

CHAPTER I

INTRODUCTION

1.1 General description of IKEA Indonesia

Company Name	: IKEA
Company Address	: IKEA Indonesia Jl. Jalur Sutera Boulevard No. Kav.45, RT.002/RW.002, Kunciran, Kec, Pinang, Kota Tangerang, Banten 15320
Business Field	: Retail Furniture
Telephone	: (021) 2985 3900
Email	: cs@ikea.co.id
Website	: https://www.ikea.co.id/in
Working hour	: Monday - Friday & Sunday 10.00 - 22.00 Saturday & Public Holiday 10.00 - 23.00

IKEA (Sweden: [i²ke:a], / aiki:ə /) is a furniture retailer for households from Sweden. In August 2016 there were 389 IKEA stores in 48 countries in various parts of the world. The IKEA catalog which contains IKEA product info is usually updated every August. On October 15, 2014, Hero Supermarket, an IKEA licensee in Indonesia, opened the first IKEA store in Alam Sutera, Tangerang, Banten, Indonesia. IKEA Alam Sutera is the 364th and newest store from 48 countries in the world. This outlet is the only IKEA outlet in Indonesia, and there are also IKEA Distribution Points throughout Indonesia. IKEA has also established cooperation with local industries in Solo, Central Java by taking raw materials and craftsmen in Solo and Yogyakarta. These local products will be marketed by IKEA to the international market.

The IKEA concept starts with the idea of providing a variety of affordable home furniture products not just for a few people but for many. This is achieved by combining function, quality, design and value - always with sustainability thinking. The IKEA concept exists in every part of the company, from design, resources, packaging and distribution through the IKEA business model. The aim is to help more people live a better life at home. The IKEA concept lives in many ways: Through our

stores around the world, IKEA catalog, through sites and applications, and most importantly in millions of homes worldwide.

The IKEA shopping experience introduces the Do-It-Yourself (DIY) concept to the Indonesian customers, where customers are required to pick the product by themselves, bring it home by themselves and also assemble the product themselves. Alternatively, customers have the choice for this service with an additional fee. IKEA products are packaged in flat packages, so that the DIY concept can be applied and makes prices more affordable.



Figure 1. 1 IKEA Logo

Source: dezeen.com

The name of the company was inspired by its founder. The letters I and K are the initials of Ingvar Kamper, meanwhile, E is the first letter of his family's farm, Elmataryd, and A is Ingvar's birthplace, Agunnaryd. As for the IKEA logo, it is currently listed as one of the most popular logos in the Mabel industry. Thick and elegant letters impart a strong and modern company image. Regarding the yellow and blue colors in the IKEA logo, it is influenced by the basic colors of the Swedish national flag. Aggressive writing on the logo with Futura typeface, combined with contrasting colors make the logo really stand out as seen in figure 1.1. (Viva, 2016).

1.1.1 Vision & Business Ideas

a. Vision

“Creating a better everyday life for many people”

b. Business Ideas

Offers a variety of well-designed, functional home furniture products at very low prices so that as many people as possible will be able to afford it"

1.2 Research Background

At present the business in Indonesia is experiencing quite good development, including developments in the retail business. In Indonesia the retail business itself is divided into two, traditional and modern retail. Developments in the retail business are not only in the food and beverage sector but also in the furniture sector. Retail businesses in Indonesia compete online and offline to keep up with changing consumer lifestyles.

The development of the retail business in Indonesia can be proven by the total population of Indonesia which reached 267 million in 2019. This is an opportunity for retail businesses in Indonesia to develop properly, coupled with a fairly large number of middle-class people. Based on the statement of the Minister of Finance in the morning discussion session in Tjikini Lima, Sri Mulyani Idrawati, the middle class will have an impact on the Indonesian economy, especially in terms of demand and lifestyle. Where lifestyle becomes important for the middle class and can bring up the market. (Kemenkeu.go.id, 2019).

According to the CEIC website, data for the period of 2011-2019 shows retail sales growth in Indonesia an average of 9.5% per month. Where the highest growth rate is 28.2% and the lowest growth rate is -5.9% (ceicdata.com, 2019). The development of modern retail business in Indonesia in recent years has turned out to be phenomenal in Asia, especially among developing countries. Indonesia is ranked as the third best retail market in Asia. Condition like this requires every company engaged in retail for always doing various strategies in order to win the hearts of consumers. Because although the products offered are complete and varied, if consumers do not feel satisfied with the service, price, and facilities offered consumers will turn to competitors.

