

## **CHAPTER I**

### **INTRODUCTION**

#### **1.1 Background of the Study**

In these millenniums, innovation resulting from globalization has brought our world to be vastly advancing in accordance to time. This serves as a double-edged sword to businesses around the world. The fact that they possess the ability to gain and implement boarder strategies to improve their business will also mean being exposed to higher challenges than before. The environment such as competitors also gains the privilege to learn strategies and implement them to their business as competitive advantages against similar businesses in the field. Competitive advantage as a concept is described (Hwang, Choi, & Shin, 2019):

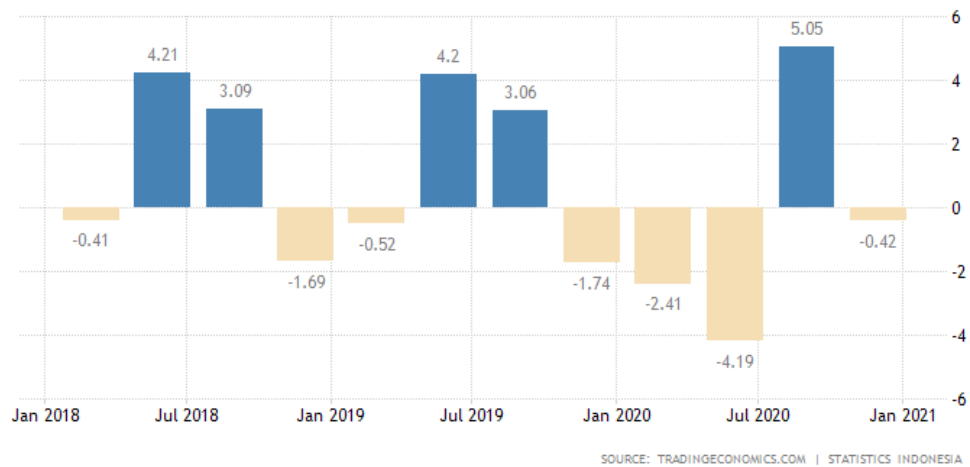
Competitive advantages are manifested as positional advantages superior to those of competitors in either technology or market terms. A superior position in technology terms flows from differentiated technologies or innovative products that are hard to imitate or replace. (p. 7)

With understanding the competitive advantage that is held unique to each brand, businesses then put emphasis on marketing tools and variables that would benefit their growth and profitability. Marketing tools are used by companies in order to develop and promote their product or service by deploying techniques, strategies and materials (Market Business News, 2020). There were times when the challenges they should be aware of are competitions

of other businesses in the same market, but now staying relevant and surviving as a brand in COVID-19 era is also a determining factor now.

COVID-19 is a pandemic with a virus that attacks the human respiratory system with a high death rate. The Government of the Republic of Indonesia has reported 1.437.283 people confirmed with COVID-19 and 38.915 deaths as of 17<sup>th</sup> March 2021 (World Health Organization, 2020). The government is taking measures such as stay-at-home policy and physical distancing in public areas. Schools, offices, malls, restaurants and many other public instances have no options but to close down their operations and combat it with operating online.

The actions inevitably decline the growth of Indonesia. As the biggest economy in Southeast Asia that contributed 46.5% of total GDP, Indonesia was forecasted to have bigger growth in year 2020. Because of the government's struggle to contain the spread of the virus by putting restrictions on many activities, the 2020 GDP plummeted by 2.07% from a 5.02% growth in 2019. It is recorded to be the steepest drop ever since the great recession in 1998 (Trading Economics, 2020). Even though there is a significant huge drop in the number, it is commendable that the Food & Beverage industry is listed as the biggest contributor to Indonesia's GDP in the non-oil and gas category, making up as much as 39.19%. Despite the COVID-19 pandemic, the F&B industry scored a positive 3.94% growth in duration of January – March or quarter of 2020 (IDN Financials, 2020).



