

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Food is a substance that essentially consisting of nutrition such as carbohydrate, protein, and fat which used in the body of an organism in order to sustain growth, repair, as well as vital process and also furnishing energy. Supplementary substances such as mineral, vitamins and condiments are also categorized into food (<https://www.merriam-webster.com>, retrieved 11 April 2019).

The nutritional adaptation of the modern humans began from the evolution of food approximately 3 million years ago during the Paleolithic Era from the hominin ancestors. The diet of this era comprised mainly of meats and fish that was able to be hunted, and also plants such as nuts, seeds, vegetables, and fruits that could have been gathered. However, the diet on this era also varied widely according to the location of human groups. For example: Groups living in deserted places would have little access to meat, and also no access to fish, which they mostly depends on nuts, seeds, and even insects. On the other hand, groups living in colder areas would have little access to fresh fruits and vegetables, which they would mostly depends on animals (<https://www.history.com>, retrieved 11 April 2019).

The evolution of foods in modern humans also partake in the vast development of manufacturing technologies, which started from the 19th century until now. Manufacturing and automation has facilitate mass production as well as the distribution of innovative foods and ingredients, looking at the increasing consumption in cereals, bread, salt, vegetable oils, as well as refined sugars which includes of table sugar and fructose (<http://www.impressmagazine.com>, retrieved 11 April 2019). Civilization era has shaped the use of innovative ingredients, and made into foods or dishes that could be harming to the health of human body. One of the many includes of fast foods. Fast food has the definition of food that can be prepared and served quickly, and are designed for ready availability, use, or consumption and given little consideration on the quality of the food (<https://www.merriam-webster.com>, retrieved 11 April 2019).

Fast foods that are harming the human body are defined as junk food, which means of any food that are highly processed, also high in calories and low in nutrients. Furthermore, junk food are also usually high in added sugars, salt, and trans-fat or saturated fat. With the diet high in junk food, it linked to health problems such as obesity, depression, digestive issues, heart disease and stroke, type 2 diabetes, cancer and early death, and the more people consume junk foods, the more it affects their health. A study found that having fast-junk food more than once a week was linked more high to the risk of obesity, while eating it more than twice a week associates more to risk of type 2 diabetes, metabolic syndrome, as well as death from coronary heart disease (<https://www.washingtonpost.com>, retrieved 11 April 2019).

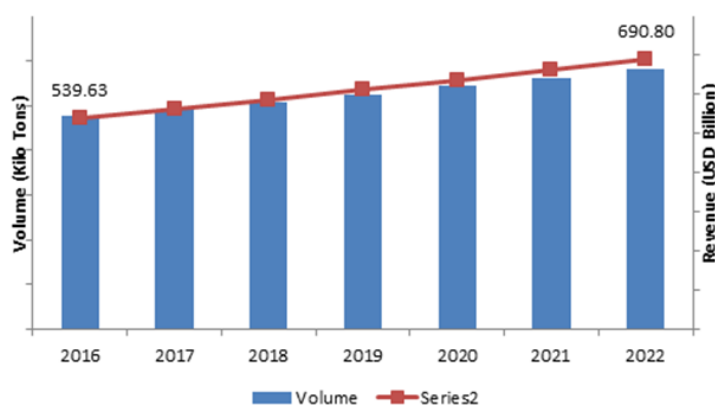


Figure 1.1 Global Fast Food Market Expected Revenue 2016 – 2022

Note. <https://www.zionmarketresearch.com> (retrieved 11 April 2019)

Zion Market Research's analysts has claimed that the global fast food market, would likely to be worth more than \$690.80 billion in 2022 from the chart, which compounds of growth rate that is more than 4.20% (figure1). The chart shows the fast growth of revenue and volume in fast food market to be growing rapidly. However, the growth of awareness in health consciousness of customers in fast food market could decline the expectation, because the customers are shifting to healthier meals. Through this concern, the modern day fast food chains has been introducing more of health-friendly menu items to the public, in order to approach and deal with the vast criticism by health advocates. Not only existing fast food brands are being aware of this change in demand, new healthy fast food chains are coming up by advertising organic and locally sourced meals with similar prices, which is rivalry to legacy junk-fast food chains (<https://commetric.com>, retrieved 11 April 2019).