The growth of the retail business in Indonesia also supports an increase in property sales due to property demand coming from various sectors, including retail. According to Ali Trangganda as a property observer from Indonesia Property Watch (IPW), said that the occupancy rate in the shopping center property sector is still 80% and above (Medcom.com, 2019). Property growth does not only occur in the shopping center property sector, but also the growth in residential property sector can be seen in table 1.1.

Table 1. 1
Growth in The Residential Property Sector

House Category	2018 (4th quarter)	2019 (1st quarter)
Small	12,28%	30,13%
Big	24,16%	24,56%
Intermediate	13,46%	13,33%

Source: databoks.katadata.co.id

Based on the above data it can be concluded that the growth in the property industry is running stable in the shopping center property sector and increasing in the residential property sector. This is an opportunity for companies engaged in property to be able to develop.

In Indonesia itself there are already many players in the furniture retail business, but for its own competitiveness it is dominated by one retail company engaged in household furniture and utensils originating from the United States and has been operating in Indonesia since 1995. Can be seen in the table 1.2 Top Brand Award below, retail business competition in Indonesia, Ace Hardware is followed by several retail companies engaged in household furniture and utensils but Ace Hardware still dominates in the furniture retail industry.

Table 1. 2
Top Brand Award 2019 Supermarket Category
Home Appliance and Decoration

Brand	Top Brand Index
ACE Hardware	44.6%
TOP Depo Bangunan	14.2%
TOP MITRA 10	12.7%
TOP AJBS	5.9%

Source: Topbrand-award.com, 2019

Companies must create competitive advantage to distinguish it from competitors to get the market. In the retail furniture business, the differentiator can be done in terms of creating an attractive shopping experience while still improving the quality of shopping. Distinguish from competitors not only in terms of location selection and merchandise mix.

In addition to Ace Hardware and others, new arrivals appeared in 2014, a Swedish company that was engaged in home furnishings and furnishings that offered a different concept, namely IKEA, emerged. On October 15, 2014, IKEA Indonesia opened the first outlet in Alam Sutera and became the only IKEA outlet in Indonesia, where Hero Supermarket became the IKEA licensee in Indonesia. IKEA Alam Sutera is the 364th store of which has spread to 48 countries in the world. The IKEA Alam Sutera store has an area of 35,000 square meters and 1,200 car parks are available as facilities for consumers. Located on Jl. Jalur Sutera Boulevard No.45 (Hero.co.id, 2014).

Although IKEA is not listed in the Indonesian Top Brand Award, IKEA already has a market in the field of household furniture and utensils in the world as evidenced from table 1.3 below. Where IKEA ranks 4th after Walmart, Home Depot and followed after by CVS and Zara in the 2019 retail category by Forbes Magazine. IKEA gets a brand value of \$ 15.3B and a Brand Revenue of \$ 45.8B. This is something that IKEA can be proud of and is one of the reasons consumers believe in using IKEA products.

Table 1. 3
The World's Most Valuable Brands Award
Forbes Magazine Version Retail Category

World Rank	Retail Industry Rank	Brand	Brand Value (In Billion Dollars)	Brand Revenue (In Billion Dollars)
26	1	Walmart	\$26.3	\$348.5
32	2	Home Depot	\$18.1	\$108.2
39	3	IKEA	\$15.3	\$45.8
45	4	CVS	\$13.7	\$194.6
46	5	Zara	\$13.5	\$21.3

Source: Forbes.com, 2019

IKEA is a newcomer to the retail industry in the field of household furniture and utensils but the enthusiasm of the Indonesian people at IKEA can be proven when IKEA opens on the first day, the number of visitors reaches 17,000 people on the first day of operation. The number is divided into two areas, namely 11,000 IKEA shop visitors and 6,000 IKEA restaurant visitors (Kompas.com, 2014). This is a good thing for IKEA which has just entered the Indonesian retail industry market, IKEA can attract enthusiastic visitors to come directly to the IKEA Alam Sutera store.

