

CHAPTER I

INTRODUCTION

1.1 Background of the Study

According to EHL Insights (2020), the global hospitality industry is now becoming one of the fastest growing industry sector and experiencing massive growth over the last decade with Food & Beverage (F&B) accounted for the largest sector in hospitality industry. Food & beverage sub-sector constitutes of cafés, restaurants, food trucks, pubs and bars, fast-food drive-thru, nightclubs, tea and coffee shops. In general, this sectors include activities such as providing food and beverage, delivering food, snacks, drinks for immediate consumption, on- or off-the premises.

However, several sectors have experienced fluctuation due to the pandemic Covid-19 outbreak & restrictions imposed by the government aimed at preventing the spread of the epidemic by minimizing physical contact and limiting community activities. Quoted from Databoks (2020), accommodation and food/beverage industries were the most effected by the downturn with a decrease of 92.47 percent. Restriction of operational hours and prohibitions on gatherings, accompanied by rigorous rules governing the procedures for carrying out restaurant operations contribute as the main cause to the downturn. The industry sectors affected by the pandemic Covid-19 are depicted in the figure below.

Sektor Usaha Paling Terdampak saat Pandemi Corona

Sumber : Badan Pusat Statistik (BPS), 15 September 2020

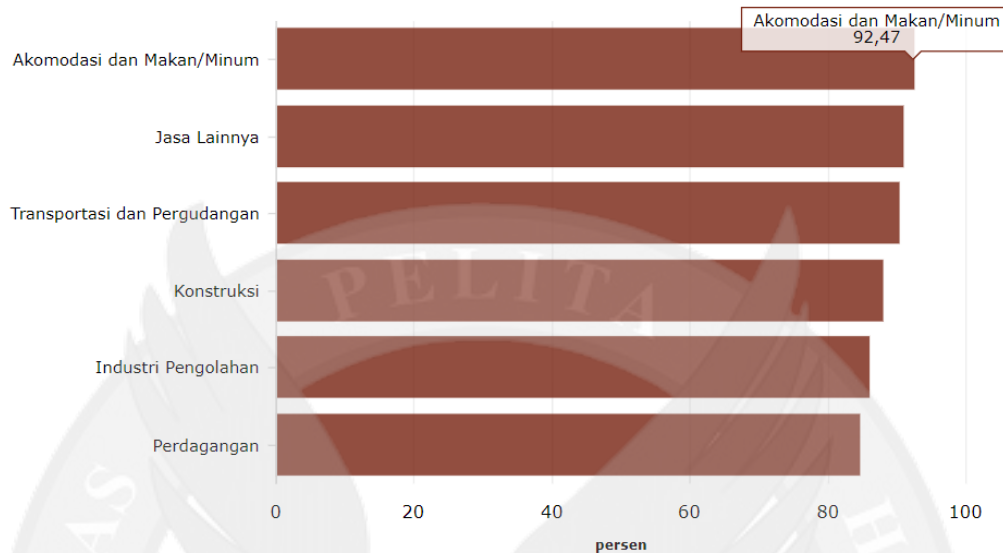


Figure 1. 1 The Most Affected Business Sector during The Corona Pandemic
Source: Databoks (2020)

Although accommodation and food/beverage sectors faced heavy pressure in amidst of Covid-19 pandemic and suffered significant losses in comparison to previous years, restaurants and similar culinary business received surge of consumers once the Large Scale Social Restrictions (PSBB) loosened up. In Medan City, the dine-in visit rate on July 2020 only reach about 36%, however after the ease of restrictions on August 2020, the dine-in visit rate increase by 16%, reaching up to 52%. The same can also be seen at other cities that are also experiencing an increase for dine-in visit rate from June 2020 – August 2020. The column chart below shows the increase of restaurant visitors in Indonesia's big cities from July 2020 – August 2020.

