

CHAPTER 1

INTRODUCTION

1.1. Background

In 2012, despite the post global economic crisis condition, economy growth in Indonesia can be seen as in an upward trend and relatively stable. The data showed that Indonesia can maintain its economy growth on average 6.3%, which can be described as 6.2% in 2010, and 6.5% in 2011, and is expected to be growing at stable pace at 6.2% in 2012 (data.worldbank.org/indicator). The positive and relatively stable trend that is continually seen for the past few years has produced growth for many industry sectors in Indonesia. Property is one of the industry sectors that have seen the positive impact of the relatively stable economic condition in Indonesia.

Apartment is one of the property products whose growth was tried to be kept upward by the government. The government's support to the apartment products can be seen in 2006's 1000 tower program. 1000 tower program is supported by *Keppres*, 22/2006, a governmental regulation that is purposed to accelerate the development of flats housing in Indonesian urban area. The program subsidized the growing numbers of *Rusunami (Rumah Susun Hak Milik)*, a product that gave people more access to affordable strata titled place to stay in high rise buildings located close to the city

centers. Aside of the government programs, the positive trend in the apartment market is also shown by the rapid apartment developments that have been done in several big cities in Indonesia.

In Jakarta, strata title / condominiums development has grown rapidly, Coldwell Banker Indonesia's 2nd quarter / 2012 research showed that the total condominiums room units in Jakarta has reached 82,683 room units. Amongst the units, 76.15% is located in the non - *Central Business District* (CBD) area, while the other 23.85% is located in the CBD area. The same research from Coldwell Banker also showed that the sales absorption of the condominium products has reached 94.31% or in total 77,978 room units from 82.683 condominium units (<http://coldwellbanker.co.id>, 2012). The distribution can be described in the Figure 1.1.

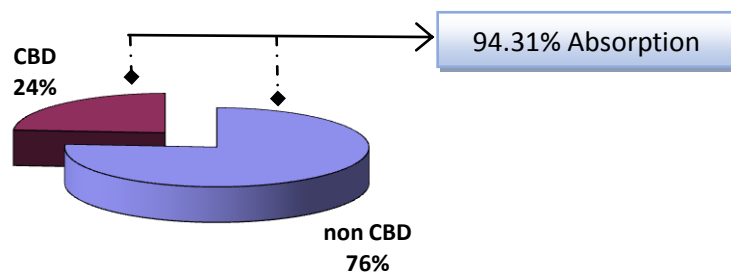


Figure 1-1. Apartment Distribution Based on its Location in Jakarta

Source: <http://coldwellbanker.co.id> (2012)

The accumulating apartments supply in Indonesia, especially in its big cities area, generates behavioral impact for the owners of the strata title apartment.

Apartment owners have tendencies to set its apartment to be a rental apartment as an investment media to gain recurring income.

A daily rental apartment product is one of the products that are produced by the owner's tendencies to lease its apartment to other users. Due to its nature that can be rented daily, a daily rental apartment product can be seen as a substitute of a hotel or a serviced apartment product. But, as it is not properly built to accommodate the function of neither a hotel nor a serviced apartment product, a daily rental apartment may not provide the same level of services as its substitute.

1.2. Problem Statement

The trend of rental apartments that followed the apartment growth in Jakarta has generated daily rental apartment products that are initially not built to accommodate services of a proper substitute product. Hence, the service quality of daily rental apartment products may be differed from what customers initially perceived. The misperception of the product may lead to a lower Customer Satisfaction level, and later may influence Emotional Bonding and Customer Loyalty level to the product.

This research is purposed to find the relation of the Service Quality, Customer Satisfaction, Emotional Bonding, and Customer Loyalty on daily rental apartment products. Whereas the quality of the service or product can be seen as antecedents to Customer Satisfaction and Emotional Bonding. And since Emotional Bonding and

Customer Satisfaction can improve the likelihood of re-purchasing the same service or product, it can influence Customer Loyalty.

1.3. Research Aims and Questions

This research is purposed to analyze the aspect of the service quality that the customer experiences on the researched object, in its relation with Emotional Bonding, Customer Satisfaction and Customer Loyalty. The research questions can be defined as;

- a. Does the Service Quality influence the Customer Satisfaction positively?
- b. Does the Service Quality influence the Emotional Bonding positively?
- c. Does Customer Satisfaction influence the Emotional Bonding positively?
- d. Does the Customer Satisfaction influence the Customers Loyalty positively?
- e. Does the Emotional Bonding influence the Customers Loyalty positively?

1.4. Significance of The Research

This research can be of help for the daily rental apartment operators in terms of identifying the general consumer perception level on the service quality, customer satisfaction, customer loyalty and the customer's emotional bonding in the daily rental apartment product, which later can be used to define an in tune strategy to be given to its customers. Subsidiary, this research can be of help on identifying the guest profile on the daily rental apartment product.

1.5. Research Scope

The research is conducted within the sample of the occupiers of daily rental apartment in the apartment Mediterranean Garden Residence 1. This research is conducted within the time period of June 2013 to October 2013.