Tangerang 15320
Business Fields	: Retail Furniture
Telepon and Fax	: 021 2985 3900
E-mail	: cs@IKEA.co.id
Working Hour	: Monday-Friday & Sunday 10.00 – 22.00 Saturday & National Holiday 10.00 – 23.00

IKEA is a furniture retailer for Swedish households. IKEA has 389 stores in 48 countries (August 2016). The IKEA catalog containing IKEA product information is estimated to be a book that has the second largest distribution after the Bible and is usually updated every August. On October 13, 2014, Hero Supermarket, an IKEA license holder in Indonesia, announced the first IKEA outlet in Alam Sutera, Tangerang, Banten, Indonesia. PT Hero Supermarket, Tbk is a franchise holder to operate the IKEA business in Indonesia. IKEA Indonesia is a separate business unit with PT Hero Supermarket Group. IKEA Indonesia has the responsibility to implement the IKEA business concepts and models in Indonesia. IKEA Alam Sutera is the 364th store and the newest from 46 countries in the world.

IKEA store is designed to be friendly for family, because in this place people there are many ideas and inspirations about home furnishing. Besides that people is allowed to touch and try the products, get some meal in restaurant or enjoy the store experience. IKEA pronunciation is /i'ke.a/ like how to read Indonesian but the other widely used pronunciations are / aɪ'ki: ə / like the English word, idea. (IKEA,2018)



Figure 1.1 IKEA Logo

Source : IKEA's Website

The name IKEA is the initial combination of the IKEA founder, Ingvar Kamprad, (IK) with the first letter of the names of the farms and villages where he grew up - Elmtaryd and Agunnaryd (EA). The IKEA logo as seen on figure 1.1 is almost unchanged during the company's history and the 1967 version remains a consistent symbol of the IKEA business.

- **Company Vision and Business Idea**

Vision : To create a better everyday life for the many people.

Idea : To offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.

1.2 Background

For Indonesian economy, the processing industry has the important role. Several industrial sectors are the main source of state revenue, one of the industry sector is furniture industry. Based on the statement of the Minister of Industry on Kabinet Kerja 2014-2016, Saleh Husin, furniture industry development in Indonesia continues to increase in recent years. Then, the development of furniture industry provides an important role in economic growth in Indonesia, which is one of the supporters of economic growth. one of the priority industries that produce high value-added products is the furniture and handicraft industry, competitive as a foreign exchange earner in globally, and able to absorb significant amounts of workforce. The furniture and handicraft industry competitiveness in the global

market lies in the abundant source of natural raw materials, the diversity of local styles, and human resources. (Presidentpost, 2016)

This is supported by the data from Bank Indonesia stating that property growth in Indonesia continues to climb. Property businesses are coming from various sectors, including housing and apartments. As we see at figure 1.2 and 1.3, we know that the business development on property still running well especially for apartment business.

