

# **CHAPTER I**

## **INTRODUCTION**

### **1. Background**

One of the keys of success in service business industry is maintaining the customer loyalty. The behavioral loyalty commitment and repurchase intentions were the main instruments of service loyalty (Patterson, 2007). By having a loyal customer who routinely using the services it will bring a lot of positive effects for the business such as greater brand image, increasing company profit and as an indirect marketing tools such as spreading the positive words of mouth. Maintaining existing customer and building the customer loyalty is one of the important challenges for the company especially in service industry (Dwyer & Tanner, 2009). It is very important to the company to know what the customers needs and wants in their business in term of products/business services quality and customer service quality (Dwyer & Tanner, 2009).

To creates a customer loyalty, first of all services industry must improve their service quality and makes the customer satisfy for the service quality. This is the main thing to create a loyalty and also to create a strong business in the service industry (Dwyer & Tanner, 2009). There are three main factors that motive for loyalty in a specific brand or service, which is, Social benefits, Special treatment and Confidence benefits (Patterson, 2007). Practioners and academics agreed that most effective strategy to be succeeded in today market placed is by creating and maintain satisfaction in term of purchasing activities and customer service quality that leads to customer loyalty (Dwyer & Tanner, 2009).

Every customer has their own characteristic and each character of the customers has a different needs and different considerations in every purchasing decision (Patterson, 2007). The characteristic can be divided into several parts; one of them is customer demographic. Customer demographic is including gender, ages, occupation or culture. In this thesis, the scope of the study is the effects costumer ages, gender and occupation to the customer loyalty in Jakarta services industry.

It is important to know the details needs and expectation for the company target market or the company existing customer. This strategy is aim to build the customer loyalty for the services and eventually will bring a positive effect to the company by having a loyal customer in different age, gender and occupation segment. That is the main reason why it is important to do this research.

The reason why is important to do the research is, by knows the details what the customers needs and wants in different demographic characteristic, the companies will have a potential to get loyal customers in different age, occupation and gender. These will lead the companies to expand their business scope and increase their profit by having a lot of new customers in different background. The companies will also know what the effective and efficient way to approach the target customers in different demographic segment and also to builds an effective and efficient marketing strategy to improve the business in services industry.

In this paper, the author wants to conduct a research to analyze the effects of customer age, gender and occupation on customer's loyalty in Jakarta services industry. The author is focusing the research in two types of services, which is High contact services and Medium contact of services. The author is interested in making a research in these two different types of the services industries, because both high and medium contact services have different ways in term of service interaction with the customers. Which also relates to the different customer loyalty point of view for the services itself. This matter also will relates to the customers expectation from the company or what kind of benefits the customer is willing to get during the service experience (Patterson, 2007). The author is only choosing High contact and Medium contact services as a focused services industry type based on the original research. There are some differences between High contact services and Medium contact services in the actual business activities, which also need different strategies to running and improve the business.

The high contact services are more as a one on one service, which means one-employee handle one customers. The example of high contact services is, hairdresser industry, massage therapy industry, and dental industry (Patterson, 2007). On the other hand, in medium contact services, the customers have less contact with the

employee during the services. The example for medium contact services is, travel agents industry and dry cleaner industry (Patterson, 2007). The major differences between High contact and Medium contact in high contact service, the customer must be part of the system and the service cannot be done if the customers is not participate during the service. Medium-contact system is when customers are not or not directly in contact with the any services while the service is performed and the service can be done if the customers is not participate during the services (Hawkins, Mothersbaugh & Best, 2007).

The industries that author choose for the High contact service is Hairdresser industry and Massage therapy industry in Jakarta. For the Medium contact service is Travel agents industry and Dry cleaner industry in Jakarta. The main reason why the author chooses Hairdresser industry and Massage therapy industry for the High contact service is because there is a lot of classification and type for both industries. Both Hairdresser and Massage therapy service is available for male and female customers; the services are available for all age's customers and can match with a lot of criteria of occupation. The same situation also appears in the Medium contact services, which is Travel agents and Dry cleaner industry in Jakarta.

