FINAL PAPER

THE EFFECT OF STORE ATMOPSHERE, SERVICE QUALITY, PRODUCT ASSORMENT TOWARDS CUSTOMER LOYALTY THROUGH CUSTOMER SATISFACTION ON INNISFREE CUSTOMER'S IN SURABAYA

Submitted as a final requirement to obtain the degree of Sarjana Manajemen Strata Satu

By:

NAME	: MICHAEL ADE
NPM	: 00000027403



PROGRAM STUDI MANAJEMEN FAKULTAS EKONOMI DAN BISNIS UNIVERSITAS PELITA HARAPAN SURABAYA 2019



UNIVERSITAS PELITA HARAPAN SURABAYA STATEMENT OF AUTHENTICITY OF FINAL PAPER

I am student from Jurusan Manajemen, Fakultas Ekonomi dan Bisnis, Universitas Pelita Harapan Surabaya.

Student Name	: Michael Ade
NPM	: 00000027403
Department	: Manajemen

Hereby declare that the work of Final Paper that I created with the title of

"THE EFFECT OF STORE ATMOPSHERE, SERVICE QUALITY, PRODUCT ASSORMENT TOWARDS CUSTOMER LOYALTY THROUGH CUSTOMER SATISFACTION ON INNISFREE CUSTOMER'S IN SURABAYA" is:

- Created and completed by my own, by using the result of lectures, field reviews and books and journal references listed in the list of references at the end of my Final Paper.
- 2) Not a duplication of other papers that have been published or have ever been used to get a degree at another university, except in parts of the information sources listed by proper reference.
- Not the work of translated collections of reference books or journals listed the reference at the end of my Final Paper

If it is proved that I did not fulfil what has been stated above, the work of this Final Paper is invalid,

Surabaya, 6 August 2019 Declared by, AFF191348495 Michael Ade



AGREEMENT OF MENTORING GUIDANCE FOR FINAL PAPER ANALYSIS OF THE EFFECT OF STORE ATMOSPHERE, SERVICE QUALITY, PRODUCT ASSORMENT TOWARDS CUSTOMER LOYALTY THROUGH CUSTOMER SATISFACTION ON INNISFREE CUSTOMER'S IN SURABAYA

	By:
Student Name	: Michael Ade
NPM	: 0000027403
Department	: Management

Has been examined and approved for submission and defended in a comprehensive presentation in order to obtain the degree of Sarjana Ekonomi Strata Satu in Fakultas Ekonomi, Universitas Pelita Harapan Surabaya.

Surabaya, 6th August 2019

Approving:

Advisor 1

Dr. Amelia, SE, RFP-I, MM



Co-Advisor

Hananiel Mennoverdi G., BA, M.BA.





UNIVERSITAS PELITA HARAPAN SURABAYA STATEMENT OF AUTHENTICITY OF FINAL PAPER

AGREEMENT OF PANELIST APPROVAL FOR FINAL PAPER

On 16th of September 2019 has been held a comprehensive presentation in order to fulfill academic requirement to obtain *Sarjana Manajemen Strata Satu* in *Fakultas Ekonomi dan Bisnis, Universitas Pelita Harapan* Surabaya on the behalf of:

Student Name	: Michael Ade
NPM	: 00000027403
Department	: Manajemen

Including Final Paper comprehensive test by the title of "THE EFFECT OF STORE ATMOPSHERE, SERVICE QUALITY, PRODUCT ASSORMENT TOWARDS CUSTOMER LOYALTY THROUGH CUSTOMER SATISFACTION ON INNISFREE CUSTOMER'S IN SURABAYA" panelist team consisting of:

Board of Panelist:

Status

Signature

As the Advisor

2. Dr. Ronald, ST, M.M.

1. Dr. Amelia, SE, RFP-I, MM

3. Yanuar Dananjaya, B.SC., M.M

As the Chairman and the Member

As the Member

PREFACE

Praise to the Lord Jesus Christ for all the blessings that He has given and His guidance for this thesis preparation as the Final Project report with the title "THE EFFECT OF STORE ATMOSPHERE, SERVICE QUALITY, AND PRODUCT ASSORTMENT TOWARDS CUSTOMER LOYALTY THROUGH CUSTOMER SATISFACTION ON INNISFREE CUSTOMER'S IN SURABAYA" can be completed on time for the undergraduate study.