IKEA takes a "Democratic Design" approach. where form, function, quality, sustainability and affordable prices are all integrated into the product, and are friendly to everyone, even children. And also IKEA introduces a concept called Do-It-Yourself (DIY) to Indonesian customers, customers have to take it, take it home and assemble it themselves, this is also included in cost savings, IKEA provides a service not to self-assemble at additional costs (Hero.co. id, 2014). This makes IKEA a unique furniture retail company. IKEA offers a different concept that can attract consumers' attention emotionally where IKEA invites its customers to participate in the buying process where IKEA requires its visitors to pick up the items they want to buy, after that they have to assemble them themselves until they are ready to use. Based on

Marketeers.com, there are several reasons IKEA is a unique brand that is hard to replicate. First, IKEA offers consumers the choice to self-assemble the goods they have purchased. Second, all IKEA activities are consistently connected to one another so that the products are difficult to replicate. Third, IKEA implements the creation of a product catalog.

According to Kotler (2014: 150) customer satisfaction is a feeling of pleasure or disappointment that arises after comparing the performance (results) of the product thought to the expected performance (or results). Based on these definitions it can be concluded that IKEA approaching with a different concept is to achieve the satisfaction of their customers, which is to create feelings of pleasure. Evidenced by interviews with IKEA operational managers, 81% of IKEA customers said they were satisfied with the services provided and the products offered by IKEA. They also feel happy coming to IKEA. (Based on interview with operational manager IKEA Alam Sutera)

Research Yang and He (2011) examined customer experience include three dimensions, that is, Sensory Experience, Emotional Experience, and Social Experience. In terms of the dimensions of customer experience, higher sensory experience leads to a higher emotional experience and a higher social experience, while the impact of emotional experience on social experience is insignificant. Similar research was conducted by Trini and Salim (2018) regarding the effect of Customer Experience on Customer Satisfaction. The results of this study stated that Customer Experience has a significant effect on customer satisfaction. In addition, Agarwal and Singh (2018) also conducted research on Customer Satisfaction in the retail business. This research is the first of its kind that has been conducted on Indian unorganized retail settings covering issues of retail experience, customer satisfaction, and behavioral intention together in a single model. The research revealed that four factors: customer shopping motivation, sales associates, retail ambience, and product assortment had a significant impact on retail experience of unorganized shoppers. However, only product assortment and customized services / relationships have a significant positive influence on customer satisfaction. The results also showed a significant relationship between retail experience, customer satisfaction, and behavioral intention.

The experience that consumers feel when visiting a retail store is considered by today's consumers in choosing. So that customer experience needs to be the

attention of managers in satisfying their customers so they can win the competition. In general, customer experience refers to the perception of the customer itself, as well as the interpretation of all aspects encountered when interacting or visiting a company or retail. Therefore, customer experience in a company is not only about customers who just want to buy a product but also relates to the atmosphere inside or outside the company or retail, cashiers, and even other customers. This is a design from the management of a company to provide stimulation and attention to visitors and customers, so that they have customer experience and memories of a company itself. Until when they will visit again, they already have memories and perceptions and emotional reactions that provide an assessment of a company or retail that he has visited. Dyki and Sutrasawati (2016: 72). IKEA creates a retail atmosphere that can be enjoyed by its customers, ranging from parking lots to interior design in its own building. IKEA customers can enjoy their shopping time without hurry because they are served by a unique and attractive building design. Not all customers who come to IKEA aim to shop, there are some people who come to IKEA just to see, feel the atmosphere at IKEA, and spend time with family or partners, or even just to enjoy the menus offered at restaurants. Vice.com conducted a survey by asking a few questions to several couples who came to IKEA. Like Selsi and Pandu, visit IKEA 3-4 times a month, the reason they visit and feel comfortable at IKEA is to look around because the display arrangement is neatly arranged. Farah and Nata, the reason they visit IKEA is to eat at the cafe and look around. Adit and Cindy, the reason they visit IKEA is to have lunch and just look around, but to buy the product it is seldom (vice.com, 2018). It's proven that IKEA has succeeded in creating an atmosphere that can invite customers to come to its store.