### **1.1 Service Industry Background in Jakarta**

In this research, the author use two types service industry, which is High contact and Medium contact. Hairdresser and Massage therapy is a focus study for High contact service industry in Jakarta. In the other hand, Travel agents and Dry cleaner is a focus study for Medium contact service. All these four industry are as a benchmark for the research in service industry in Jakarta. This customer's minimal age scope for this research is 18 years above.

Nowadays, service industry in Jakarta especially in hairdresser, massage therapy, travel agents and dry cleaner is has their own classification in the industry. The classification is in term of target market that relates to the customer demographic, culture, social strata and financial ability in the market. In each industry, they have the company that focused in every segment or business types, for example focused in the high-end class or low budget industry. These are the discussion and explanation about

the industry background and situation for hairdresser; massage therapy, travel agents and dry cleaner industry in Jakarta.

### **1.1.1 Hairdresser Industry**

Nowadays, a lot of hairdresser in Jakarta is available for male and female customers also for all ages (above 18 years old). Mostly, hairdresser divided their industry to a high-end class, medium class and budget/lower class. They offering the same type of treatment but with a different quality of service and also a different quality of products used during the service for example Shampoo, Hair gel, etc. (Chandra, 2010). These are the following market segmentation examples of hairdresser business in Jakarta:

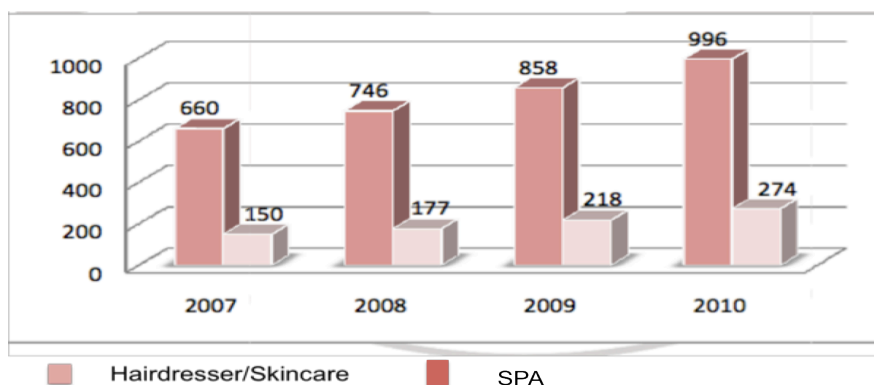
High-end Hairdresser	: LuVaz and Peter F Saerang,
Medium class Hairdresser	: Haircode and Johny Andrean
Lower class/budget	: Household Industry or unknown brand (not well known)

One of the important measurements of the class classification in hairdresser industry besides the range of price and services quality is the location of the hairdresser (Chandra, 2010). The high-end hairdresser located in premium or prestige location than the medium class or lower class budget (Chandra, 2010).

**Table 1.1 Hairdresser Service Price in Jakarta**

No	Hairdresser Outlet	Haircut Price Range ( May 2012)	
		Man	Woman
1	LuVaz Pondok Indah Mall (High-end)	Rp. 242.000	Rp. 242.000 – 363.000
2	Peter F. Saerang Pondok Indah Mall (High-end)	Rp. 110.000 – 125.000	Rp. 185.000 – 210.000
3	Christopher Pejaten Village (Medium class)	Rp. 35.000	Rp. 50.000
4	Johny Andean Blok M Plaza (Medium class)	Rp. 50.000	Rp. 57.000
5	Kartika Salon Tanjung barat (unknown/low class)	Rp. 8.000	Rp. 15.000

**Source:** The authors check the price directly to the services outlets.

**Figure 1.1 Jakarta Hairdressers/Skin Care and SPA Industry Growth (2007-2010)**

**Source:** Marketing Magazine: *Spire Research and Consulting Market Analysis*

From the Figure 1.1, we can see the growth of Jakarta Hairdressers/Skin Care and SPA Industry Growth per year. The number in each year tells how many Hairdressers/Skin Care and SPA outlets opens in Jakarta. Every year both Industries in Jakarta are always increasing. The average of growth is between 15-25% per year from 2007 to 2010. This shown, Hairdresser has a good growth in Jakarta business

industry. The update data in 2010 there is total 996 outlets for hairdresser/skincare industry.