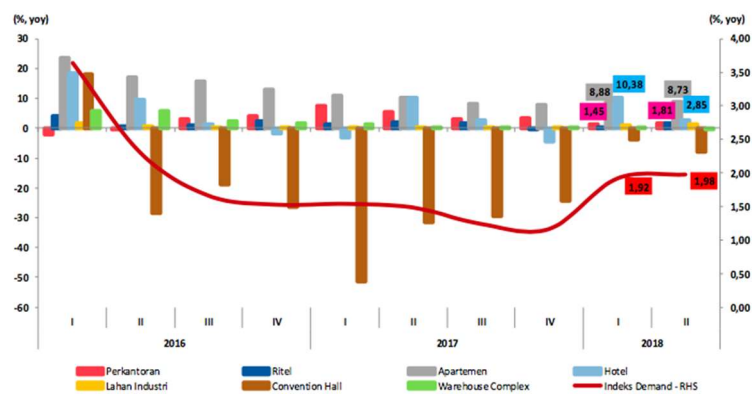


Figure 1.2 Annual growth demand index for commercial property occupancy

Source: Bank Indonesia's Website

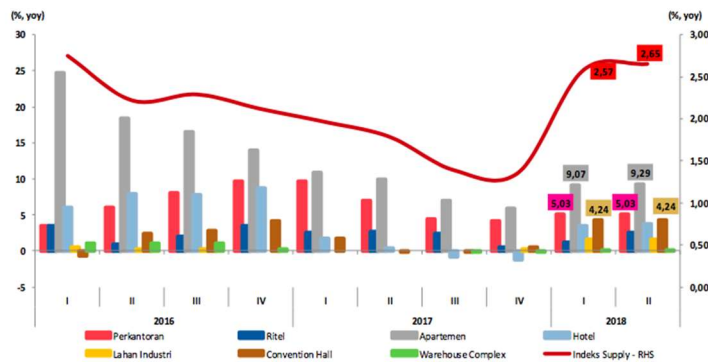


Figure 1.3 Annual growth supply index for commercial property occupancy

Source: Bank Indonesia's Website

One of the profitable business in Indonesia is furniture business. Based on the improving business property in Indonesia the increasing of domestic furniture also needed year by year. (Sindonews, 2018) Based on this situation the furniture business drivers utilized to develop their business. In Indonesia the furniture drivers are divided into two types, which are the modern market and traditional markets. For modern markets it can be exemplified as IKEA, Ace Hardware, Informa, Atria and JYSK. Whereas for traditional markets in the form of furniture entrepreneurs in certain regional areas such as Jati entrepreneurs in Jepara.

IKEA is a Swedish furniture company, which has launched its 364th store in Indonesia. IKEA Indonesia is build on 35,000 square meters of land with parking for 1,200 cars. IKEA building has strategic location which is located right on the left side of the Jakarta-Merak Toll Road with the Kunciran Toll Gate towards Sutera Boulevard Road Number 45, Alam Sutera, Tangerang. The IKEA store has a characteristic blue and yellow architectural design, like another IKEA buildings. According to IKEA Indonesia General Manager Mark Magee, the first IKEA outlet in Indonesia began operating in 2014. (Alexander, 2014). The concept of blue and yellow architecture with a minimalist square shape as a distinctive feature of this retail company is carried by IKEA Indonesia, like another IKEA buildings in various countries. The IKEA building has two floor by presenting 7,000 household furniture products, 55 room settings, and three complete interior settings for houses, apartments and studios. IKEA has experienced a significant sales increase for two years in Indonesia, since it was first launched. Based on Mark Magee statement as the General Manager of IKEA Indonesia which said that initially when IKEA was the first time present in Indonesia, its total visitors reached 1.7 million people. And the number of visitor goes to increase in 2016, total IKEA visitors reached more than 50% to 5 million people. (Fajriana,2018)

According to Keller (2012: 113), consumer purchase intention is how likely consumers are to buy a brand or how likely it is for consumers to move from one brand to another. As is well known that at the moment IKEA has opened a distribution center in Bekasi. This is an IKEA's extension for customers who live in Bekasi and East Jakarta areas to be able to enjoy the convenience of shopping online by taking furniture at that location. According to Eliza Fazia Country Marketing

Manager of Ikea Indonesia, as released by Liputan6.com, Thursday (1/11/2018). IKEA sees a high potential for customer purchase intention, especially in Bekasi and the eastern part of Jakarta which is a residential area. Therefore the IKEA Distribution Point in Bekasi is opened to help the customers by facilitate and bring customers closer to IKEA products and fulfill the furniture demand on that area. (Fajriana, 2018)

This is supported by Rumah.com, which already conducted a survey of the H1-2018 Property Affordability Sentiment Index and found that public interest in the property sector in Indonesia was largely a fulfillment of housing needs. Rumah.com conducted the survey with the Intuit research institute from Singapore. The research showed that 62 percent of respondents were the first house searchers and upgraders, or people who moved to homes with better quality, both in terms of size and location. Meanwhile, the rest 17 percent are investors which are looking for property for businesses. According to Ike Hamdan, Head Marketing from Rumah.com in Jakarta, Thursday (3/29). This explains that the property demand in Indonesia directly affected by the increase of public purchase intention itself. (Putra, 2017)

In order to face this phenomenon, the author has conducted research on 30 IKEA Indonesia customers to understand how high the customer interest with IKEA Indonesia. As seen on figure 1.4, it can be conclude that 67% or 20 peoples choose IKEA Indonesia and 33% or 10 peoples choose another brand such as Ace Hardware, Depo Bangunan, Mitra 10 and AJBS. It shows that IKEA's purchase intention is higher than another brand and it can be affected by store atmosphere, brand awareness and electronic word-of-mouth.