According to Schmitt (in Chandra, 2014) identified five different types of experiences: sensory experiences (sense), affective experiences (feel), creative cognitive experiences (think), physical experiences, behaviors and lifestyles (act) and social-identity experiences that result from relating to a reference group or culture (relate). According to Verhoef et al (in Chandra, 2014) generated the dimensions for customer experience from these five types of experiences (1) sensory experience is the aesthetic and sensory perceptions about the shopping environment, atmosphere, products and services. In other words, sensory experience focuses on the human five senses, such as customer's sight, hearing, smell, touch, and taste. Human five senses

cannot be measured directly, but through the reaction of people, which results have been proven. (2) emotional experience, it includes the moods and emotions generated during the shopping trip. Therefore, it is described as how a company is able to create emotions and how it can be explained based on response, central, cognitive, and arousal theories. (3) Social experience emphasizes the relationships with others and society, every social experience could create impacts toward individual in the socializing procedure through family, schooling, peer groups, and mass media. Basically, the dimensions represent the five types of experience. Therefore, companies, which apply these dimensions able to get the customers sense, feel, think, act, and relate.

Lots of experience offered by the IKEA store to its customers. First sensory experience, from the beginning customers enter the IKEA Alam Sutera area, customers get free parking facilities, then from the building, IKEA wants to show the characteristics of its company so that customers can easily spot the IKEA building and attract the attention of people who pass by, where the building is dominated by the blue color with the IKEA brand in yellow, can be seen in figure 1.2



Figure 1. 2 IKEA's Exterior Look

Source: ekbis.sindonews.com

It is not only IKEA's exterior design that attracts customers' attention, the interior design is also no less interesting, IKEA has a top floor for a showroom, IKEA provides an experience to their customers by providing inspiring display rooms, can be seen in figure 1.3. customers are allowed to see and try the products they want to buy, such as mattresses, sofas and others. IKEA also inspires its customers to design their homes by providing these room settings. Before that, customers can take a catalog

to facilitate customers in the shopping process. Because IKEA's approach is self-service, customers must record the code of the goods they want to buy and take in the self-service area on the ground floor. the lower floor is a self-service area, seen in figure 1.4. Customers can pick up their own goods that have been seen and recorded the code in the display room.



Figure 1. 3 IKEA's Display Room

Source: Smartmama.com



Figure 1. 4 IKEA's Warehouse

Source: Tripadvisor.co.id

According to the researchers' observations, IKEA also offers quality products and a wide variety of models and colors, as well as basic materials whose quality is guaranteed. IKEA has several color choices with the same product model Can be seen in figure 1.5, This makes IKEA can include customers with different tastes, interests or characters.

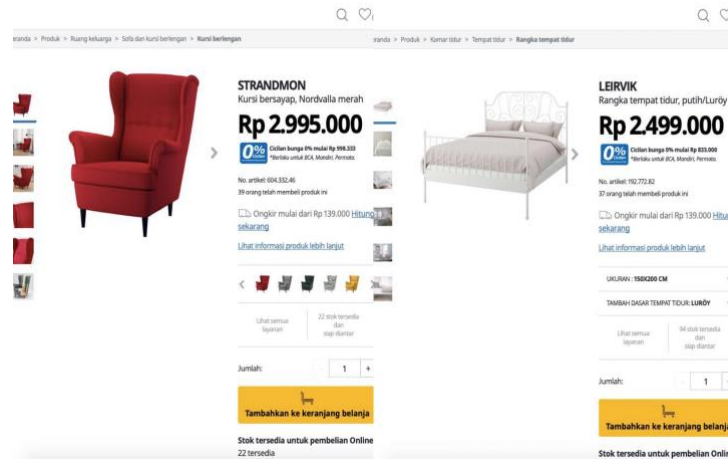


Figure 1. 5 IKEA’s Products

Source: Ikea.co.id

Emotional experience, customers will enjoy their shopping process at IKEA, because they can feel the interesting and different atmosphere offered by the IKEA Alam Sutera retail store. Coupled with the IKEA store design that makes customers not bored to visit it again. The display room provided by IKEA gives customers confidence in the quality offered by IKEA in accordance with the money they spend on the product and the do-it-yourself (DIY) approach introduced by IKEA makes the customer feel involved in every. customers are required to take, bring home, and assemble the goods they buy and IKEA encourages consumers to become more familiar with the products offered by IKEA so consumers want to have his. IKEA offers experience involving its customers to solve problems with a self-service approach that is introduced, through this approach IKEA invites its customers to think creatively to produce positive things. With the concept offered by IKEA, its customers will get something more than they expected, this is what makes their customers satisfied. The concept offered by IKEA can also increase customer curiosity, this curiosity that can lead to purchases by its customers. This trust also arises from the "Democratic-design" approach offered by IKEA, IKEA claims its products are

friendly to everyone, including children. consumers also have good interactions with employees, employee friendliness in helping consumers.