### 1.1.2 Massage therapy industry

There is a lot of massage therapy in Jakarta and mostly all of them are available for all ages and for both male and female. The treatment mostly is same for each other the differences in the industry is the quality of the services. The classification for the Massage therapy is also includes the High-end, Medium Class and Low/budget class.

For the well known brand in massage therapy industry there is no significant different between them; the well-known brand in the industries such as Kenko, Bersih Sehat, Mitra Sehat and Wellness has slightly offering a same price range, which all of the brand is classification as the Medium High class industry (Antaranews, 2011). This shown there is a competitive market situation in the massage therapy industry; most of the well-known brand is Medium High class Industry. Even though there is any lower/budget class but there is no well-known brand in this market segment and more as a household industry. Same for the High End outlets, their only opens for the niche market and only for specific customers, for example massage therapy in luxury hotels or executive club (Chandra, 2010).

**Table 1.2 Massage Therapy Service Price in Jakarta**

No	Massage Therapy Outlet	Price Range ( May 2012) Full Body Massage (one hour)
1	Dharmawangsa Hotel Spa (High Class)	Rp. 220.000
2	Hilton Hotel Executive Club Spa (High Class)	Rp. 245.000
3	Bersih Sehat (Medium High Class	Rp. 110.000
4	Mitra Sehat (Medium High Class)	Rp. 100.000
5	Dian Refleksi Tanjung Barat (Unknown brand/Low Class)	Rp. 35.000

**Source: The authors check the price directly to the services outlets**

### 1.1.3 Travel Agents

There is no strict industry differentiation for travel agents industry (Asita, 2012). All of the companies has the budget tour package which more affordable and also has the premium package which more expensive and luxury vacation. All the well-known companies not only offering overseas vacation package but also the domestic package (Asita, 2012).

In the other hand, there are a lot of travel agents that segmented for the lower class customers. Mostly they only handle the package for domestic tours package, even though they provide the overseas package it will be cheaper and with a lower quality than the well-known companies (Asita, 2012). In travel agents industry in Jakarta well known companies handle the high-end and medium class business because they have a price range and different package for each target customers. In conclusion, there only two different class in the travel agents industry, which is High to Medium class and lower class travel agents services (Asita, 2012).

### 1.1.4 Dry cleaner

The classification for the dry cleaner business industry, is same like three others industry which is high-end, medium class and lower/budget class (Ibis World, 2011). The measurement of differentiation in the business is based on the price, laundry services quality and the kind of clothes or product that can be included on the services (Ibis World, 2011). These are the following classification and the example of the companies for Jakarta dry cleaner industry:

High-end dry cleaner	: Jeeves
Medium class dry cleaner	: Londre and 5 a sec
Lower/Budget class dry cleaner	: not well known brand

The high-end dry cleaner is has an ability to clean high quality clothes that needs a special treatment and also has an ability to handle premium products or clothes. The different is the Medium class has a different price and different ability to handle a certain products. (Ibis World, 2011). Lower/Budget class dry cleaning more like an unknown brand or not well known the type of the business mostly like an household

business which not has the large business scope and not have an ability to handle the special treatment product (Ibis World, 2011).

