

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The world is never as static as it seems – the term of globalization presently associates itself with open and rapid movement and also the availability of exchanges as barriers and restrictions are lowered. The appearance of globalization has also affected human behaviour as they appear to be more exposed with the world in a larger scope. The ability of a person to know or to be aware of events internationally is inevitable. This relates to how globalization erases the barriers of communication and interaction between two or more parties. Due to the ability of information to be distributed and accepted from one place to another, people are aware of slow but steady changes, such as the food they eat, the clothes they wear, the electronic appliances they use which concludes that globalization changes one's lifestyle. The changes themselves results in different demands for each person which is surely according to their preferences. This situation has always become one of the challenges for business to keep up with the wants and needs of their customers as to attract potential customers, gain customers, maintain loyal customers and reduce customers churn rate. The existence of buyer or customer becomes the main reason why a business is able to survive with both value in quantity and quality, because a business survives and from the profit gained from the products and services sold to the customer and find ways to minimize loss,

followed with each of the business' vision, mission and goals with the hopes of fulfilling the main reasons why the business exist. Not only about striving hard to keep up with the trends and demands of customers, a business must also build up the awareness that their brand exist to the mind of customers. The challenges to the situation of gaining customers' willingness to purchase products and services provided are also experienced by business including the hospitality industry as one of the fields that is growing globally and has become one of the most-demanded industry as it is known as the industry that focuses on serving customers and leading them to the feeling of leisure and satisfaction.

The hospitality industry, which includes the sector of lodging, food and beverage, travel and tourism, transportation and recreation have always become one of the champions and saviors to the world's economy yet affects a lot due to the occurrence of incidents. Based on EHLs (2020), there has been a huge increase on international arrivals over the span of 2010 to 2020, with the starting numbers of 900 million to more than 1.3 billion arrivals. According to The World Travel and Tourism Council (WTTC), the figures in the year 2018 concludes that hospitality industry has contributed with the total of 8.8 trillion US dollar to the economy worldwide and it becomes the industry that represents 10.4 percent of the global Gross Domestic Product (GDP). The existence of hospitality industry especially the food and beverage sector has positively changed Indonesia. Waseso (2020) stated that the culinary sector stays to be the champion in Indonesia with its unique innovations and food franchising trends. Indonesia's Ministry of Industry (2019) stated that along the year of 2018, the Food and Beverage sector has contributed an increase of

7.91 percent to Indonesia's GDP and it has exceeded the national economy growth on 5.17 percent. While in 2019, This desirable sector has also positively affected the growth of near to 8 percent to Indonesia's GDP (Santia, 2020).

On the other side, Food and Beverage sector is keeping up with the trends and demands with the use of technology. Nugraha (2020) explained about the research on Food and Beverage industry sector which has been going through a huge development which is known as the implementation of technology 4.0 to the Food and Beverage industries and it is defined as the accessible online media that has become one of the huge demands for business owners and marketers to advertise and to attract customers as it gives wider networks and methods of approaching potential customers. The implementation of 4.0 technology itself to the Food and Beverage Industry is supported by Joko Widodo, the President of Indonesia on period of 2014 – 2024. Joko Widodo strives on successfully achieving the project of *Making Indonesia 4.0*, as customers demand for variety on products and transparency on providing information about the products marketed.

However, the pandemic of SARS-CoV-2 that appears to be spreading around the world in the beginning of 2020 has affected all the sectors around Indonesia – including the business related to Food and Beverage sector and it is believed that 2020 is the worst year for Indonesia's economy as Addhi S. Lukmi, the Chairman of Food and Beverage Entrepreneur Association (GAPMMI), stated that the growth of Food and Beverage sector GDP growth has only increased in a number between 1 to 2 percent through the year, which is considered to be little compared to the growth in 2019 and it also appears to

be different from the projection made by Indonesia's Ministry of Industry – they believed that Indonesia's food industry in 2020 will experience growth to 3.06 percent, while its beverage industry growth will drop to minus 2.55 percent. In conclusion, it was believed that Indonesia's Food and Beverage sector will only experience 0.51 percent growth. Felly (2020) shared his interview about the situation of the Food and Beverage industry during the COVID-19 pandemic with Stefu Santoso, the Executive Chef of Aprex Catering and the President of ACP (Association of Culinary Professionals). The answer was devastating – the Food and Beverage sector is surely having a hard time on both increasing and maintaining their sales as physical distancing procedure is issued due to the prevention of virus transmission. Several restaurants and cafes are not allowed to provide dining-in services to customers and the solution to this condition is to provide food and beverage delivery.