Social experience, with the store design offered by IKEA, IKEA also offers a social experience to its customers, as evidenced by the many customers who take photos in the IKEA Alam Sutera store, this is one example of IKEA's social experience, customers who do an OOTD photo in the IKEA store will post it to their social media, this is done by them to make them look cool because they have visited IKEA. can be seen in figure 1.6. IKEA makes people who use their products feel like they have a modern lifestyle. Besides that, IKEA also creates social experience for its customers through environmentally friendly shopping bags called "Blue Bag" can be seen in figure 1.7. customers must pay IDR 9,900 to get the "Blue Bag" shopping bag. In exchange for the money paid, IKEA formed the Blue Bag Project CSR (Corporate Social Responsibility) program. Ririn Basuki as IKEA Trading Indonesia's Public Relations Responsible said that the money was returned to the community in the form of providing septic tank installations in several areas in Jakarta. Penjaringan in North Jakarta received this assistance in October (republika.co.id, 2015). This creates an image in the eyes of customers that IKEA is an environmentally friendly brand, and customers will feel they have contributed to protecting the environment.

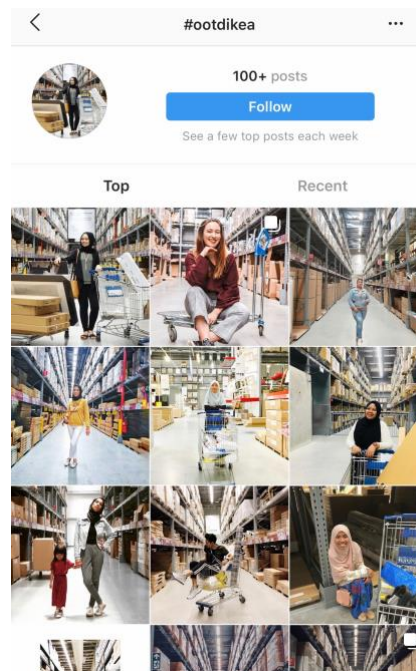


Figure 1. 6 Instagram Hashtag

Source: Instagram



Figure 1. 7 IKEA's Blue Bag

Source: ikea.co.id

This makes IKEA crowded, not only because visitors just want to shop but also feel the experience offered by IKEA. all of that will make the shopping process at IKEA fun. Plus, the availability of restaurant facilities that offer a variety of delicious food, one of which is a mainstay menu that interests visitors is Swedish Meatball with Cream Sauce (Kumparan.com, 2019), can be seen in figure 1.8. It also supports IKEA being visited.



Figure 1. 8 IKEA's Swedish Meatball with Cream Sauce

Source: Pergikuliner.com

Researchers conducted a pre-research survey of 30 respondents to find out the customer's experience of shopping at IKEA Alam Sutera. The six items presented were modified by author from Ayuningtias (2019) research on Retail Service Quality and Customer Satisfaction. The results of the pre-research survey recapitulation can be seen in the following Table 1.4.

Table 1. 4
Research Pre-Questionnaire Results

No.	Statement	The answer	
		Yes	No
1	The IKEA layout makes it easy to find what consumers need	20	10
2	IKEA provides services right from the start	18	12
3	IKEA employees foster consumer confidence	9	21
4	IKEA employees are able to handle consumer complaints as soon as possible	14	16
5	IKEA provides a convenient parking location	23	7
6	I am satisfied shopping at IKEA	16	14

Source: Processed Researcher, 2019

Based on Table 1.1, statements regarding Retail Service Quality are stated from number one to five. There were 21 respondents who stated that IKEA employees did not foster trust in consumers. There are 16 respondents who stated that IKEA employees have not been able to handle consumer complaints with as soon as possible. Statement number six regarding Customer Satisfaction shows 14 respondents who stated they were not satisfied when shopping at IKEA. Based on these results, it can be concluded that there are still consumers who are not satisfied with the services provided by IKEA from the experience felt by consumers.