**Table 1.3 Dry Cleaner Service Price in Jakarta**

No	Dry Cleaner Outlet	Price Range Per piece ( May 2012)	
		Formal Blazer (Jas)	Batik
1	Jeeves Senayan (High-end)	Rp. 66.000	Rp. 55.000
2	5 a sec Kemang (Medium Class)	Rp. 37.000	Rp. 36.000
3	Londre Kemang Timur (Medium Class)	Rp. 30.000	Rp. 22.000
4	Martinizing Ampera (Medium Class)	Rp. 28.000	Rp. 23.000
5	Bersih Dry Cleaner Kalibata (Unknown brand/Lower Class)	Rp. 15.000	Rp. 13.750

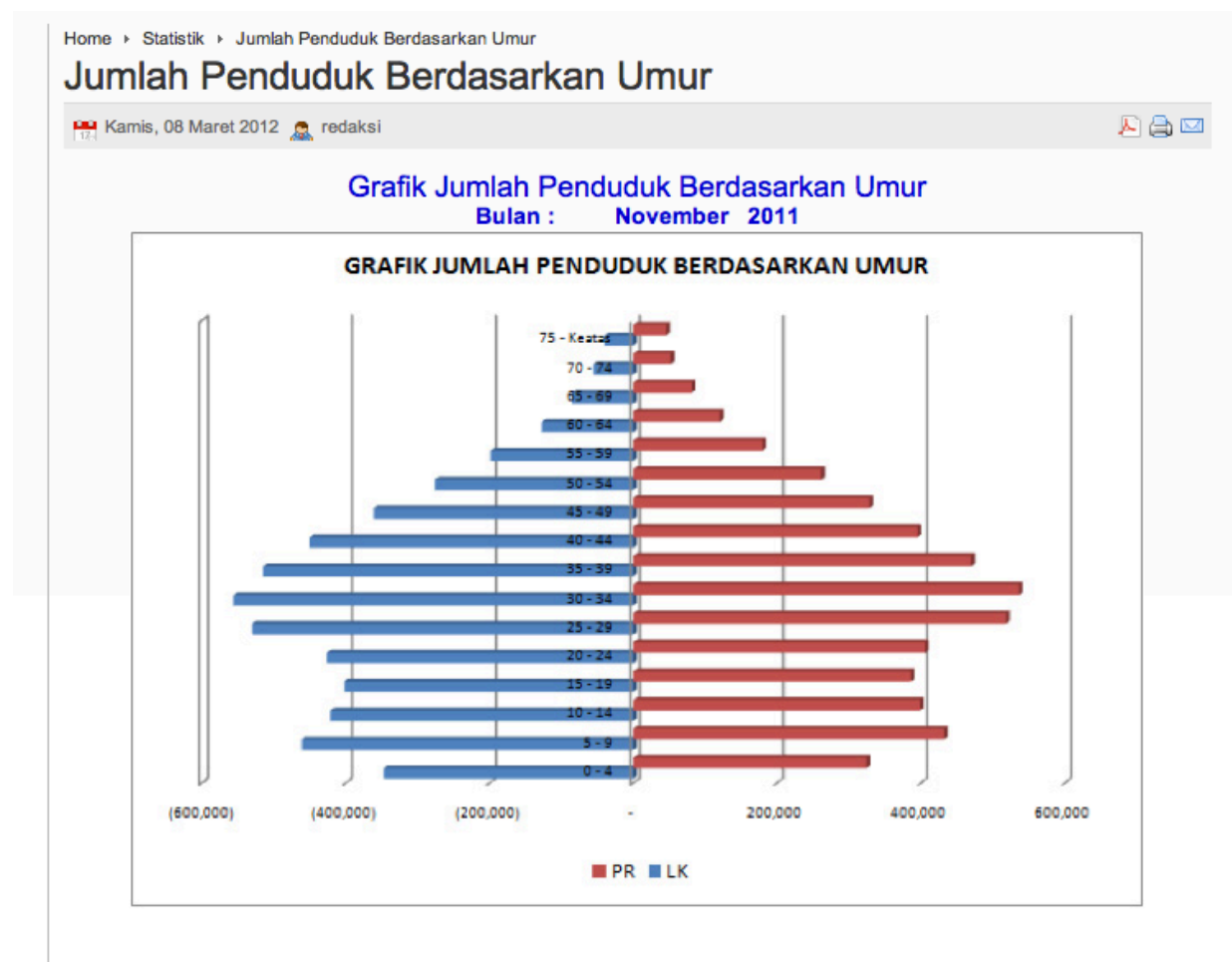
**Source: The authors check the price directly to the services outlets.**



## 1.2 Jakarta Demographic Statistic

The Jakarta demographic components that will discuss in this research are including age, gender and occupation of the customers. This section will review the Jakarta demographic data and statistic in 2011 (the latest data) based on the findings that stated on Jakarta civil and registration agency official website.