In Indonesia, fast food has taken up a lot of the market share, for both local and western fast food. As fast growing middle class and the world's fourth biggest population, and domestic consumption driven economy, companies find that Indonesia is an essential market to dive into for fast food business. In fact, according to Euromonitor (2016), the sales of fast food in Indonesia in 2016 was forecasted to reach IDR 15,000,000,000,000. From the 2016 chart by Euromonitor of fast food market share in Indonesia, it also shows the competitiveness of the local and western fast food.

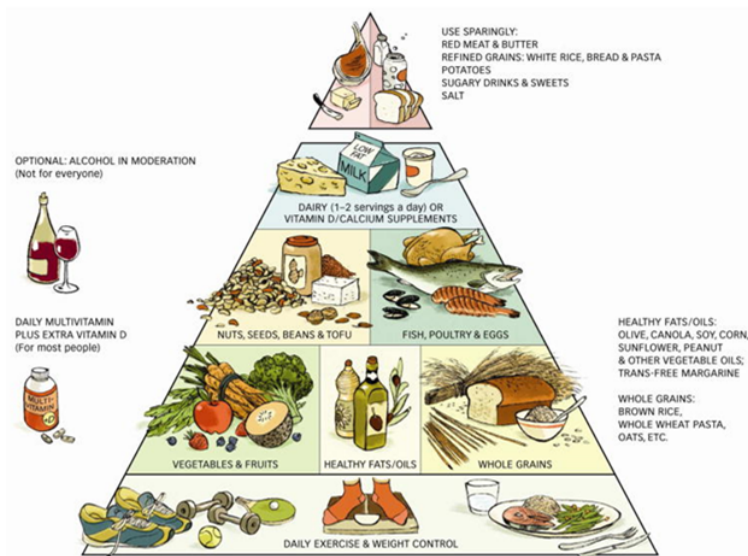


Figure 1.2 The Healthy Eating Pyramid

Note. <http://www.thenutritionsource.org> (retrieved 11 April 2019)

Recent evidence has confirmed on the influence of nutrition and diet to the populations' health (Brug, 2008). By eating healthily, people's health is really affected greatly by what they choose to eat (Michaelidou, Christodoulides, & Torova, 2012). Definition of healthy eating is provided by the recommendation guideline which relates to high fruit and vegetable consumption, as well as high fiber and low fat intake (Conner, Norman, & Bell, 2002). A better dietary pattern was developed by the faculty members in the Department of Nutrition at Harvard School of Public Health, where they introduced Healthy Eating Pyramid (figure2). It introduces that individuals should consume and do more on what are stated at the very bottom of the pyramid then gradually lessen the intake to the top.

Firstly, it is to do daily exercise and weight control. Then, to consume whole grains (includes of brown rice, whole wheat pasta, oats, etc), vegetable and fruits,

and healthy fats/oils. And then consume less nuts, seeds, beans and tofu as well as fish, poultry and eggs. At the fourth tier of the pyramid, to take moderate serving of dairy which is 1-2 servings a day, or vitamin d and calcium supplements. And at the top of the pyramid, is to consume red meat & butter, refined grains such as white rice, bread, & pasta, potatoes, sugary drinks and sweets, as well as salt sparingly (<https://www.ncbi.nlm.nih.gov>, retrieved 11 April 2019).

It is important to note that healthy eating is not a diet, healthy eating refers to the strategies that can be adopted by people to live and enjoy life. Healthy eating can always start by changing an individual's dietary habit, for example, by adding more fresh fruits and vegetables, as well as whole grains and cutting back on meals with a lot of fat, salt and sugar (Healthwise Staff, 2015). Therefore, food choice is a process of behavior and strategies required to enable an individual to make appropriate choices among other available alternatives (Hausman, 2012). Especially, on this post-industrial era, it provides opportunities for majority of people to acquire food, anywhere at any time, which links to healthy fast food chains (Sobal & Bisogni, 2009).

As the concern of health, and market of fast food in Indonesia increases, more health conscious fast food chain are coming up to compete with the existing fast junk-food chains. One of these chains includes of Crunchaus. Crunchaus is a salad Surabaya based-restaurant, which provides quick and fast service, which can be categorized as fast healthy food (<http://instagram.com/crunchaus.co>, retrieved 11 April 2019).

Store loyalty has the definition of when a customer prefers and systemically goes to the same store to make purchases (<https://www.igi-global.com>, retrieved 11 April 2019). Loyalty is indeed a truer litmus test for a company's performance than profits ever were or could be. The only way a business could retain customer and employee loyalty is by delivering superior value, as well as high loyalty are certain prove of solid value creation (Reicheld, 1996).

