

CHAPTER I

INTRODUCTION

1.1 Background of Study

The food and beverage industry is one of the fastest-growing industries in the world, including in Indonesia. Continuously growing along with population growth in Indonesia, the volume of food and beverage needs continues to increase. In addition, the times have made people faced with various choices in fulfilling daily needs. The development of technology and information makes industrial development higher and more complex. Various types of food and beverages with attractive appearances are continuously produced to increase the aesthetic value and attractiveness of consumers.

In this era, the number of food and beverage businesses continues to increase every year, each offering distinctive features to attract potential customers and retain existing ones, making the competition in the food and beverage industry tighter as time goes by. With increasingly fierce competition, it requires companies to strengthen their fundamentals to compete with other similar companies. However, not a few have left the industry because of the inability to survive.

It cannot be denied that one of the main factors in running a business is the trust of consumers who buy the products. The inability to attract new customers or retain existing customers is most likely the reason for business closure. In addition, customers who have a negative impression of a particular brand can easily switch to another brand in the same product category because of the many alternatives to choose from. Gaining customer trust is one of the main things to do in any business. Customers must be able to trust the company to decide to make a purchase. Customer trust is the foundation on which all loyal customer relationships are built. When a customer is loyal, then it will lead to customer retention, which will also increase the revenue of the company.

In Customer Relationship Management (CRM), customer retention is the ability and effort done by a company so that customers continue to use or purchase the products or services offered. It also has a business strategy role in customer relationship management which seeks to increase customer loyalty and reduce customer churn. If a company wants to prosper, keeping existing customers should be one of the primary goals. Retaining customers is much cheaper than acquiring new ones. Creating loyalty programs, personalizing the customer experience, and placing a high value on customer service are some examples of techniques used in customer retention.

One of the factors that the Food and Beverages Industry company can do to gain customer's trust is about the company's food quality, one of which is about food safety procedures. Food Safety refers to the handling, preparation, and storage of food in the best possible way to reduce the risk of a person becoming ill due to foodborne illness (Australian Institute of Food Safety, 2019).

People will not come and purchase a product if they are unsure about its quality or safety. Besides, it is also the company's responsibility to serve food that is safe to eat. Through several processes of moving or transporting, storing, and handling the movement, the food served in restaurants has gone through several stages which create many opportunities for bacteria to infiltrate and contaminate food products, which of course disturbs food safety. In fact, Food & Beverage industry that serves contaminated food is putting customers in high danger and risk of foodborne illness and disease, which will also damage the company's reputation and image, and have a negative impact on sales.

According to the Food and Agriculture Organization of The United Nations (FAO) in Indonesia (2019), food safety is the absence of a danger to food that can endanger the health of consumers. Foodborne hazards are often invisible to the eye and can be microbiological, chemical, or physical. Bacteria, viruses, and pesticide residues are some well-known examples of foodborne hazards.

According to World Health Organization (2021), worldwide, there are 600 million cases of foodborne illness caused by unsafe food, of which about 420,000 are reported as fatal cases (deaths). 30% of food-related deaths occur in children under 5 years of age. The WHO estimates that 33 million years of healthy living are lost due to consuming unsafe foods globally each year, and this figure may be underestimated. Meanwhile in Indonesia, based on BPOM records there are around 20 million cases of food poisoning per year (Dwinanda, 2019, as cited in Lestari, 2020).