The author also would like to greatly appreciate the following individuals for their valuable contributions in helping the author from the beginning to the end of this thesis as in this occasion, the author would like to thank:

- Dr. Ronald, S.T., M.M. as the Academic Executive Director of Universitas Pelita Harapan Surabaya and also as one of the panellists during the final defense for the advice and guidance during the whole process of the thesis preparation.
- Dr. Amelia, SE, MM., as the Advisor, for the priceless guidance, advices encouragement during the whole process of the thesis preparation and the patience and kindness in checking every single mistake in the paper before the submission. Thank You for your big gratitude of defending, guidance, and helping me in my proposal and final defence.
- 3. Hananiel Mennoverdi G., BA, M.BA., as the co-advisor, for the priceless guidance, encouragement, and the advice kindness in checking every single mistake in the paper before the submission during the whole process of the thesis preparation.
- Yanuar Dananjaya, B.Sc, MM., as one of the panelist during the final defense for the advice and guidance during the whole process of the thesis preparation.
- 5. For both my parents who always reminded and advised me on working on the final of this paper, and also the prayer given to me so that I could finish this final paper on time.

- 6. For my sister who always motivates me and gives advice when I start feeling bored in working on this final paper
- 7. To all lecturers and tutors from UPH Surabaya and SIM-GE who has shared with us the knowledge and experiences throughout my study in Universitas Pelita Harapan Surabaya.
- 8. For my closest friends, Michael Corleon, Kevin Kang, Kathleen, and Albertson who always amuse me with their behaviour so that I can remain enthusiastic and also feel motivated in completing the final paper.
- 9. For Dea who always accompanied me when I was working on this final paper, helping me when distributing questionnaires and what was important from all of them always reminded me not to be lazy and stay motivated under any conditions.
- 10. Friends from SIM-GE Batch 3, whom I help and support me throughout the campus life in UPH Surabaya.
- 11. For all my friends, family members, lecturers, university staffs, and all other people involved in the preparation of the thesis that the author cannot mentioned one by one.

Although the thesis is still far from being perfect, the author does believe that this thesis will be useful for further usage. As the thesis is completed, with the effort and love from all the people involved in the preparation stage as mentioned before, and to them, the author dedicates this final paper.

Surabaya, 6 August 2019

agust 20i

Michael Ade

TABLE OF CONTENT

TITI	LE PAGE	i
AGR	EEMENT OF MENTORING GUIDANCE FOR FINAL PAPER	iii
AGR	EEMENT OF PANELIST APPROVAL FOR FINAL PAPER	iv
ABS	ГRАСТ	v
PRE	FACE	vi
TAB	LE OF CONTENT	viii
LIST	OF FIGURES	xii
LIST	OF TABLES	xiii
LIST	OF APPENDICES	XV
СНА	PTER 1: INTRODUCTION	1
1.1	Background	1
1.2	Research Limitations	8
1.3	Research Problem	8
1.4	Research Objectives	9
1.5	Research Benefits	9
1.6	Research Outline	10
СНА	PTER II: LITERATURE REVIEW	12
2.1	Theoretical Basis	12
2.2.1	Customer Loyalty	12
2.1.2	Customer Satisfaction	14
2.1.3	Store Atmosphere	15
2.1.4	Service Quality	17
2.1.5	Product Assortment	18
2.2	Previous Research	19
2.3	Development of Hypotheses	20
2.3.1	Effect of Store Atmosphere on Customer Satisfaction	20
2.3.2	Effect of Service Quality on Customer Satisfaction	21
2.3.3	Effect of Product Assortment on Customer satisfaction	22
2.3.4	Effect of Store Atmosphere on Customer Loyalty	23
2.3.5	Effect of Service Quality on Customer Loyalty	23
2.3.6	Effect of Product Assortment on Customer Loyalty	24