However, take-out or delivery food and drinks are believed to be not as enjoyable compared to the dining-in services as the experience and vibes customer can enjoy are significantly different. In this case, the Food and Beverage related business have no choice but to provide their best to serve their products and execute their services well regarding to the high demand of variations and approaches by the customers, which means that it is just the right time for the Food and Beverage businesses to utilize the 4.0 technology with the use of internet which provides online network and medias such as messenger and social media application that allows the business to easily market and share their information in the form of messages, media and file attachments such as videos, pictures and files to the potential customers. The

examples can be taken from using Instagram as one of the social media platforms that can be used by business to promote through advertisements, stories and posts in the form of videos and photos; TikTok which compiles accessible, favourable and trending video cuts to be promoted in the front page; WhatsApp and LINE as both the verbal and nonverbal effective communication provider; and many more.

All business, including the ones which are just at the starting point or the bigger ones, must aware that it is important to build brand awareness to customers (Walgrave, 2019). Brand awareness is defined as the way target market become aware of a company or business' existence, name and products and services. A company can also be wholly represented with its unique logo and designs. For example: McDonalds are known with its yellow arch that forms the letter M. This is also known as the way a company is differentiated with their competitors. A good brand is known to be able to state out the value of the business, including the products provided by the company, and are able to stand out or stay in consumers recognition mind. Building a good brand is better than implementing thousands of marketing campaigns. Brand awareness comes in when the consumers are able to remember the brand with reference to the products or services. When a good awareness of a company's brand is present in consumers mind, it is more likely for them to purchase products from the business. In other words, higher brand awareness will lead to better sales and profit for the company.

A business runs around and tries to sell the products and services that are suitable for the market to gain profit – which has become the main reason

on how a business can survive. They exist with the hope of customer having intention to try and purchase their products. According to Sanjaya (2018), in purchasing products and services of a brand, customers are either to have the intention to explore more about the information of the brand including the products and services provided, to purchase the products and services, to have preferences in the products and services in a brand and to refer products and services of the brand to others.

It is important to know that being able to be recognized by people and increasing sales on products or profits are the main goal of every business, including hospitality. In this case, organizations are striving hard to aware people about their products and services. In other words, hospitality business trying to build a brand awareness, which can make people generally realize that there is one product in a particular brand with certain goals. A business is considered to have a success in showing their brand awareness if it is accepted by the people as an important brand and becomes the purchasing intention of consumer. It also tends to have a huge customer loyalty in the market. In other words, as a customer is intended to purchase products from a particular brand, they will become loyal if they enjoy the experience gained from the brand itself. Many marketing researches related to the influence of brand awareness towards customer purchase intention has been conducted. On the journal by Gustiawan and Sastika (2018) as well as on the journal by Ashshiddiqi (2018), it shows that shows that brand awareness gives positive influence on customer purchase intention, which includes transactional, referential, preferential and explorative

intention. On the paper by Sanjaya (2018), he also claims that brand awareness does give significant influence to customer purchase intention.

As the third largest metropolitan city in Indonesia, Medan has experience various changes in trends, including the lifestyle of the citizens and also the new hospitality business sectors that appears due to high demand of their products and services. In this case, businesses face competitions among others which runs around to the similar fad so that they will appear to be more attractive to potential customers. The Bites Medan has also become one of the business that strives hard to be the number one dessert shop in Medan. With their brownies with various toppings as their specialty followed with South Korean concepts on its menus and marketing strategies, The Bites Medan are trying to innovate more and to stand up to their customers from other competitors such as 96 Bakery, Mellie Bake House and many more.

Starting from door-to-door selling and asking for permission to sell their brownies to universities in 2015, Brian Fendy and Wenny Atmaja as the founders of The Bites believe that their business will keep developing and innovating new ideas, which has made The Bites Medan to survive in the Food and Beverage business sector. Opening a physical store at Komplek Multatuli Blok CC No. 46, the hardworking couple believes that those are the times to get more profit as costs is heavier, hoping for more customers knowing that the brand of The Bites Medan exists as one of the most well-known dessert shops in Medan. Every year, The Bites Medan will always set goals on their quantity of desserts sold, the total of Instagram followers and the total of Google reviews to make sure that their business is going well as more

marketing strategies and product innovations to gain customers' intention to purchase are present. The table below consists of the quantity of desserts sold in year 2017 – 2020.

Table 1.1 The Bites Medan Total Sales Volume in 2017 – 2020

	2017	2018	2019	2020
January	277	693	1,377	3,343
February	514	852	2,004	3,825
March	565	856	1,773	2,824
April	627	956	2,203	2,376
May	933	1,000	2,734	4,839
June	717	842	1,921	3,711
July	855	1,135	2,632	2,987
August	1,135	1,237	3,366	3,273
September	979	1,133	3,634	2,783
October	1,119	1,506	3,832	2,756
November	1,407	1,722	3,764	2,960
December	1,339	1,641	4,183	4,433
Total	10,467	13,573	33,424	40,109

Source: Prepared by the Author (2021)