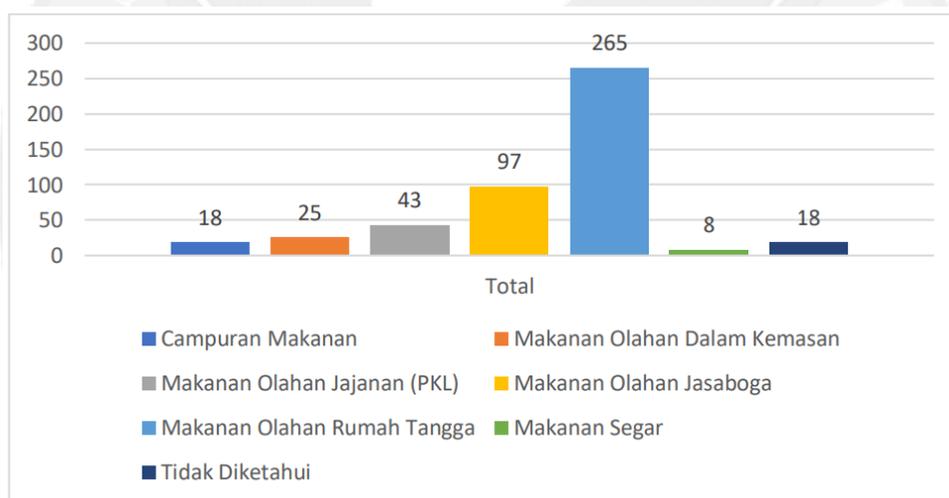


Figure 1. 1 Category of Food Poisoning in Indonesia 2019
Source: BPOM (2019)

In addition, between 2011 and 2015, the National Agency for Drug and Food Control (BPOM) (as cited in FAO, 2019) conducted surveillance and product sampling and found an increase of about 35% in the number of food products that did not meet acceptable standards. Among other things, these foods contain harmful substances that are misused as food additives or manifested as microbial contamination. Furthermore, from 2013 to 2015, in around 34

provinces in Indonesia, the number of reported cases of severe food poisoning increased from 48 to 61 outbreaks.

Food safety has been one of the global issues in recent years (Putri, S.A., 2018). With a population of 260 million, Indonesia as a middle-income country has a few consumers who represent a large market for an already large and fast-growing food industry consisting of “ready to eat” food businesses, restaurants, supermarkets, caterers, and many street vendors. (FAO, 2019).

Indonesian government has promulgated several regulations on food safety, as stated on Government Regulation of The Republic of Indonesia Number 86 Year 2019 concerning Food Safety. These regulations stated that:

“Everyone who is responsible for food production, food storage, food transportation and / or activities or food processing is obliged to:

- a. meets Sanitation Requirements; and
- b. guarantee Food Safety and / or human safety.

The sanitary requirements referred to at least consist of:

- a. avoid using materials that can threaten food safety along the food chain;
- b. fulfillment of food pollution requirements;
- c. process control along the food chain;
- d. application of the material traceability system; and
- e. prevention of reduction or loss of food nutrient content.”

According to Putri, S.A. (2018), the deadly impact of unsafe food causes public health problems, namely poisoning which has the potential to cause death. Moreover, low food quality greatly affects the competitiveness of local food in international trade which can cause economic problems in Indonesia. Thus, it could not be denied that food safety procedures play an important role in Food and Beverages Industry, especially in retaining customer.

A single mistake in food safety procedures could impact to the mistrust in the public towards the company who sold the product. Moreover, it could cost someone their health or life. Thus, it is very needed for a food and beverage industry to maintain and develop its food safety procedures to retain the customer.

Customer retention is concerned with turning individual customer transactions into long-term customer relationships by keeping these customers with one company rather than switching companies (Schiffman and Wisenblit, 2015). Without a good understanding of customer satisfaction, building strong and long-term relationships with customers will be a challenge. Especially when their needs and expectations are not well understood.

Customers who continue to use products or services from one brand are more likely to provide long-term value, create personalized content, advertise the brand, and join in as a referral. Furthermore, customers who are satisfied in the relationship may reward the suppliers by paying higher prices (F. Buttle & S. Maklan, 2015).

Due to that reason, the writer is interested to do the research about the influence of food safety procedures towards customer retention. This research will be conducted at a well-known Japanese Sushi Restaurant, Sushi Tei Medan, one of the brands managed by BISA Group under the name of PT. Sushi Indo Sukses Mandiri. BISA Group is one of the largest food and beverage companies in Medan, North Sumatra, Indonesia with Sushi Tei Teuku Daud as the first outlet and restaurant brand of the company in 2005. Now, after about 16 years of operation, BISA Group has grown and developed rapidly, handling more than 10 worldwide brands such as Pepper Lunch, Paradise Dynasty, PappaRich, Song Fa, Fish & Co., Marutama Ramen, Bebek Harissa, Xing Fu Tang, Liao Liao, OJJU, GB Bistro and many other brands to come. Sushi Tei itself has had Halal Certification which was given in 2019.