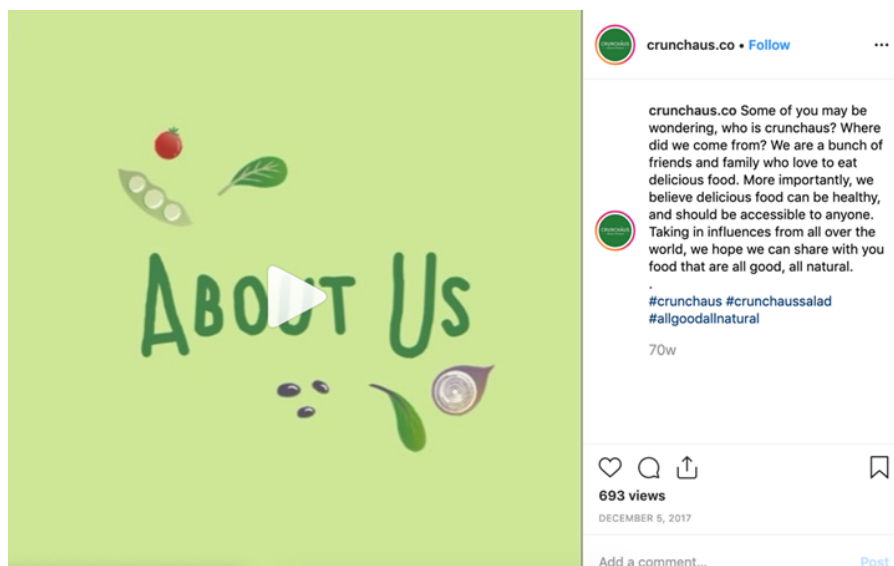


Figure 1.3 Introduction of Crunchaus through their Instagram

Note. <http://instagram.com/crunchaus.co> (retrieved 11 April 2019)



Figure 1.4 Crunchaus introducing their two new outlets in Jakarta

Note. <http://instagram.com/crunchaus.co> (retrieved 11 April 2019)

Crunchaus was introduced in late 2017 (figure 1.3), it started as a home based delivery-only food store, Surabaya and quickly opened its first physical store in Pakuwon Mall Surabaya in January 2018. Five months later in May 2018, it opened its third outlet in Tunjungan Plaza Surabaya. Crunchaus quickly expanded a new store to Jakarta on September 2018 in Gandaria city as its fourth outlet and the next month in October, they opened their fifth outlet in Pondok indah Mall Jakarta (figure 1.4). For less than a year, Crunchaus was able to expand into five outlets fastly and embarks the healthy-fast food chain although this market is very

competitive (<http://instagram.com/crunchaus.co>, retrieved 11 April 2019), which shows that Crunchaus has a good customer loyalty.

Even though, Crunchaus has a good store loyalty, Crunchaus always need to keep up with their competitors. One of the main competitors of Crunchaus is Greenly. It offers the same concept as Crunchaus, which is a healthy fast food restaurant selling salads that are modified into wraps and different flavors. Currently they only have one store in Surabaya, which is in Galaxy Mall Surabaya. The convenience of Greenly is that they offer more variety in their menu, such as having ten kinds of menu plus smoothies, and frozen yogurts meanwhile Crunchaus has only eight kinds of salad menus (<https://pergikuliner.com/>, retrieved 10 May 2019).

Other than that, Crunchaus also has quite a few indirect competitor from restaurants that has salad on their menu such as Pizza Hut. Pizza Hut provides a buffet-type of salad station where customers can choose their own salad or dressing to fit into their bowl. However, the difference between these restaurants to Crunchaus is that Crunchaus really paid attention on their food composition, as well as the ingredients used as well as the uniqueness on how they serve their salads. Crunchaus also has different types of salads and dressing for salads which also makes Crunchaus more particularly special for salads (<https://anageosha.wordpress.com>, retrieved 21 September 2019).

Brugha (1999) defined *store trust* as an expression of a feeling. The feeling has an effect to cognition, affection and behavior where Assael (1998) said that store trust is able to be measured by determining the attribute and benefit of a brand or store. Store trust is related to marketing relationship (Morgan and Hunt, 1994). There are several factors that is able to be identified from store trust. Firstly, store trust and commitment are the most important factor in order for partners to maintain their relationship in business and industry. Second, explanation of store trust and commitment in the relationship of company and consumers contributes to business theories, especially transaction cost. Third, the biggest difficulties of constructing the concept of trust lies in the cognitive and affective base (Gurviez and Korchia, 2003).