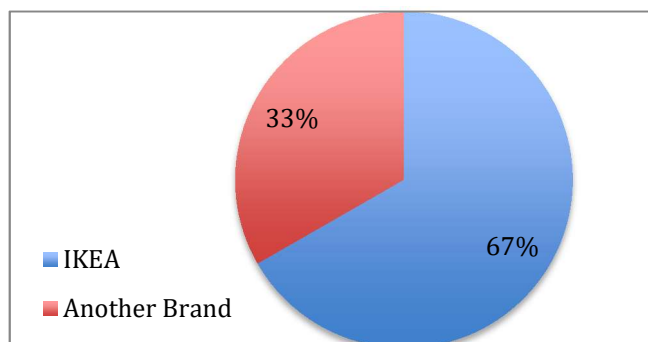


Figure 1. 4 Customer's preference

Source: Distributed questionnaire

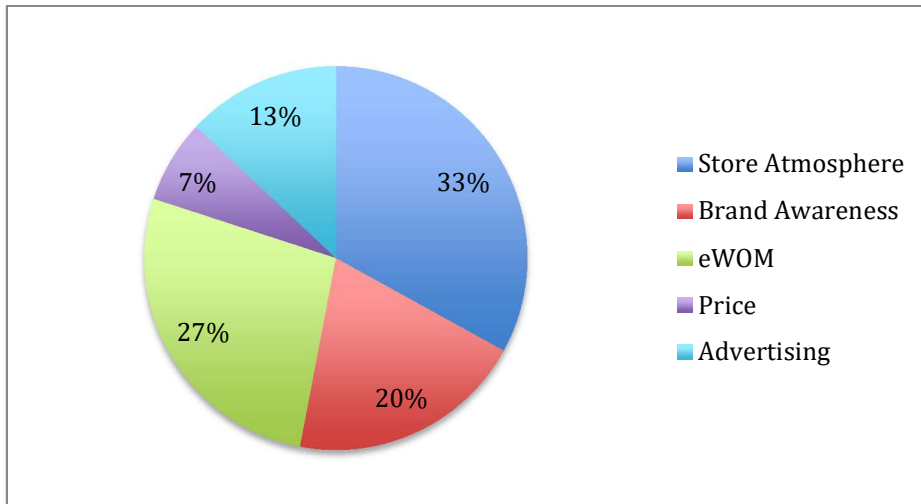


Figure 1.5 Customer's reason
Source: Data Process, 2019

Besides that, the author already conducted a research for 30 customers to know what is the reason they are visiting IKEA Indonesia can be seen on figure 1.5. Based on the research, the data founded that 33% or 10 customers said that they come to IKEA Indonesia because of the store atmosphere design, 27% or 8 customers said that they come to IKEA Indonesia because of the eWOM, 20% or 6 customers said that they come to IKEA Indonesia because of the brand awareness, 13% or 4 customers said that they come to IKEA Indonesia because of its advertising and 7% or 2 customers said that they come to IKEA Indonesia because of the price. It can be the reason for the author to take the three (3) biggest ranked for becoming the variables of this research which are store atmosphere as X1, brand awareness as X2 and electronic word-of-mouth as X3.

Designing store atmosphere is one of the marketing strategies in stores or retail outlets. To be able to attract consumers, and trigger purchases by consumers, store atmosphere design needs to be done. One of the considerations of consumers before deciding to come and visit the store is the safe and comfortable atmosphere. Chen and Hsieh (2010) say the identity of a store can be communicated to consumers through store decoration or more broadly than its atmosphere. The relationship between store atmosphere and purchase intention according of Sunyoto (2015: 210) is a good store atmosphere can provide a good image to the visitors eyes which affected by provide encouragement or stimulus to the visitor to enter the store and carry out the interaction process and make a purchase.

The concept offered by IKEA is quite different from the concept offered by other retailers who have first entered the Indonesian market. Through structuring various types of rooms, such as bedrooms, kitchens, etc, IKEA strives to create a different store atmosphere. An average visit of 5,000 visitors per day or 2.5 million visitors a year is achieved by IKEA consistently (IKEA Website, 2018). Thus IKEA is able to attract consumers with the many visitors who come to IKEA. According to consumers in IKEA Indonesia the innovation in the retail world, by offering concepts that are different from others is the main key to attract the visitors. IKEA has characteristics that are unique compared to other retailers in Indonesia, such as implementing environmentally friendly marketing strategies and creating a different store atmosphere for consumers, so that the emotional side of consumers can be influenced when visiting IKEA.