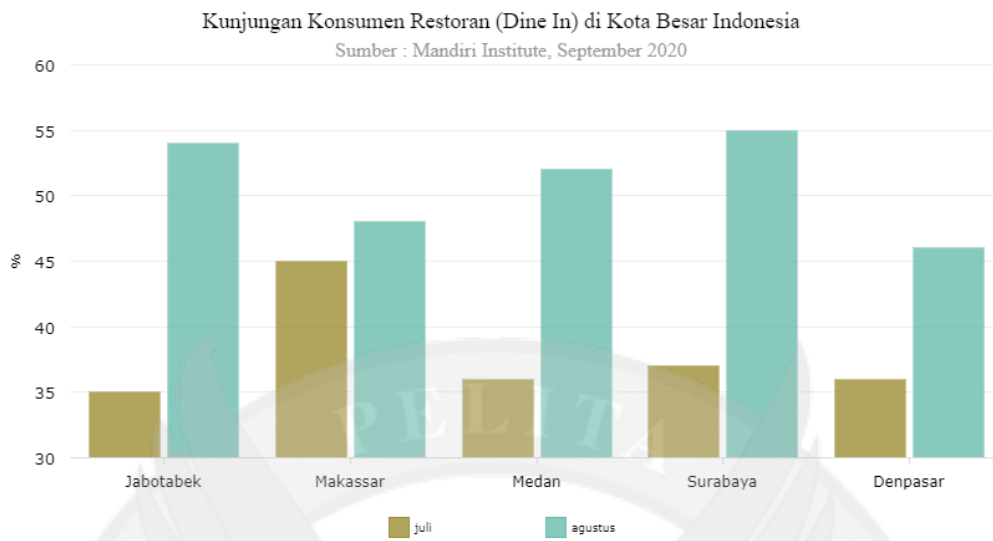


Figure 1. 2 Increase of Dine-in Customer in Indonesia Big Cities July – August 2020
Source: Databoks (2020)

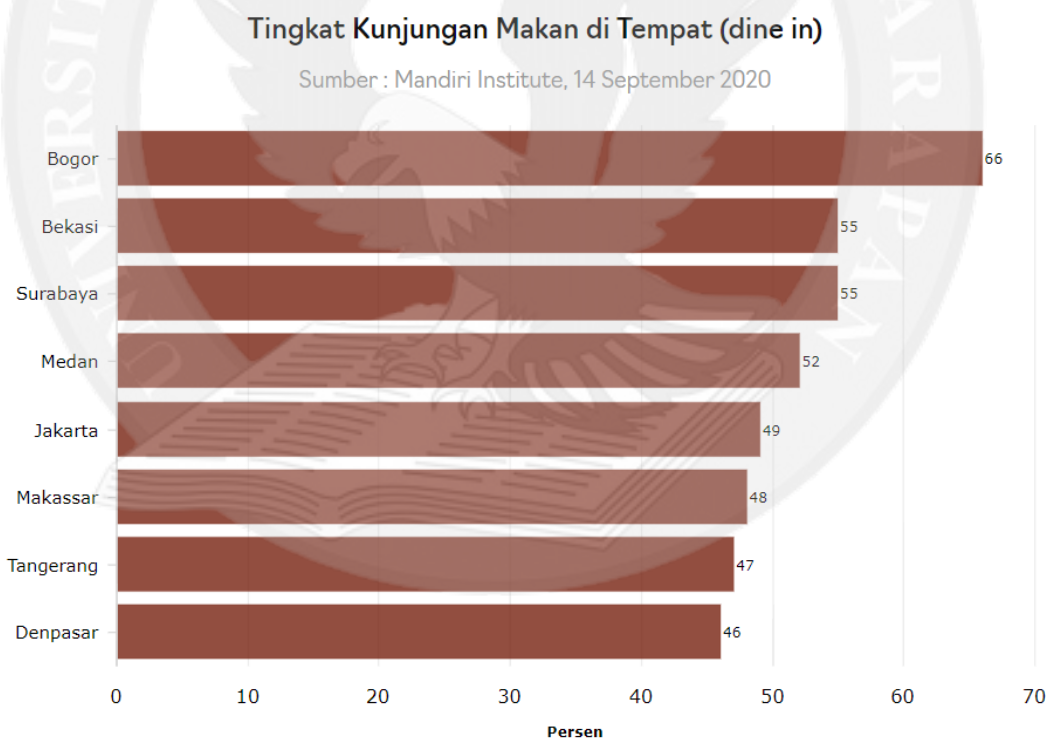


Figure 1. 3 Dine-in Visit Rate after Easing of Restrictions
Source: Databoks (2020)

Quoted from Databoks (2021), the easing of restrictions in various regions, especially in Indonesia big cities have encouraged people to get around. It can be proven through the level of visitors of restaurants to dine in. The average rate of dine-in visits reached 52.3% which was calculated from eight major cities. Consumers that specifically come from middle class, have begun to eat out in a number of restaurants.