Not only from the results of the pre-research survey research, researchers conducted data searches on consumer complaints about Customer Satisfaction at IKEA Alam Sutera by digging information through consumer media websites where Indonesians can exchange complaints about their experience shopping at a company. IKEA consumer complaint data can be concluded about poor after-sales service, disappointment with customer service, delivery time that cannot be flexible, and traffic bumps that can damage the car. According to Ebrahim, who posted on the website <https://mediakonsumen.com> on March 13, 2017 stated that his complaint was disappointed with the inconsistent customer service regarding after-sales service for the availability of replacement parts for damage to goods sold by IKEA. Another

complaint was delivered by Lintang on May 15, 2017 regarding Traffic Bump or speed bumps in front of IKEA Alam Sutra is too steep to be made to reduce vehicle speed. But IKEA Alam Sutra did not consider the damage to the vehicle from the impact of the Traffic Bump. This indicates that IKEA customer satisfaction is not at its maximum target, so it does not match the popularity of its brand.

This research in line with previous research that conducted by Muhammad Iqbal Azhari, Dahlan Fanani, M. Kholid (2015) with title "*Pengaruh Customer Experience Terhadap Kepuasan Pelanggan Dan Loyalitas Pelanggan (Survei Pada Pelanggan KFC Kawi Malang)*" the result of this research shows that KFC Kawi Malang Customer Experience has a direct influence on customer satisfaction, then Customer Experience has positive affect on Customer Loyalty and customer satisfaction has positive affect on customer loyalty . This research is appropriate to the phenomenon that have been explained by the author before.

Based on this background, the authors are interested in researching more deeply by taking the title of the study "The Effect of Customer Experience towards Customer Satisfaction at IKEA Alam Sutra"

1.3 Formulation of Problem

Based on the background of the problem above, the formulation of the problem in this study is:

1. How Customer Experience at IKEA Alam Sutra?
2. How Customer Satisfaction at IKEA Alam Sutra?
3. How does Customer Experience influence Customer Satisfaction at IKEA Alam Sutra?

1.4 Research Purpose

Based on the formulation of the problem above, the objectives of this study are as follows:

1. To find out and analyze Customer Experience at IKEA Alam Sutra.
2. To find out and analyze Customer Satisfaction at IKEA Alam Sutra.
3. To find out and analyze the influence of customer experience consisting of Sensory experience, emotional experience, and social experience together to customer satisfaction at IKEA Alam Sutra.

1.5 Research Benefit

The benefits of this research are as follows:

1. IKEA company

It is hoped that this research can be a suggestion for companies to develop Customer Satisfaction through Customer Experience consisting of variables of sensory experience, emotional experience and social experience.

2. Researcher

With this, researchers are expected to increase understanding of the effect of each Customer Experience variable on Customer Satisfaction.

3. Other Researchers

It is hoped that the results of this research can become knowledge and references for future studies.

1.6 The Scope of Research

1.6.1 Location and Object of Research

This research was conducted at IKEA with its address at Alam Sutera, Tangerang, Banten, Indonesia

1.6.2 Research Time and Period

This research took place in October 2019 until March 2020. With the time period of the study it is expected to produce a conclusion that answers the questions of the problems that exist in this study.

1.7 Writing Structure

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

CHAPTER I INTRODUCTION

This chapter contains an overview of research objects, research background, research questions, research objectives, research uses, and writing structure.

CHAPTER II LITERATURE REVIEW

In this chapter, the theories that will underlie and relate to research will be elaborated. This chapter will also outline a number of discussions on previous research that have addressed the same problems as this research.

CHAPTER III RESEARCH METHODS

This chapter contains research methodologies namely data collection methods and analysis methods to prove the hypotheses that have been arranged.

CHAPTER IV RESEARCH RESULT AND DISCUSSION

This chapter contains the characteristic of respondents, the result and discussion of research.

CHAPTER V CONCLUSIONS AND SUGGESTIONS

This chapter contains the conclusions and suggestions of the research.