One of IKEA's superior strategies is to offer a variety of products for home needs with attractive designs, good quality, relatively low prices, and economic value. In addition, IKEA is not only a shop that sells furniture, but has become a network that is categorized as "start up furniture". Consumers can immediately bring home the products they want and assemble themselves at home. IKEA implements a self-service system, where consumers are given the opportunity to design their own space, with experienced sales representative guidance. The layout of the IKEA store is arranged in such a way that the product placement looks similar to the concept of the room at home, so consumers can imagine the placement of products in their own homes as seen in figure 1.6. The visitors are given experience with layouts that are made like home interiors with various themes, they are invited to tour in accordance with a predetermined path according to each zone. Consumers are also given the experience to design their own rooms as desired, buy products according to the forms and materials needed and assemble their own products at home. With the availability of a food court and play area that provides comfort for visitors, making IKEA not only a place to shop, but as a means of family entertainment There are technological applications through cellphones that make it easier for consumers to shop. With this application consumers seem to be able to see and place products in photos of rooms at home, to find out how the product will be seen and whether the product is in accordance with the conditions of existing rooms.



Figure 1.6 IKEA's display room

Source: Personal document

IKEA not only has a attractive interior design, but also as shown in figure 1.7 IKEA has a unique exterior design. The shape of the exterior building IKEA is shaped like a "Blue Box" which is part of its corners there are the words "IKEA" which is highlighted in yellow and paired with a blue building which is sufficient to steal the people's attention who see IKEA building. This "Blue Box" design is a characteristic of IKEA that makes people notice that the blue box building is an IKEA building.



Figure 1.7 IKEA's blue box

Source: IKEA's Instagram Account

Another factors which influences purchase intention is brand awareness. This is supported with the theory of Ayuni (2006) which states that the higher level of

brand awareness, the consumer's purchase intention in the product with the brand increases because the brand is the first to remember. Based on the information conveyed by Eliza Fazia as IKEA's Marketing Manager in April 2016, she said that at that time IKEA was a retail company that had just entered the Indonesian market for several years, causing IKEA not yet known by the Indonesian market and only people living in Alam Sutera, Serpong, Banten are aware of the existence of the IKEA brand because IKEA retail is in Alam Sutera. IKEA choosed Alam Sutera Serpong to build its first outlet on a plot of land with an area of 35 thousand square meters. Apart from being a strategic place, Alam Sutera is a place that fits the selected target area of the customer by IKEA. In 2016, there are around 3-4 thousand visitors to IKEA outlets every day. As a new retail business, this number is considered quite good for IKEA. (Aruman, 2016)Then this phenomenon was reaffirmed by Top Brand, which stated that IKEA had not yet entered the Top 5 Brand list in the Home Appliance and Decoration category on 2018 as seen on table 1.1.

Table 1.1

Top 5 Brand List in the Home Appliance and Decoration Category

Brand	Top Brand Index
ACE Hardware	50.5%
Depo Bangunan	10.7%
Mitra 10	10.6%
AJBS	6.2%

Source: Top Brand's Website

Although people are quite interested in shopping at IKEA, however, since it was first opened until now IKEA has not yet entered the Top Brand Index. Based on the current phenomenon, we know that electronic word-of-mouth (eWOM) contributes to the marketing process. Currently the development of technology and the internet can build word of mouth using electronic media so that word of mouth

does not only occur between two people who communicate directly face to face but can be done by several people from a distance. This is evidenced by the number of business people who currently choose Instagram as an electronic promotional media that will be affected by eWOM. With eWOM, consumers can easily get the information they want because companies can easily provide information about product offers to consumers without any time and distance restrictions. This is a concern for IKEA, with eWOM which can be done by followers through social media, this will encourage conversations that consumers will review and comment on IKEA products that will make the marketing network about IKEA increasingly widespread. As we know, IKEA has an Instagram account with the username "ikea.id". On October 15, 2018, this account already has 493,000 followers. As seen in Figure 1.8. IKEA often posts images of new products and attracts the attention of followers to comment and like the picture. In figure 1.9, we can see that the product reaches 2,358 likes. This shows that customers are quite attractive and pay attention to the product.

