CHAPTER I

INTRODUCTION

1.1. Research Background

As part of the diversified and rapidly growing industries, the hospitality and tourism industries has become one of the major income contributions for various countries all over the world. Likewise, Indonesia is experiencing a growth within the service hospitality and tourism industries which result to a tremendous business opportunities arising from the selected sectors (The Jakarta Globe, 2013). According to the World Tourism Organization (2017), tourism is regarded as "a social, cultural, and economic phenomenon which entails the movement of people to countries or places outside their usual environment" while the understanding of tourism as described by Walker (2017) is as follow:

> "Tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business, and other purposes."

Consequently those progresses of the tourism and hospitality industries have led to numerous emergent of various businesses operating under the same 'umbrella'. This vast industry involves lodging, event management, recreation, travel and the restaurant and managed services.

The provisions of food and beverage establishments have formed apparent significant activities within the hospitality industry (Davis, Lockwood, Alcott, & Pantelidis, 2017). Not only do the food service businesses is facing escalating popularity, it is also constantly changing in respond to the shifting trends and lifestyle of today's market. Thus, the food service sector is considered to be one

of the several attractive and lucrative commercial conducts within the hospitality industry. Walker (2017) further suggested that more people are inclined in 'eating out' not only for the purpose of fulfilling hunger but also social meeting, gathering or refreshment.

Retrospectively, numerous businesses arises in response to the growing opportunities creating a pool of competitors within the food service sectors, that each attempt to emphasize on their own characteristics. Particularly in Indonesia, food service sector is decorated with multiple types of restaurants, café, bars and so on (Euromonitor International Ltd, 2013).

The development of economic growth in Indonesia, also increase the income of the people. What is more is the culture of modern Indonesia people that like to travel or just looking for entertainment has expanded into a number of realms. They are usually looking for entertainment to places like restaurant or another food and beverage establishment like café, etc. This is becoming a trend in the upper middle class especially the young executives, businessmen and expatriates who now has become an icon of them.

Nowadays many emerging restaurants with the theme of local and international fine dining, and their presence get considerable enthusiasm from the people in Bali. Almost all diners with the concept of fine dining not only to meet their needs to eat (physical needs), but rather there are certain factors that encourage them to buy food in the restaurant (Walker, 2017).

In the past few years, there are gaps that exist between the growing restaurant industry in the global and with the restaurant industry in Bali

especially in Seminyak, Badung. Based on data that collected from Central Bureau of Statistic in Bali, there are some fluctuation and decline in growth and led to the closure of the restaurant. From 2014 to 2017 there are 10 restaurants closed with total of 14.202 seats in Badung, Bali.

Table1. Restaurant In Bali By Regency In 2013 – 2017

NO	REGENCY/CITY	2013		2014		2015		2016		2017	
		RESTAURANT/ RUMAH MAKAN	SEAT	RESTAURANT/ RUMAH MAKAN	SEAT	RESTAURANT/ RUMAH MAKAN	SEAT	RESTAURANT/ RUMAH MAKAN	SEAT	RESTAURANT/ RUMAH MAKAN	SEAT
1	Denpasar	75	6.975	449	24.740	449	24.740	438	23.957	455	24.864
2	Badung	96	7.836	833	60.305	825	59.639	823	46.103	823	46.103
3	Bangli	17	3.610	17	3.610	17	3.610	22	2.760	30	2.760
4	Buleleng	53	2.117	145	3.792	173	4.947	173	4.947	173	4.947
5	Gianyar	378	13.955	405	10.513	504	17.425	504	17.425	505	17.595
6	Jembrana	136	-	76	-	76	-	76	88	76	88
7	Klungkung	31	951	31	951	31	951	31	951	31	951
8	Karangasem	246	6.229	70	2.135	70	2.135	118	2.829	118	2.829
9	Tabanan	40	470	32	1.448	32	1.448	32	1.598	40	1.723
		1.072	42.143	2.058	107.494	2.177	114.895	2.217	100.658	2.251	101.860

Source: Bali Government Tourism Office (2018)

This data strengthened by another data by Central Bureau of Statistic Indonesia that shown a decline in Gross Domestic Product distribution for food and drink service. From 2014-2017 the GDP for food and drink service reduced from 2,34% become 2,18%.