In addition, during the recovery process in second quartal of 2021, hotel and restaurant business even show exponential growth. This indicates that the food and beverages business is a kind of business that will bounce back after facing critical situations and having good prospect. Furthermore, several restaurants practitioners have come out with novel idea such as ‘dine-in car’ (Liputan6.com, 2021). This creative innovation boost business proprietors to seek for solutions even during critical times and does not disclose the opportunity for restaurants business to evolve. The growth comparison of restaurant and hotel sectors are depicted in the figure below.

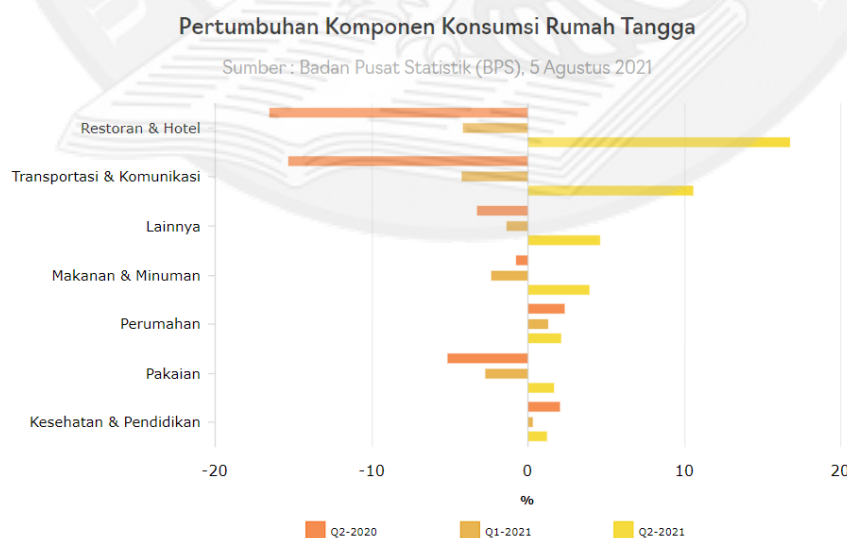


Figure 1. 4 Growth of Household Consumption Component
Source: Databoks (2021)

In the webinar "Grabfood Partners Annual F&B Business Innovation" held on Friday, 6th August 2021, Minister of Tourism and Creative Economy of the Republic of Indonesia, Sandiaga Salahudin Uno stated that the culinary sub-sector contributes by a large margin towards gross domestic product (GDP) of the creative economy, generated IDR 455.44 trillion in 2020 and accounted for roughly 41% of the total creative economy GDP of 1,134.9 trillion.

Likewise in Medan City, more culinary business start emerging ranging from a small stall, coffee shop, even to establishing new restaurants. With the rising number of competitors in culinary sector, each business proprietors must focus on developing a strategy that will enable them to keep generating profits in the long run. Business proprietors must focus on how they will be able to stand out and gain competitive advantages against the wide broads of selection offered by other businesses competing in the same areas. The figures below shows increasing number of restaurant in Medan.

Kecamatan Subdistrict	2016	2017	2018
(1)	(2)	(3)	
1. Medan Tuntungan	10	10	10
2. Medan Johor	27	28	26
3. Medan Amplas	17	17	16
4. Medan Denai	13	13	8
5. Medan Area	50	50	51
6. Medan Kota	25	116	155
7. Medan Maimun	81	88	80
8. Medan Polonia	115	118	117
9. Medan Baru	65	69	79
10. Medan Selayang	70	70	64
11. Medan Helvetia	31	31	36
12. Medan Barat	73	79	102
13. Medan Petisah	160	165	210
14. Medan Sunggal	64	66	62
15. Medan Timur	55	55	64
16. Medan Perjuangan	12	12	12
17. Medan Tembung	13	14	16
18. Medan Deli	9	9	6
19. Medan Labuhan	1	1	4
20. Medan Marelan	10	10	15
21. Medan Belawan	6	7	8
Medan	907	1 028	1 141