2.3.7	Effect of Customer Satisfaction on Customer Loyalty	25
2.4	Research Model	25
2.5	Operational Framework	28
СНАР	TER III: RESEARCH METHODS	29
3.1	Research Types and Data Types	29
3.1.1	Research Types	29
3.1.2	Data Types	29
3.2	Population and Samples	30
3.2.1	Population	30
3.2.2	Samples	30
3.3	Data Collection Methods	33
3.4	Operational Definitions and Variable	33
	Measurements	
3.5	Data Analysis Methods	36
3.5.1	Data Processing	36
3.5.2	Hypothesis Testing	36
3.5.2.1	Test Validity	37
3.5.2.2	Test for Reliability	37
3.5.2.3	Test of Classical Assumptions	38
3.5.2.4	Multiple Regression Linear Analysis	40
3.5.2.5	Correlation Coefficient (R)	41
3.5.2.6	Coefficient of Determination (R2)	41
3.5.2.7	Test F	42
3.5.2.8	T Test	42
CHAP	TER IV DATA ANALYSIS AND DISCUSSION	43
4.1	Overview of Innisfree	43
4.2	Data Analysis	44
4.2.1	Descriptive Statistic	44
4.2.1.1	Characteristic of Respondents	44
4.2.1.2	Overview of Respondents by Age	44
4.2.1.3	Respondents by Gender	45
4.2.1.4	Respondents' Response	46

4.2.2	Descriptive Variable Analysis	51
4.2.2.1	Respondent's response toward Store Atmosphere	51
4.2.2.2	Respondent's response toward Service Quality	52
4.2.2.3	Respondent's response toward Product Assortment	53
4.2.2.4	Respondent's response toward Customer Satisfaction	54
4.2.2.5	Respondent's response toward Customer Loyalty	55
4.2.3	Validity Test	56
4.2.4	Reliability Test	56
4.2.5	Classical assumption test regression	57
4.2.5.1	Normality Test	57
4.2.5.2	Multicollinearity Test	58
4.2.5.3	Heteroscedasticity Test	59
4.2.5.4	Linearity Test	61
4.3	Statistical analysis method	61
4.3.1	Regression Analysis	61
4.3.1.1	Multiple Regression Analysis	61
4.3.2	Correlation Coefficient Analysis	64
4.3.2.1	Analysis of Multiple Correlation Coefficients	64
4.3.3	Determination Coefficient Analysis (R ²)	64
4.4	Hypothesis Testing Method	65
4.4.1	Simultaneous Significance Test (F-Test)	65
4.4.2	Partial Significance Test (t-Test)	66
4.5	Discussion	68
СНАРТЕ	R V CONCLUSIONS, IMPLICATIONS,	82
AND REC	COMMENDATIONS	
5.1	Conclusion	82
5.1.1	Conclusion of the hypothesis	82
5.1.1.1	The Effect of Store Atmosphere towards Customer Satisfaction	82
5.1.1.2	Service Quality has a significant effect on Customer Satisfaction	83
5.1.1.3	Product Assortment has a significant effect on Customer	84
	Satisfaction	
5.1.1.4	Store Atmosphere has a significant effect on Customer Loyalty	85

REFERE	NCES			94
5.3	Recommendations		•••••	93
5.2.2	Managerial Implications		•••••	90
5.2.1	Theoretical Implications			88
5.2	Implications		••••	88
5.1.2	Conclusion on Research Pro	oblems	••••	87
	Loyalty			
5.1.1.7	Customer Satisfaction has a	significant effect on Customer	••••	87
5.1.1.6	Product Assortment has a si	gnificant effect on Customer Loyalty	••••	86
5.1.1.5	Service Quality has no sign	ificant effect on Customer Loyalty	••••	85