Every restaurant must find ways to retain and attract new customers, where at the same time restaurant should remain competitive and profitable. It's no longer surprising that nowadays for some reasons many consumers are more ingenious to seek a restaurant where not just only offer a variant unique menu (food and drink) with a reasonable price but also offer a great experience beneath on its atmosphere of physical environment and warm services. Today's fine dining has evolved into an eclectic blend of cuisines and dining concepts or commonly known as modern fine dining restaurant is type of a restaurant, which

designed to attract middle-income customers who enjoy dining out with a casual ambience, excellence in its foods as well as professional and attentive employee-customers approach. As the result, a new concept of fine dining restaurant establishment is more vary and operate it chains internationally, thus the key sustainable of competitive advantage rely on the ability of restaurant in delivering a comprehensive and memorable dining experience to the customers is become more important than before. Dining experience was including customer's judgement on their overall experience, started with the quality of food and service to the restaurant environment. Therefore, by understanding what attributes of modern fine dining restaurant that supposed to satisfied the customers and lead them to preform behavioural intentions such as, revisit, say positive thing and recommend the restaurant to others become essential for fine casual dining restaurateurs and also nowadays as the importance of positive E-WOM increases, understanding customers' positive E-WOM behaviour has become more useful to managers, especially marketing professionals in order for customers to repurchase

Seminyak is chosen as research place due to the popularity of the Seminyak area both nationally and internationally for Indonesian hospitality and tourism recently and many emerging modern fine dining restaurants are famous located in Seminyak, Badung, Bali. It is possible because Kuta and Legian are already crowded, so that Seminyak, which is located in the North of Badung, embraces tourism and hospitality development very well. The last reason is that Seminyak has complete facilities and infrastructure in the tourism industry such as hotels, villas, restaurants, nightclubs, spas, tourist service centres and shopping centres.

This research use M and S restaurant for the location of exploratory research because restaurant M and S located in Seminyak, Badung and already operating since 2009 and 2008 sequentially and always crowded with customer. M and S restaurant also include in modern fine dining restaurant based on it price and atmosphere. M Restaurant savours an exclusive gastronomic experience with impeccable culinary creations and elegant atmosphere that suits every occasion. M Restaurant have total 350 seats for lunch and dinner and also restaurant M already win many awards before. The last award they get is the 1st runner up of best French restaurant by Bali Now magazine. Meanwhile S restaurant have total 160 seats and just open for dinner. S restaurant is serving Asian cuisine and also the award they get is editor choice awards for "Pioneer of High-End, Authentic Asian Street Food". Other than that, based on online review in restaurant search platform both of the restaurant having good review for many years.

Picture 1 M Restaurant Online Review
Source: Zomato (2018)

Picture 2 S Restaurant Online Review
Source: Zomato (2018)

The purpose of the study is to develop a conceptual model that analyse the influence of the dining attributes and interaction orientation on customer perceived value, customer satisfaction, repurchase intention and positive E-WOM. This study is conducted in attempts to test a conceptual model that influences of dining experience and interaction orientation on customer perceived value, customer satisfaction, repurchase intention and positive E-WOM in Indonesia market especially in Seminyak, Badung, Bali.

This research use journal replication as a reference from previous studies and modified the model. The journal from Canny (2014), that come from research in casual-dining restaurant in Jakarta, where there are 2 variables that will be used: dining attributes, customer satisfaction, and dismiss the behavioural intention. Other than that, there are modification with adding 3 added variable (interaction orientation, positive E-WOM, and repurchase intention) and 1 moderating variable (customer perceived value). The reason to add the 3 variable is because that the interaction orientation has positive effect to the customer satisfaction based on research from Liang and Zhang (2011) and the customer

satisfaction which may direct or indirectly affect customer repurchase intention and involvement of electronic word of mouth (E-WOM) through social media and also 1 moderating variable is because that the customer perceived value adds strength and has positive effect on the relationship between the dining experience attributes with customer satisfaction (Ryu et al., 2008)

1.2. Problem Statement

Based on the research background then the problem in this research are:

1) Does dining attributes have a positive influence on customer perceived value in modern fine dining restaurant?

2) Does customer perceived value have a positive influence on customer satisfaction in modern fine dining restaurant?

3) Does interaction orientation have a positive influence on customer satisfaction in modern fine dining restaurant?

4) Does interaction orientation have a positive influence on repurchase intention in modern fine dining restaurant?

5) Does interaction orientation have a positive influence on positive E-WOM in modern fine dining restaurant?

6) Does customer satisfaction have a positive influence on positive E-WOM in modern fine dining restaurant?

7) Does customer satisfaction have a positive influence on repurchase intention in modern fine dining restaurant?