Figure 1. 5 Number of Restaurant by Sudistrict in Medan Municipality Year 2016 – 2018
Source: BPS Medan City (2019)

Bistronomix Café as the research object was first established in 2013 and also the first food service establishment under the Bistro Group, which in the following year the Bistro Group expanded their business by opening Chook Dee Thai, a Thai specialty restaurant, and the latest establishment, Le Chateau, a type of fine-dining restaurant. Focusing on Bistronomix Café, it is a type of culinary business that offers various types of cuisine and specialized in serving alcoholic beverages which carried the mixed concept of Bistro, Coffee, and Bar. During the weekdays, the operational hours start from 11 am – 12 midnight, while on the weekend Bistronomix Café operate for longer hours, from 11 am - 1 am.

Purchase decision is a customer's activity or behavior in deciding whether or not to make a purchase or transaction when they are presented with a variety of options, whereas the number of customers who make decisions become the determination for the company in reaching its objectives (Rachmawati, 2019). Purchase decision is critical in ensuring the company existences, as higher purchase decision will result in higher sales volume. Taking this factor into account, it will be an aspect of consideration & influence how the company's future marketing mix strategy should be implemented which is intended to further drive customer purchasing decisions.

In order for getting the general idea of customer purchase decision level at Bistronomix Café, the following figure shows the number of customers visit at Bistronomix Café in the period of 2021, which can be utilized as predictors in determining the level of customer purchase decision.

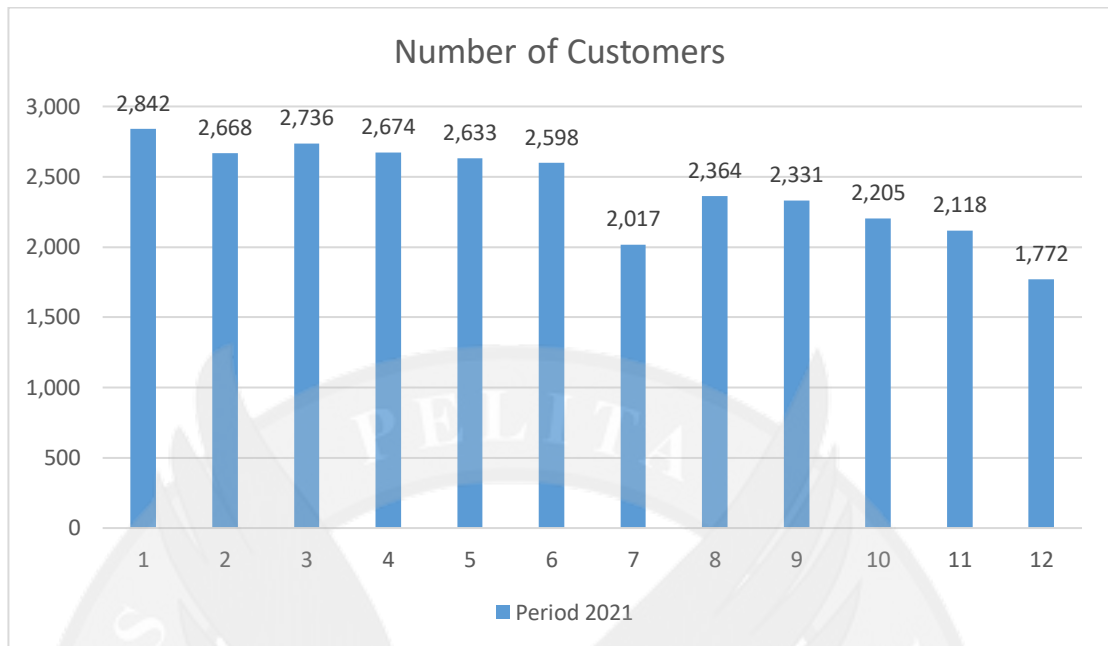


Figure 1. 6 Number of Customers Visit at Bistronomix Café Year 2021

Source: Bistronomix Cafe (2022)

Based on the figure 1.6, it shows the number of customers visit tend to decrease within the year of 2021, which have an impact towards Bistronomix Café sales and revenue. Several factors may contribute to this phenomena, as customers may make their decision after considering several evaluation based on a variety of options offered including the product, price, place, or promotion. Furthermore, the presence of increasing competitors may drive customers to switch brands easily.