Considering that a ready-to-eat sushi is considered a potentially hazardous food and must therefore be handled with care to prevent foodborne illness, the writer decided to choose Sushi Tei Medan as the research object. The health risks in sushi can occur from the preparation products, such as raw seafood products. Raw seafood products may contain forms of parasitic infections such as Anisakinae and Diphyllbothrium. Furthermore, the acidified sushi rice has its own risk, as sushi rice is usually stored at room temperature which can promote the growth of pathogenic bacteria if it is not uniformly and adequately acidified. Food operators must ensure that sushi is stored at 4°C or lower during transportation, storage, and display. Therefore, based on the background of study described above, the writer

will conduct a research entitled "**The Influence of Food Safety Procedures towards Customer Retention in Sushi Tei Medan**".

To support the writer's decision to take Sushi Tei Medan as research object, the writer had conducted some small research, and found out that Sushi Tei had ever received several complaints about food safety related, which the writer take two complaints to be the examples as follows:

- Aug 2020, Customer found a caterpillar inside Edamame (soybeans).
- Sept 2020, Customer got tamago (Japanese omelets) which was stale and sour.

These two complaints were already solved with the customer by apologizing or giving them voucher or any other complimentary. Sushi Tei Medan also acted by rechecking again all the ingredients that was included in the complained food. In addition, hereby attached the number of feedback that Sushi Tei Medan received from June 2020 to November 2020, which is as follows:

Month	Number of Feedbacks
June 2020	212
July 2020	207
August 2020	243
September 2020	267
October 2020	271
November 2020	298

Figure 1. 2 Number of Feedbacks at Sushi Tei Medan
Source: Internal Source (2021)

1.2 Problem Limitation

The research is narrowed down to the analysis of the influence of food safety procedure (as an independent variable) towards consumer retention (as the dependent variable) to strengthen the focus of the research field of observation. To support the writer's research efficiency to aim a better understanding, this research will be conducted in one of the famous Japanese Restaurant in Medan, which is Sushi Tei Medan.

Food safety procedure indicators include food hygiene, personal hygiene, and kitchen sanitation, while indicators for customer retention include revisit intention, staying loyal with current brand, and word-of-mouth. The target of this research is the customers of Sushi Tei Medan.

1.3 Problem Formulation

As the purpose of this study was to analyze the influence of food safety procedures towards customer retention in Sushi Tei Medan, this research is conducted aiming to answer questions as follow:

1. What is Sushi Tei Medan food safety procedures?
2. What is Sushi Tei Medan customer retention programs?
3. Does food safety influence customer retention in Sushi Tei Medan?

1.4 Research Objective

1. To learn about the food safety procedures in Sushi Tei Medan.
2. To learn about the customer retention in Sushi Tei Medan.

3. To learn about the influence of food safety procedures and customer retention in Sushi Tei Medan.

1.5 Benefit of The Research

This research provides the readers several benefits which are:

1.5.1 Theoretical Benefit

Readers who have read this research will gain a better understanding of the most suitable food safety procedure plans to retain customers in their food and beverage businesses. In addition, this research can be used as a future reference in the education industry in the field of the food and beverage industry, with the hope of providing comprehensive insights into the actual business climate and the problems faced by most of the food and beverage industry.

1.5.2 Practical Benefit

Apart from the benefits from the theoretical side, this research will also provide benefits for the practical side. This research will be able to provide direction for many stakeholders, such as the writer, companies, and other researchers.

a. For writer

This research provides a more comprehensive understanding by analyzing food safety procedures, customer retention, and their real-life relationships.

b. For company

This research offers in-depth analysis to understand the drivers of customer retention, which can then be a resource in formulating business improvement strategies and decision making to the highest potentials.

c. For other researchers

This research can serve as a basis, reference, parameters, or source of information for further study of food safety and customer retention in terms of education.