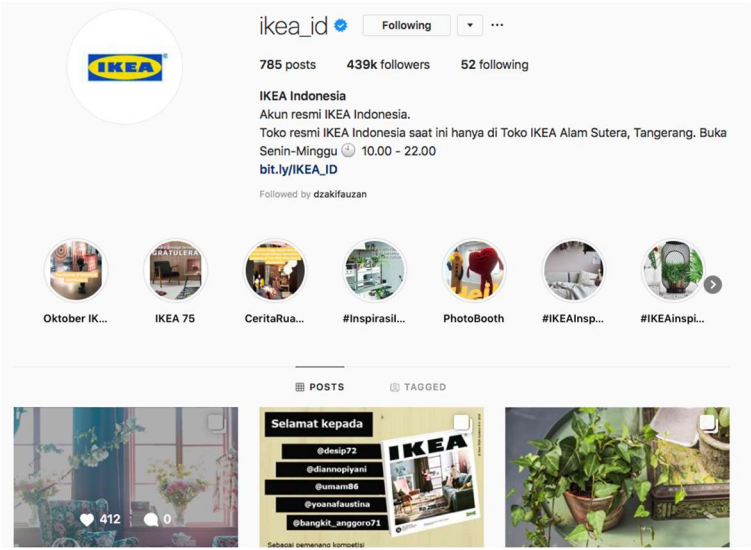


Figure 1.8 IKEA’s Instagram Account

Source: Instagram

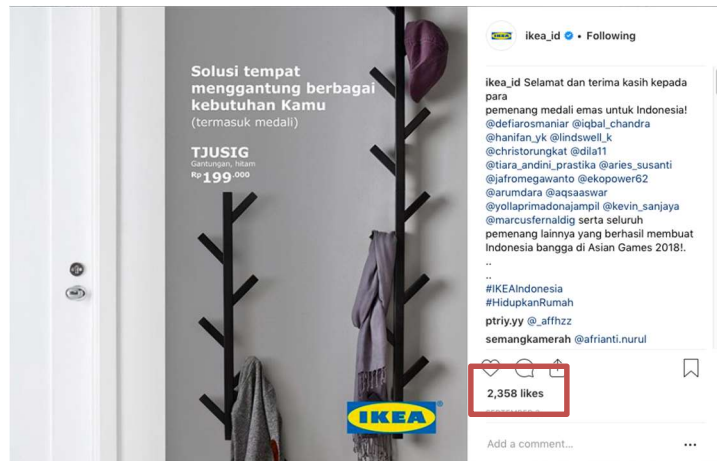


Figure 1.9 IKEA's total like

Source: Instagram



Figure 1.10 Example of eWOM in Rumah Kayilo's Instagram

Source: Instagram

The factors which affect purchase intention besides store atmosphere and brand awareness is electronic word-of-mouth (eWOM). According to Lee *et al.*, every consumer who has consumed a product will give their own assessment of the product and cannot be influenced because it comes from their self, after that if the consumer is satisfied or not satisfied with the consumption of the product then the consumer will tell a review of the product to other people who have accounts on social media, e-mail, blogs or websites that have previously been created. The word of mouth phenomenon is believed to be able to encourage purchases by consumers as well as being more efficient because it does not require a large budget. Word of

mouth is widely used through social media. Social media has evolved from just a forum to connect with family and friends, now it has become a forum for consumers to get company information and products sold. This can trigger an electronic word of mouth process that is how someone talks, recommends, shares information and experiences about a product that is used via the internet. One of them is as in Figure 1.10 illustrates the interaction on Instagram where the account "Rumah Kayilo" recommends the design of IKEA products to their followers, then the followers give positive responses in the form of comments in the comment column.