Since it was first established, Bistronomix Café instantly become a popular place to hang out and it was even awarded as “2020 Travelers’ Choice” ranked at #3 out of #477 restaurants in Medan by TripAdvisor with over 152 reviews & 4.5 overall rating. One of the unique aspects from Bistronomix Café is in the entertainment they provided through the daily performance during the week (Bistronomix.com).

However, with increasingly fierce competition, one of their major competitor is Holywings that compete in the same segment focusing on serving alcoholic beverages & providing entertainment. In order for Bistronomix Café to be able to retain their profits and keeping their customers to conduct transactions, they need to formulate accurate marketing mix strategy in order to be met with customer expectation and demand so customers are encouraged to make purchase.

Table 1. 1 Comparison between Bistronomix Café and Holywings

Criteria	Bistronomix Café	Competitor
Year of Establish	2013	2017
Product	Light bite snacks, heavy meals, alcoholic & non-alcoholic beverages. Serving varying menu from local cuisine, Asian cuisine, to Western cuisine.	Light bite snacks, heavy meals, alcoholic & non-alcoholic beverages. Serving less varying menu than Bistronomix, focusing on local cuisine & Asian cuisine.
Price (*on similar items)	Light bite snacks ranging from IDR 23.000 – IDR 45.000 Heavy meals ranging from IDR 32.000 – IDR 58.000	Light bite snacks ranging from IDR 25.000 – IDR 48.000 Heavy meals ranging from IDR 48.000 – 65.000
Place	Jl. Perintis Kemerdekaan No. 3 K-M, Medan (near city center, right across JW Marriot Hotel & DeliPark Mall shopping center).	Jl. A.Rivai No. 4, Medan (near city center, located 300m away from Hotel Le Polonia Medan).

Source: Prepared by the Writer (Bistronomix.com, retrieved on 24/01/2022; Holywings.com, retrieved on 24/01/2022)

Developing the effective marketing mix strategy has been one of the techniques for a company to attain their success. According to Kotler and Armstrong (2018), the marketing mix is a combination of tactical marketing tools used by a company to ensure that its target market responds in a way that the company desires. If executed accurately, the business may get better insight of its market and assisting to formulate better strategy for business growth and retaining customers. It's expected for each of the marketing mix variables to influence customer purchase decision in ensuring the business operations on the long run.

According to Hidayat (2020), there's several important key points of marketing mix, in which the products offered must be in demand and restaurant must serve respective menu in attracting customer to influence customer purchase decision. Product is regarded as thing that are sold to the market that can attract customers' attention to use, possess, or consume so as to satisfy their desire or need in which the benefit can be felt, seen or touched (Firmansyah, 2019). Obviously, as food service establishment, Bistronomix Café offers foods and beverages as its main product.

Bistronomix Café offers wide range of foods, ranging from soup, salad, snacks, pasta, pizza, burger, steak, varying types of main courses, noodles, desserts, etc. with varying prices in accordance with the types of food (light or heavy meal). This types of varying menu are better targeted towards people who are conscious of the price points but still seeks for equivalent product quality. On the premium sides, Bistronomix Cafe serve elevate dishes and it is more targeted towards people who emphasizes on the product quality.



Figure 1. 7 Bistronomix Café Premium Menu (Product & Price)

Source: Bistronomix.com (2022)