8) Does dining attribute experience have a positive influence on positive E-WOM in modern fine dining restaurant?

9) Does positive E-WOM have a positive influence on repurchase intention in modern fine dining restaurant?

1.3. Research Purpose

From the problem statement described earlier, then the purpose of this study are:

1) To test the positive influences of dining attributes on customer perceived value in modern fine dining restaurant

2) To test the positive influence of customer perceived value on customer satisfaction in modern fine dining restaurant

3) To test the positive influences of interaction orientation on customer satisfaction in modern fine dining restaurant

4) To test the positive influences of interaction orientation on repurchase intention in modern fine dining restaurant

5) To test the positive influences of interaction orientation on positive E-WOM in modern fine dining restaurant

6) To test the positive influences of customer satisfaction on positive E-WOM in modern fine dining restaurant.

7) To test the positive influence of customer satisfaction on repurchase intention in modern fine dining restaurant

8) To test the positive influence of dining attribute on positive E-WOM in modern fine dining restaurant

9) To test the positive influence of positive E-WOM on repurchase intention in modern fine dining restaurant

1.4. Research Benefit

From the results of this study is expected to provide benefits and contributions in academics and practitioners.

1) For academics

Academically, the results of this study are expected to expand and add insight that is useful for other academics, especially for academics who teach in the field of hospitality industry and tourism

2) For practitioners

In practically, the results of this study are expected to be used as a reference in building and managing modern fine dining restaurant. It is also expected for restaurant management to be able to understand every need of each consumer who has different expectations. In addition, the restaurant management can also know in detail how dining attributes (food quality, service quality, physical quality), interaction orientation, and customer satisfaction in forming positive e-WOM and repurchase intention

1.5 Research Limitation

The limitation of research problem where the focus of the variables studied is limited to six variables: dining attributes (food quality, service quality, physical environment), interaction orientation (concept of customer and customer empowerment), customer perceived value, customer satisfaction, positive e-WOM and repurchase intention

For interaction orientation actually, there are four variables (concept of customer, customer empowerment, customer value management, and interaction response capacity) but this research just use two variables (concept of customer and customer empowerment). The other two variables (customer value management and interaction response capacity) will not be discussed because it is not in accordance with the circumstances that exist in the restaurant and not at all applicable to the restaurant under research. Customer value management is the extent to which a restaurant can identify the value of an individual consumer in terms of profits. For this study, customer value management variables cannot be used because it is not possible for respondents asked to fill out questionnaires that ask about the profit in the restaurant under research.

Likewise, with interaction response capacity, this variable is the ability to provide feedback from the experience of consumers who have eaten in the restaurant in Customer Relationship Management (CRM) system. Meanwhile, in Bali, especially modern fine dining restaurant rarely use CRM system to monitor consumer experience.

1.6 Systematic Writing

Systematic writing aims to provide a clear picture of the contents of each chapter in this thesis. This research is conducted systematically with the following division:

CHAPTER 1 INTRODUCTION

Chapter 1 describes the overall picture of the research. This chapter will tell about the background of the research which is the result of the exploration and observation study of the phenomena occurring in the field. In addition, will be told also about the formulation of research problems (research purpose), research objectives, research benefits, restrictions on research problems, and systematics of writing.

CHAPTER 2 LITERATURE REVIEW

Chapter 2 describes the literature review used in this study. Explanation will start from theory about tourism, restaurant, and food service; dining attributes (food quality, service quality, and physical quality); food marketing; service marketing; interaction orientation; customer satisfaction; customer perceived value; experiential marketing; repurchase intention; WOM or E-WOM; consumer behaviour; and consumer decision making.

CHAPTER 3 METHODOLOGICAL RESEARCH

Chapter 3 describes the location of the research, the object and the subject of the study, the determination of the data source, the conceptual and operational definitions, the method of data collection, the sampling method, the determination of the sample number, the measurement scale, the data analysis technique and the data analysis method

CHAPTER 4 RESULT AND DISCUSSION

Chapter 4 will discuss the results of the calculation of data analysis that have been collected through a distributed questionnaire. The calculations include the validity and reliability test of the preliminary study. This chapter will also cover respondents' profiles, descriptive statistics, descriptions of research variables, hypothesis testing and discussion.

CHAPTER 5 CONCLUSION AND RECOMMENDATION

Chapter 5 discusses the conclusions of the results and discussion that have been done in chapter 4, managerial implications, research limitations, and suggestions for further research.