**Figure 1.2 Jakarta Population Pyramids 2011 (gender and age)**



**Source: Jakarta Civil and Registration Agency official Website**

From the Figure 1.1, the Jakarta population is dominant by group of people with 30-34 years old. The second largest population is group of people with 25-29 years old and the third largest is group of people with 35-39 years old. The smallest population is group of people above 75 years old, the second smallest is group of peoples with 70 – 74 years old and the third smallest is group of peoples with 65 – 69 years old.

**Table 1.4 Jakarta Population data November 2011 (gender and age)**

<b>Number</b>	<b>Age (years old)</b>	<b>Total Number of populations</b>
1	0 – 4	670.945
2	5 – 9	893.103
3	10 – 14	819.898
4	15 – 19	787.960
5	20 – 24	831.748
6	25 -29	1.048.314
7	30 – 34	1.092.247
8	35 – 39	985.081
9	40 – 44	845.271
10	45 – 49	689.204
11	50 – 54	537.435
12	55 – 59	378.245
13	60 – 64	247.213
14	65 – 69	168.862
15	70 – 74	107.568
16	75 Above	86.500
	<b>Total</b>	<b>10.187.595</b>

**Source: Jakarta Civil and Registration Agency official Website**

Based on the Figure 1.2, the total of Jakarta Population in 2011 is 10.187.595 (51.5% Male and 48.5% Female), which includes Indonesia citizens and foreign citizens (expatriate). The Jakarta largest group of age populations (30-34 years old) has 10.7% of Jakarta total population which consist of 51% Male and 49% Female. The second largest populations (25-29 years old) have 10.5% of Jakarta total population.

**Table 1.5 Occupation of Jakarta Citizen November 2011**

<b>No</b>	<b>Occupation</b>	<b>Total of populations</b>
1	No job/not yet working	972.456
2	Household	1.636.826
3	Student/University Student	2.573.919
4	Retired	212.132
5	Government employee	117.175
6	Military/Police	57.642
7	Entrepreneur	678.706
8	Agriculture	1.140
9	Fisherman/Livestock	20.965
10	Industry/Construction	58.152
11	Transportation/Driver/Pilot	34.204
12	Private sector employee	2.356.865
13	State owned enterprises (BUMN & BUMD)	21.210
14	Labor	180.709
15	Handyman/Builder	2.973
16	Artist	2.290
17	Paramedic/Doctor	23.249
18	Religious Leader	3.882
19	Reporter	4.361
20	State Officials	519
21	Teacher/Lecturer/Researcher	77.880
22	Lawyers/Consultant/Accounting/Notary	4.840
23	Others	1.141.412
	<b>Total</b>	<b>10.183.498</b>

**Source: Jakarta Civil and Registration Agency official Website**

From the Figure 1.3, Jakarta citizens have top five types of occupations in their life. The first is a Student/University student with 23.2 % (2.573.919 peoples) of Jakarta populations. The second largest occupation is Private sector employee with 23 % (2.356.865 peoples) of Jakarta populations. The third largest occupation is household with 16 % (1.636.826) of Jakarta populations. The fourth largest occupation is citizens with no job or didn't work yet with 9.5 % (972.456) of Jakarta populations. The fifth largest occupation is an entrepreneur with 6.6 % (678.706) of Jakarta populations

### **1.3 Scope**

The survey is being conducted using questionnaire, which distributed to people who above 18 years old in Jakarta. The author collected at least 300 samples with 75 travel agents customers, 75 dry cleaner customers, 75 hairdresser customers and 75 massage therapy customers in Jakarta. This questionnaire survey conducted within April 2012 and May 2012.