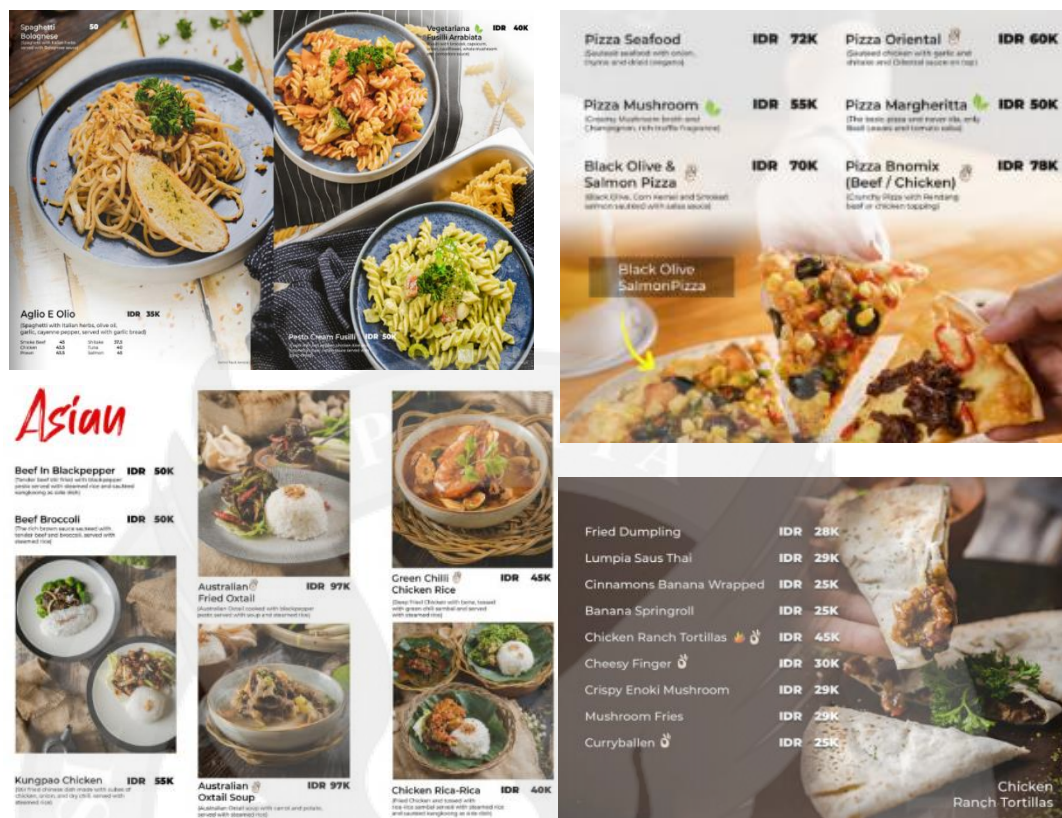


Figure 1. 8 Bistronomix Café Regular Menu (Product & Price)
 Source: Bistronomix.com (2022)

Price is defined as the product’s exchange value and become the most important factor to consider used in evaluating the product (Sudari et al., 2019). Product that offers reasonable price and correspond with its benefits will have favorable impact on customer purchase decision (Limpo et al., 2018). Bistronomix Café offers diverse menu, with regular menu started at the prices of IDR 25.000 – IDR 150.000, while on the premium sides the prices can cost up to IDR 250.000 (Bistronomix.com).

Place is the representation of a company's approaches or operations in bringing the products to be available and accessible to its target market (Fariantin et al., 2021). Building a restaurant in a strategic location that is easily accessible by customer where it is close to the city center or busy area also plays an important part in influencing consumer purchasing decisions, as people will consider buying something at accessible location and far from remote area (Hidayat, 2020).



Figure 1. 9 Bistronomix Café Exterior
Source: Bistronomix.com (2022)

Bistronomix Café is strategically located near the city center at Jalan Perintis Kemerdekaan No.3 K-M, and located right across the road from JW Marriot Hotel Medan, which provide ease of access not only towards the local, but it is also accessible by tourist as well. Bistronomix Café also provide sufficient parking space & offers valet parking which increase the convenience point for people to visit the site. The premises itself is fairly large compared with the culinary business around the area.

Promotion is defined as a commercial activity that aims to introduce the product or service to consumers and encourage them to make purchase (Priansa,

2017). Restaurant should also use promotion as one of the components in their marketing mix while introducing their products or services. Promotion can help persuade people who were previously uninterested to get attracted, thus influencing customer behavior and perception in shaping purchase decision (Hidayat, 2020). Right promotional strategy can also help to pique the customers' interest.