**Figure 1. 1 Indonesia's GDP by years**  
Source: tradingeconomics.com (2020)

Businesses in the Food & Beverages sector are adapting to this situation by enabling online services to bring their food to customers' front door before they are back operating offline with abiding strict physical distancing rules. They put effort in communicating with customers through online marketing means so customers will not forget about their existence. After all, the main objectives of marketing strategies are directing customers' feelings towards a brand, constructing a brand image in their mind and then affecting their purchase decision (Zhang, 2015). Brand image is part of brand equity or explained as customers' general view towards a brand, the way it directly affects purchasing behavior of customers then will lead to maximize profit gain.

Brand image can be used as an accelerator for brands. Planting a positive brand image in customers' mind not only will affect them to a purchase, but also direct positive opportunities for associations to the business. Customer's perspective and mouth-to-mouth recommendation will play a big role in enticing new customers in the run. When a customer has only good memories of

the product and decides to purchase a certain product or service after weighing the possible options available to them, it is called customer purchase decision (Rares & Jorie, 2015).

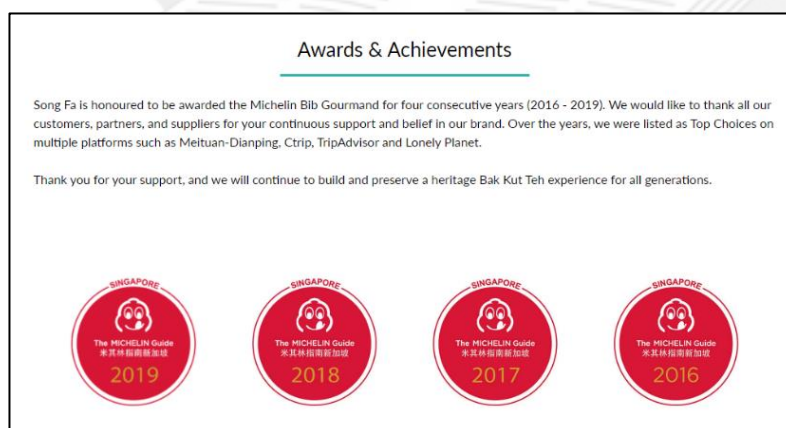
Other than brand image that places itself in customers' mind, the attributes of the product themselves are important elements for customers when deciding to make a purchase. The product attributes cover external and internal aspects, but generally that are weighed are their quality, taste and aesthetics. In the similar research journal regarding electronics (Satya & Irna, 2016), they came to the conclusion that product attributes have a strong positive impact on Xiaomi smartphone purchase decisions.

Understanding that there are many variables that play roles in achieving their business objective which is to make profit, there have been many forms or combinations of strategies that are implemented by businesses to accentuate their strong points to attract customers in purchasing their products.

As one of the vastly growing brands in F&B industry, Song Fa is no exception to that. Song Fa is an award-winning restaurant that highlights the truest sense of Bak Kut Teh originated from Singapore. It is then brought to Medan by one of the biggest Food and Beverage company in Medan, BISA Group, then managed alongside with other brands such as Sushi Tei, Pepper Lunch, Paradise Dynasty, Marutama, Fish&Co, Papparich, Ojju, GB Bistro, Bebek Harissa, Xing Fu Tang, LlaolLao, and many more in the future (Internal Source, 2020).

Under BISA Group, Song Fa Lippo Plaza is the 6<sup>th</sup> branch that is opened in Indonesia, and first in Medan. Song Fa Medan was opened at Lippo Plaza on 18<sup>th</sup> December 2018 and then followed by their second branch at Centre Point 16<sup>th</sup> October 2020. Song Fa Medan has premium dining image to them which attracts middle- and higher-income customers, with market segmentation focusing on families and big groups to dine in and enjoy dishes over small talks on the table. They are especially enjoyed and found interesting by adults.

What makes Song Fa different from other Bak Kut Teh stalls in Medan is that they are awarded the Michelin Bib Gourmand for four consecutive years (2016 – 2019). Since 1997, the Bib Gourmand award are given to restaurants that are deemed to deliver high quality dining experience at a reasonable price (good quality, good value) (Michelin Guide, 2018). Song Fa is recorded to be the first restaurant with Michelin Guide’s Bib Gourmand Award that is available in the city. They are promoted with the initial branding of using ‘Michelin Awardee’. It is created to plant a strong first impression on the brand, so people could remember and be interested in trying it.