This study based on a research by Paul G. Patterson from University of New South Wales (Sydney, Australia): “Demographic correlates of loyalty in a service context”. The main objectives of the previous research was to examine whether loyalty behavior and loyalty motives for a range of service industries varies with three demographic characteristics (age, sex and occupation). The previous research was conducted in Australia using 700 questionnaire and survey. There was a change in questionnaire from the original research based on the suggestion from the original journal author, Paul G. Patterson.

The sample case of this research is people whom using service industry in Jakarta, Indonesia in the last three months. The questionnaires for this research is aimed to people who lived in Jakarta and have an experience in using high contact services (hairdresser and massage therapy industry) and medium contact (travel agents and dry cleaner industry) with a different age, occupation and gender.

## 1.4 Aims and Benefits

By conducting this research the author aims to conclude the following objectives as follows:

1. This research will examine demographic factors (age, gender and occupation) that will impact behavioral loyalty and repurchase intention in service industry in Jakarta
2. To assess the level of importance of the loyalty motives (social benefits, special treatment and confidence benefits) in different customer age groups.
3. To examine the most important key and factors to keep customer loyalty in a company

The benefits from this research after achieving those aims is:

1. A guideline for service business industry to make a strategy and creates a good relationship with their customer to create loyalty for their business.
2. A study of customer's characteristic and needs in services industry based on age, gender and occupation in correlation to the loyalty behavior.

## 1.5 Problem Statement

This research is a replication of a previous research conducted by Paul G. Patterson, titled: *Demographic correlates of loyalty in a service context*. To gain customer's loyalty in service industry the companies needs to know the detail that will affect customers loyalty instrument, which is behavioral loyalty, and repurchase intention. One of the factors that may affect customer's loyalty is customer's demographic characteristic. In order to create customers loyalty, the companies must knows the customer expectation for the actual services and also the expectation for company's customer services. Every type of customers has a different characteristic with each other's, including the different characteristic of customers demographic. In this case the author needs to know how demographics will correlates and effect the costumers loyalty in Jakarta services industry and also what the suggestions and recommendation to build customers loyalty in Jakarta services industry.

## 1.6 Research Question

This research also tries to answer the following research question in similar way as the original author of the previous original research.

**RQ 1:** Are behavior loyalty and repurchase intention differ among different age group across all four services industry?

**RQ 2:** Are behavior loyalty and repurchase intention of high contact services industry stronger than medium contact services industry?

**RQ 3 :** Are behavioral loyalty and repurchase intention differ among different customer's occupation across four services categories?

**RQ 4 :** Are behavioral loyalty and repurchase intention differ among different gender across four services categories?

**RQ 5 :** Is there any different level of importance in social benefits, confidence benefits and special treatment among different customer's age group across four services categories?

## **1.7 Structures**

The chapters in this thesis covered all the conceptual theory also the research of our study regarding the effects of customer age, gender and occupation to customer loyalty in Jakarta service industry.

### **Chapter 1: Introduction**

This chapter consists of the background of this study which explain why demographic especially age, gender and occupation impact the customer loyalty in services industry, also includes the scope of the research, the objectives and benefits of the study and thesis structures.

### **Chapter 2: Theoretical foundation**

Theoretical foundation consists of the theoretical base such as opinion and understanding from several experts, which are gathered as a secondary data from various sources such as textbook, websites and other sources to support the statement in this thesis. A replication of previous research model will be given on this chapter.

### **Chapter 3: Research Methodology**

This section will cover the methodology of data collection that the researcher used on this research to conducting the study. Hypothesis based on the data collected by the researcher will be stated on this chapter

### **Chapter 4: Result and Analysis**

This chapter includes result and analysis based on the findings from the research of this study. The analysis will be done using SPSS.

### **Chapter 5: Conclusion and Recommendation**

The final chapter will be the conclusion of this research. Summaries of important findings, how are they found, objectives prove of the research, the implication and suggestions for future studies will be included.