The advancement of technology have made it easier for business proprietors in promoting their product and brand. According to DataReportal (2021), the number of active social media users increased by 10 million (6.3%) between 2020 and 2021, with Whatsapp, Facebook, Instagram, and Tiktok accounted for the most popular social media platforms by the amount of time spent. Furthermore, it is estimated that 65.1 percent of internet users aged 16 to 64 use social media as their primary source of brand information. Several business proprietors now combine traditional product marketing skills with social media technologies to attract Indonesian market. The use of social media as a means of promotional platforms is much more effective in reaching broader market as many people have turned to the digital realm in search of information and people from various segments nowadays own smartphones and it is difficult to be separated from the use of social media wherever they are.

Bistronomix Café owns a website & primarily use several social media platforms in introducing their menus, bundle packages, discount promotion, and etc. to attract customers. Bistronomix Cafe is mostly active on Instagram in sharing promotional content through their post & instagram story. Bistronomix Café also uses Facebook & TikTok as a media of promotion diversification, however it is

considered less effective than the uses of Instagram as the other two social media platforms post less content than Instagram that have full contents ranging from menu information, entertainment content and on-going promotion.

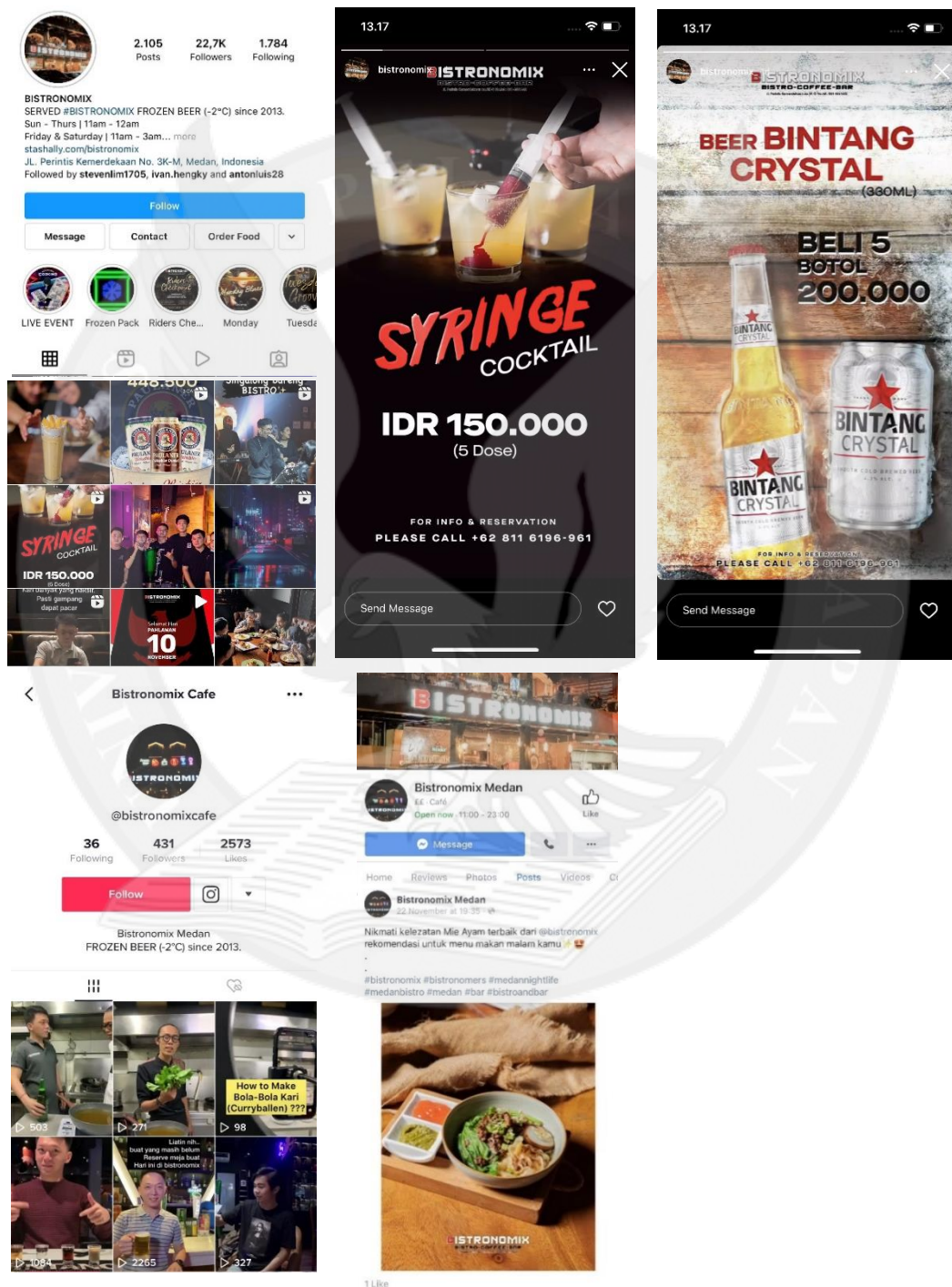


Figure 1. 10 Bistronomix Café Social Media Promotion
Source: Bistronomix Instagram (2022)

Based on the phenomena stated, the writer decided to figure out whether product, place, price, and promotion have influence towards the problem on customer purchase decision, and the writer will present the finding in the form of a final paper titled **“The Influence of Product, Price, Place, and Promotion toward Customer Purchase Decision at Bistronomix Café Medan”**. The results of this study is expected to contribute positively in development of the Café business and helping to achieve their objectives.

1.2 Problem Limitation

Several factors may influence customer purchase decision, however given the limitation of sources, time and budget, the writer determines this study to be focused on the influence of product, price, place, and promotion towards customer purchase decision.

The dependent variable of this research is customer purchase decision (Y), given that purchase decision is the determinant of the business existence, while the independent variables of this research are product (X1), price (X2), place (X3), and promotion (X4). This variables are chosen considering many entrepreneurs emphasize on this component to attract prospect customer and it is believed to have direct influence on shaping customer purchase decision.

The research object will take place at Bistronomix Café located at Jalan Perintis Kemerdekaan No.3 K-M, and the data will be collected through a survey from customers of Bistronomix Café that have ever dine-in at the premises by distributing online questionnaire.