**Figure 1. 2 Song Fa’s Awards & Achievements**

Source: [songfa.com.sg/pages/about-us](http://songfa.com.sg/pages/about-us)







**Figure 1. 3 Song Fa Medan's Promotional Posts**  
 Source: Song Fa Medan (@songfamedan) on Instagram

Song Fa's initial opening in Medan has drawn a lot of customers for the first few months, especially the next month it is launched. People are probably interested in their title as Michelin Bib Gourmand awardee and also by how their signature dish 'Bak Kut Teh' differs themselves from other Bak Kut Teh in Medan.

Competitors of Song Fa in Medan are ranging from family restaurants to street stores that own their own Bak Kut Teh specialty dishes. Take Datin Ong and Port Klang 8A as the examples of a restaurant and a store that both serve Bak Kut Teh as their menu. Although they all serve the same kind of menu, there are attributes to each product that influenced customers' decisions of which to buy. Here are the comparisons between their signature dishes along with the price:



 <p>★ 排骨肉骨茶 Pork Ribs Soup 74.9/94.9</p>	<p>Bak Kut Teh</p> <p>Bak Kut Teh Porsi Kecil 55.000</p> <p>Bak Kut Teh Porsi Sedang 80.000</p> <p>Bak Kut Teh Porsi Besar 100.000</p>	 <p>Bak Kut Teh Kecil 42.800</p> <p>Bak Kut Teh Besar 86.800</p>
 <p>👍 腰肉片汤 Pork Tenderloin Soup 59.9/74.9</p>	 <p>Bak Kut Teh Kering 60.000</p>	

**Figure 1. 4 Comparison of Song Fa, Port Klang 8A and Datin Ong’s Signature Bak Kut Teh dishes and Prices consecutively**

Upon opening their first brand in Lippo Plaza Medan, there is the data of number of pax sold to show the interest in Song Fa for the first one month and the following six months:

**Table 1. 1 Data of Number of Customers in Song Fa Medan – Lippo Mall Branch from December 2018 to June 20219**

No.	Period of Time	Num. of Customer
1.	17 December 2018 – 31 December 2018	4.784
2.	1 January 2019 – 31 January 2019	8.761
3.	1 February 2019 – 28 February 2019	8.354
4.	1 March 2019 – 31 March 2019	7.246
5.	1 April 2019 – 30 April 2019	5.888
6.	1 May 2019 – 31 May 2019	5.295
7.	1 June 2019 – 30 June 2019	4.987

Source: Prepared by the Writer (2020)

From table 1.1, we can see from the soft launch in the month of December (open for public on the 18<sup>th</sup>, 17<sup>th</sup> is counted for the internal private testing), Song Fa Lippo Plaza could score 4.784 customers in just 15 days of opening. The grand opening of Song Fa Lippo Plaza was recorded on 12<sup>th</sup> January 2019. Despite not having a lot of promotional activities except the opening (bank and app partnership) and 50<sup>th</sup> anniversary promo, Song Fa Lippo Plaza still managed to reach 4.987 customers after 6 months of opening had passed.

Following the success of the first Lippo Plaza outlet, Song Fa then decided to open the second branch in Centre Point Medan. The second outlet is opened when the town is still recovering from COVID-19 situation with strictly following the government's rules, but it is reported that from the period of 15<sup>th</sup> to 31<sup>st</sup> October 2020, Song Fa Centre Point still managed to get 1.049 customers considering the situation. In addition, Song Fa Lippo Plaza sold a total of 1.217 customers in full month of October (Internal Source, 2020).

The fact that customers are still fixated on going to either outlet to enjoy signature dishes in Song Fa is proof that they have unique charms and phenomenal products that attracted customers in making purchases. Of course, the management of BISA Group themselves bring each brand to Medan with their own characteristics and specialty that people can pinpoint and not overlap with each brand. For example: Sushi Tei with their sushi, Pepper Lunch with their steaks, Paradise Dynasty with their Chinese food, Marutama with their Japanese ramen, and of course Song Fa with their Bak Kut Teh.