This research inline with the previous research with title “Analisis Pengaruh Brand Awareness, Brand Association, Perceived Quality dan Brand Loyalty terhadap Purchase Intention Laptop Acer di Ponorogo” created by Guntur Mahendro Putro, with the result that brand awareness, brand association, perceived quality and brand loyalty have positive and significant effect on customer’s purchase intention of Acer Laptop in Ponorogo. The second related research is “Pengaruh Iklan, Electronic Word of Mouth (Ewom), Citra Merek dan Celebrity Endorser terhadap Minat Beli Smartphone Oppo (Studi Kasus pada Pengguna Smartphone Oppo di Wilayah Ciputat Tangerang Selatan)” created by Azhar Ramadhan Margie with the result that electronic word of mouth (eWOM), brand image and celebrity endorser have a significant effect on interest in buying Oppo smartphones for Oppo smartphone users in Ciputat, South Tangerang. The last related research is “Pengaruh Suasana Toko, Promosi dan Lokasi Terhadap Minat Beli di Planet Distro Kota Banjarnegara” created bt Bangun Adi Wibowo, with the result is store atmosphere, promotion and location have a positive and significant effect on consumers' purchase intention of Planet Distro Banjarnegara City .

The independent variables are selected because based on the research from Bangun Adi Wibowo (2015) stated that, the more positive perceptions of store atmosphere, the higher buying interest in consumers. Based on the research by M. Abdul Rosyid Lubis (2016), stated that store atmosphere variables have a significant influence on customer word of mouth. Variable word of mouth customers have a significant influence on customer purchase intention.

Based on the explanation above, researchers are interested in researching "The Influence of Store Atmosphere, Brand Awareness, and Electronic Word of Mouth (eWOM) towards Customer Purchase Intention of IKEA Indonesia"

1.3 Problem Statement

Based on the background that the author has described, there are a number of issues affecting consumers' buying intention at IKEA Indonesia furniture store. Some problems indicate that buying intention can be influenced by several factors. These factors include store atmosphere, brand awareness and E-WOM.

1. How is the store atmosphere at IKEA?
2. How is the brand awareness at IKEA?
3. How is the eWOM at IKEA Indonesia?
4. How is the customer purchase intention at IKEA Indonesia?
5. How store atmosphere affects purchase intention at IKEA Indonesia?
6. How brand awareness affects purchase intention at IKEA Indonesia?
7. How eWOM affects purchase intention at IKEA Indonesia?
8. How store atmosphere, brand awareness and eWOM affect purchase intention at IKEA Indonesia?

1.4 Research Objective

The objectives of this research are:

1. To understand the store atmosphere at IKEA Indonesia.
2. To understand the brand awareness at IKEA Indonesia.
3. To understand the E-WOM at IKEA Indonesia.
4. To understand the customer purchase intention at IKEA Indonesia.
5. To understand how store atmosphere affects purchase intention at IKEA Indonesia.
6. To understand how brand awareness affects purchase intention at IKEA Indonesia.
7. To understand how E-WOM affects purchase intention at IKEA Indonesia.
8. To understand how store atmosphere, brand awareness and E-WOM affect purchase intention at IKEA Indonesia simultaneously.

1.5 Research Benefit

1.5.1 Theoretical

For writers, it is expected to be able to increase knowledge about store atmosphere, brand awareness, E-WOM and its relationship with consumer buying intentions as learned during lectures. For other parties, it is expected to provide information and additional knowledge and can be used as a comparison or reference material in conducting more in-depth research in the field of marketing, especially regarding the effect of brand awareness, store atmosphere, E-WOM towards customer purchase intention at IKEA Indonesia home furnishing store

1.5.2 Practical

The company is expected to be useful consideration and information about store atmosphere, brand awareness, E-WOM and its relationship to consumer purchase intentions at IKEA Indonesia home furnishing stores.

1.6 Writing Structure

The systematics of writing this final report contains an explanation as follows :

CHAPTER I INTRODUCTION

This chapter describes the background of the problem, the formulation of the problem, research objectives, research usefulness and writing systematics.

CHAPTER II LITERATURE REVIEW

In this literature review outlined the theoretical basis used as the basis of research analysis, previous research, and research framework.

CHAPTER III RESEARCH METHODS

This research describes the types and sources of data, methods data collection and analysis methods.

CHAPTER IV RESEARCH RESULTS AND DISCUSSION

This chapter will describe the description of research objects, data analysis and discussion of the results of data processing.

CHAPTER V CONCLUSIONS AND SUGGESTIONS

Closing In this chapter contains conclusions from the research that has been conducted and suggestions that can be given to the company and other parties in need.