1.3 Problem Formulation

Based on the background study, the formulation of several research problems the writer aims to find out are as follow:

1. How does the product influence customer purchase decision at Bistronomix Café Medan?
2. How does the price influence customer purchase decision at Bistronomix Café Medan?
3. How does the place influence customer purchase decision at Bistronomix Café Medan?
4. How does the promotion influence customer purchase decision at Bistronomix Café Medan?
5. How do product, price, place, and promotion influence customer purchase decision at Bistronomix Café Medan?

1.4 Objective of Research

Based on the research problem, the objectives of this research study are as follow:

1. To examine the influence of product towards customer purchase decision at Bistronomix Café Medan.
2. To examine the influence of price towards customer purchase decision at Bistronomix Café Medan.
3. To examine the influence of place towards customer purchase decision at Bistronomix Café Medan.

4. To examine the influence of promotion towards customer purchase decision at Bistronomix Café Medan.
5. To examine the influence of product, price, place, and promotion toward customer purchase decision at Bistronomix Café Medan.

1.5 Benefit of Research

1.5.1 Theoretical Benefit

The completion of this study is expected to provide a better understanding of the relationship between each variable that can influence the outcome based on existing knowledge. Knowing how to interpret this information can also help practitioners apply the theory in real-world situations and develop strong marketing strategies, especially when it comes to understanding the variables that influence customer purchase decisions in the same field, such as product, price, place, and promotion.

1.5.2 Practical Benefit

a. For Future Researchers

This research is expected to be used as a reference to provide frameworks and give deep insights on the relationship between product, price, place, and promotion in influencing customer purchase decision, and also become development for future study used by researchers in conducting similar topic.

b. For Bistronomix Café Medan

This research is expected to provide a comprehensive insight of Bistronomix Café product, price, place, promotion, and customer purchase decision. Managers can also examine the relationship between independent and dependent variables, each of which has a construction or overview that serves as the basis for selecting these variables. Managers can also determine which variables are the most influential in shaping customer purchase decision and use to formulate specific policies to aid the business operation.

c. For Writer

This research is expected to aid writer in gaining knowledge and providing broader insight related with the topic. It is intended to give better understanding of components that are related with customer purchase decision, such as the influencing factors of product, price, place, and promotion. Through this research paper, this will also serve as a means for applying the acquired knowledge during the study, as well with its application in the field and real life business.