There are visible sales increase happening at The Bites from the year 2017 to 2020, which shows that The Bites are becoming more recognizable and known to exist as one of dessert shops in Medan, which affect potential customers to come and buy their products. With the sales increased to 30% in 2018 with cakes dominating the total sales, 146% increased sales in 2019 due to many new products and packaging designs were launched and 20% sales increase in 2020. However, the total sales of 2020 do not exceed The Bites Medan – one of the owners of The Bites Medan, Brian Fendy, claims that he expected The Bites Medan to sell at least 48,000 boxes of dessert in 2020. Brian also expects to get more than approximately 29,000 Instagram followers and 1,330 reviews written on Google, which are the total accumulated on 25th March, and their goals were actually to have 33,000 followers on Instagram and

4,000 Google reviews at the end of year 2020. They expect to sell at least 4,792 boxes of desserts in February 2021 due to many events held on that month such as Chinese New Year and Valentine's Day, however, they only sold 3,581 boxes, which were less than the boxes sold in February 2020. Based on the author's observation and experience, The Bites also appears to be unknown for its existence by some citizens around Medan and that some of the potential customers who seek for desserts chose to buy them from other shops such as 96 Bakery, which is also known to be the shop that sells brownies as their main products and other products such as Italian doughnut and cakes, which can also be found at The Bites Medan. These comments can be proven from the preliminary interviews conducted with the author directed those who are visiting Komplek Multatuli on 23rd February 2021 to find out supporting statements regarding the phenomena discussed in this skripsi. This interview was directed to those who are around 18 to 35 years old as it is the target marketage of The Bites Medan and to provide accuracy according to research limitations.

Table 1.2 Preliminary Interviews with Citizens visiting Komplek Multatuli on 23rd February 2021

Initials and Age	Awareness of The Bites Medan existence	Comments
EK, 28	Does not know about The Bites Medan	"I do not have any clue about The Bites Medan at all. I have never seen their pages on Instagram and I doubt that I have hear my friends talking about The Bites Medan."

SS, 19	Chooses other brownies shops than The Bites	"I always enjoy and give brownies from Lisano Brownies to my friend. The second choice is the fudgy brownies by 96 Bakery. The Bites Medan has never become my options in purchasing brownies."
S, 23	Remembers The Bites' existence from the conversation of this interview.	"If you (the author) do not talk about the Han Ji Pyeong standee placed in front of the store, I will not remember if The Bites Medan exist."

Prepared by the Author (2021)

In other words, The Bites' sales might be increasing year by year, but the growth is not as huge as the year before, and the fact that there are new competitors selling similar products has put The Bites Medan into a devastating position – one of the examples is when The Bites Medan lost to Mellie Bake House and has taken the second position in case of sales on GrabFood in 2020. The problem has brought curiosity to the author to know about the awareness of The Bites Medan as a brand, the reaction of customers to have intention to purchase products provided at The Bites Medan and to know about the importance on building a good brand awareness that influences customer purchase intention. Therefore, the author chose **"The Influence of Brand Awareness towards Customer Purchase Intention at The Bites, Medan"** as the title of this research.

1.2 Problem Limitation

The main subject of this research is about customer behaviour which is related to the research indicators chosen by author. The scope of this research is limited to analyse the influence of brand awareness including the process of

unaware of a brand, brand recognition, brand recall and top of mind awareness based on the theory of Aaker on (Gustiawan and Sastika, 2018) as the independent variable of this research towards customer purchase intention which consists of explorative, transactional, preferential and referential intentions based on the theory by Ferdinand (2002) on (Sanjaya, 2018) as the dependent variable at The Bites Medan with citizens of Medan as the target of this research. The limitations are set on the variables of “Brand Awareness” and “Customer Purchase Intention” and the limitations are also set on the sample taken, which will be taken from the potential customers on the age of 18 to 35 years old and lives in Medan, which is according to the target market of The Bites Medan, and the duration of research about The Bites Medan from December 2020 to May 2021.

1.3 Problem Formulation

As the author aims to analyse about the influence of brand awareness towards customer purchase intention at The Bites Medan, this research aims to answer the following questions:

1. How is the brand awareness level of The Bites Medan according to the citizenship in Medan?
2. How is the customer purchase intention of the citizenship in Medan towards The Bites Medan?
3. Does brand awareness have an influence towards customer purchase intention at The Bites Medan?

1.4 Objective of the Research

The author conducted this research with the following objectives or purposes:

1. To know about how well the brand awareness of The Bites Medan is to the citizenship in Medan.
2. To know about the purchase intention of the citizenship in Medan towards The Bites Medan products.
3. To know whether there is an influence of brand awareness towards customer purchase intention at The Bites Medan.

1.5 Benefit of the Research

The research conducted by the author offers two types of benefits, which is elaborated below

1.5.1 Theoretical Benefits

Research conducted by the author will have the benefit for the readers in understanding the issues faced by businesses and also in understanding the influence of brand awareness towards customer purchase intention. It may also acts as a reference in the education field related to hospitality and management and future research related to brand awareness and customer purchase intention.

1.5.2 Practical Benefits

The research conducted by the author will offer practical benefits to the company as they will be able to have results from the analysis of this research related to brand awareness and customer purchase intention which might be useful for further strategies, innovation, development and decision making for the company.