As it is interesting that the first ever Michelin Bib Gourmand award winner is finally available in Medan, and the fact that they put so much emphasize on their signature product and the difference between them and the existing competitors, the writer is interested to see how much of the influence between these two factors towards customer purchase decision in Song Fa Medan. Powered by the background laid above, the writer will do research with the title **“The Influence of Brand Image and Product Attributes towards Customer Purchase Decision at Song Fa Medan”**.



## 1.2 Problem Limitation

To anticipate the occurrence of the expansion and discussion of problems that are not in accordance with the research, then the writer gives limitations of the problem. Its purpose is to strengthen research on the focus of the field of observation. Research is limited by researching Brand Image, Product Attributes, and Customer Purchase Decision of Song Fa Medan.

The dependent variable of this research is the customer purchase decision of Song Fa Medan, as many objectives of business and marketing means are pointing to benefit and growth, it can be concluded from the purchases that are made by the customers. As there are many factors that may have influenced the decision, but the writer will focus on two independent variables in this research.

The first independent variable is brand image, as it is believed that positive and strong association to a brand will lead to a successful purchase, it is especially relatable to Song Fa which has Michelin guide awards and association to BISA Group in Medan. The second independent variable would be product attributes, the specialty product that people look for when making their decision over other available options.

Limitations of research problems in detail include:

1. The study only analyzes three variables consisting of two independent variables, namely Brand Image and Product Attributes, and one dependent variable which is Customer Purchase Decision.

2. The object of this research is both Song Fa Lippo Plaza and Song Fa Centre Point Plaza, which will further be regarded as Song Fa Medan.
3. The Product Attributes of Song Fa Medan are limited to attributes that are controlled freely by them as a franchisee.
4. Questionnaires are limited only to people who ate in Song Fa Medan.

### **1.3 Problem Formulation**

Here are the problems of formulation that are found during the conducted research:

1. Does Brand Image have influence towards Customer Purchase Decision at Song Fa Medan?
2. Does Product Attributes have influence towards Customer Purchase Decision at Song Fa Medan?
3. Do Brand Image and Product Attributes simultaneously have influence towards Customer Purchase Decision at Song Fa Medan?

### **1.4 Objective of the Research**

Here are some objectives of the research to solve the problem that have been found while conducting the research, which are:

1. To identify the influence of Brand Image towards Customer Purchase Decision at Song Fa Medan.
2. To identify the influence of Product Attributes towards Customer Purchase Decision at Song Fa Medan.

3. To identify the influence of Brand Image and Product Attributes simultaneously towards Customer Purchase Decision at Song Fa Medan.

### **1.5 Benefit of the Research**

There are two types of benefit from the research of customer purchase decision as a factor of Brand Image and Product Attributes towards Customer Purchase Decision at Song Fa Lippo Plaza Medan, which are can be separated into two kinds of benefit, which are:

#### **1. Theoretical Benefit**

The benefit of doing this research theoretically is to provide future references and become the basis to improve the theory of Brand Image and Product Attributes on Customer Purchase Decision at businesses. This will also serve as a beneficial founding for stakeholders in business, such as marketers, managers, entrepreneurs and owners to understand better and gain insights about how the variables will influence each other before hands-on implementing them to their business.

#### **2. Practical Benefit**

Other than gaining benefits on the theoretical side, this research will also provide benefit to the practical side. This research will be able to serve as a help for many stakeholders, such as the writer, the company and other researchers as well.

- a. For writer

To gain knowledge on brand image, product attributes and customer purchase decision as well as how they are being affected by each other.

This is to boost and add to overall information on Marketing study program.

b. For company

To give insight about the brand's unique values and how to put them to the highest potentials using possible tools of marketing. To give more depth of understanding their customers that will lead to greater performance of business in the future.

c. For other researchers

To be able to act as a reference, basis, or source of information for other researchers that are interested in doing research with