LIST OF FIGURES

1.1 Innisfree Sales Data	
1.2 Innisfree Atmosphere	6
2.4 Research Model	27
4.1 Diagram of Respondents by Age	45
4.2 Diagram of Respondents by Gender	46
4.3 Scatterplot the Normality of Customer Satisfaction Test	58
4.4 Scatterplot the Normality of Customer Loyalty Test	58
4.5 Scatterplot of the Customer Satisfaction Heteroscedasticity Test	59
4.6 Scatterplot of the Customer Loyalty Heteroscedasticity Test	60
4.7 Research Model	68

LIST OF TABLES

1.1	Trends and Behaviour of the Indonesian Cosmetic Market in 2017	1
3.1	Questionnaire Core Design	32
3.2	Operational Definitions and Variable Measurements	33
3.3	Rules of Thumb Regarding the Size of the Determination Coefficient	42
4.1	Respondents by Age	44
4.2	Respondents by Gender	45
4.3	Degree of Assessment of Each Variable	46
4.4	Respondents' Response toward Store Atmosphere	47
4.5	Respondents' Response toward Service Quality	48
4.6	Respondents' Response toward Product Assortment	49
4.7	Respondents' Response towards Customer Satisfaction	49
4.8	Respondents' Response towards Customer Loyalty	50
4.9	Respondents' Distribution of Answers to Store Atmosphere	51
4.10	Respondents' Distribution of Answers to Service Quality	52
4.11	Respondents' Distribution of Answers to Product Assortment	53
4.12	Respondents' Distribution of Answers to Customer Satisfaction	54
4.13	Respondents' Distribution of Answers to Customer Loyalty	55
4.14	Validity Test Results of Store Atmosphere	56
4.15	Validity Test Results of Service Quality	56
4.16	Validity Test Results of Product Assortment	56
4.17	Validity Test Results of Customer Satisfaction	56
4.18	Validity Test Results of Customer Loyalty	56
4.19	Reliability Test	57
4.20	Kolmogorov Smirnov for Innisfree	57
4.21	Tolerance Value and VIF	58
4.22	Spearman's Test Correlation	60
4.23	Linearity Test Result	61

Multiple Regression Test Results (SA, SQ, PA*CS)	61
Multiple Regression Test Results (SA, SQ, PA, CS*CL)	63
The Result of Analysis of the Determination Coefficient 1 (R ²)	65
The Result of Analysis of the Determination Coefficient 2 (R^2)	65
F Test Result	66
T Test Result	66
Indicators that measure Store Atmosphere Variables	75
Indicators that measure Service Quality Variables	76
Indicators that measure Product Assortment Variables	78
Indicators that measure Customer Satisfaction Variables	79
Indicators that measure Customer Loyalty Variables	81
Theoretical Implications	88
Managerial Implications	92
	Multiple Regression Test Results (SA, SQ, PA, CS*CL)The Result of Analysis of the Determination Coefficient 1 (R²)The Result of Analysis of the Determination Coefficient 2 (R²)F Test ResultT Test ResultIndicators that measure Store Atmosphere VariablesIndicators that measure Service Quality VariablesIndicators that measure Product Assortment VariablesIndicators that measure Customer Satisfaction VariablesIndicators that measure Customer Loyalty VariablesTheoretical Implications

LIST OF APPENDICES

Appendix A	KUESIONER	A-1
Appendix B	QUESTIONNAIRE	B- 1
Appendix C	QUESTIONNAIRE DATA	C-1
Appendix D	RESULTS OF DATA CALCULATIONS USING SPSS 22.0	D-1
Appendix E	DATA QUALITY ANALYSIS	E-1
Appendix F	RESEARCH MODEL TEST	F-1
Appendix G	HYPOTHESIS ANALYSIS	G-1