Crunchaus' *Store Trust* shows from figure 1.6, where the customer's reviewed about the cleanliness and hygiene in Crunchaus, "Cleanliness of the salad is kept very well, seen by the use of masks, hand gloves, by the workers when making the salads". It shows that the customer trusts Crunchaus' cleanliness and hygiene by the way the workers handles the orders.

Setelah memilih menu yang diinginkan, petugas akan segera menyiapkan salad yang kita pesan. Kebersihan salad di sini dijaga dengan baik. Terlihat dari penggunaan masker, sarung tangan plastik yang dikenakan oleh petugas saat menyiapkan orderan pembeli.



Salad Making in Progress

Figure 1.6 A customer's review about the cleanliness and hygiene in Crunchaus

Note. <http://www.montessori-moms.com> (retrieved 11 April 2019)

Store prestige represents the high status of a product positioning surrounding its brand (Steenkamp et al., 2003). Prestige is a subjective evaluation judgment about high social status of people or a brand/store. It has the meaning of perception that other people, whose opinions are valued, and believe that an organization or brand is well regarded, i.e., respected, admired, or well known (Bergami and Bagozzi, 2000). Sources of prestige can also lead people to associate themselves with prestigious organizations or brands in order to increase their self-esteem (Campbell and Keller, 2003).

Crunchaus opened its first branch in Pakuwon Mall, which is claimed to be the one of biggest mall in Indonesia ([http:// http://surabaya.tribunnews.com](http://surabaya.tribunnews.com), retrieved 11 April 2019). The same article from Surabaya Tribun News, also stated that other than Pakuwon Mall, Tunjungan Plaza's also in the same category of Indonesia's biggest mall, where Crunchaus had its second branch. This shows that by the malls that they choose to open in, they have their own market target which

are the elites. Crunchaus Pakuwon Mall also markets their pricing for their salad for Rp. 40,000.00 to Rp. 45,000.00 depends on the variations, which is high considering the use of organic and freshly chosen ingredients. They also provides additional topping for customers to choose from additional of Rp. 10,000.00 for premium based leafy green vegetables such as Arugula or Kale (<http://pergikuliner.com>, retrieved 21 September 2019).

Retailer innovativeness is defined as the skill and imagination to create new things (<https://www.merriam-webster.com>, retrieved 20 April 2019). Retailer Innovativeness is defined as the value that a retail offers that is new and an improvement of the rest of the business, services, or products in the same field. This not only brings value to consumers, it also help companies increases sales, business growth as well as competitive advantage over the market competitiveness. (<http://study.com>, retrieved 20 April 2019).

Increasing store's *retailer innovativeness* is important for retailers to obtain, as it is to ensure the competitiveness in acquiring new costumers and keeping existed customers. In order to ensure that retailer innovations will be more successful in marketplace, it is essential to understand the consumer-centric perspective (Kunz et al., 2011). In order to build and sustain a competitive advantage in marketplace, a company should implement in placing value as well as creative ideas on innovation (Messant & Tidd, 2007). Innovativeness of a company could refer to the capability of a firm to offer new products and services as well as other kind of promotions (Kunz and Hogreve, 2011).

In 2018, Crunchaus Pakuwon Mall provides 8 dishes on their menu (figure 1.5) including of menus that can made into salad bowl or salad wraps which includes of Happy Garden, The Yogi Salad, Waldorf Chicken, Konichiwa Salad, Caesar Teaser and Mix Mix Salad where customers can also choose to upgrade for Premium based vegetables (arugula or kale). They also provide the option for customers to choose their own salad by picking their own type of salad (bowl or wrap), then leafy vegetable base (mixed greens or premium arugula/kale), topping which includes of one meat plus five other vegetable or fruit and lastly the dressings (<http://pergikuliner.com>, retrieved 30 September 2019).



Figure 1.5 Crunchaus Pakuwon Mall's Menu

Note. <http://perigikuliner.com> (retrieved 30 September 2019)

As per 2019, Crunchaus keep their innovation by introduce new menu, which is Grain bowl or Fuel bowl. Based on Crunchaus' Instagram, they explain the Grain bowl as the extension of the normal salad by focusing on the composition of grains such as quinoa, brown rice, pasta, and cauliflower rice to balance the vegetables or fruits, as well as complimentary of meat with dressings. This shows that, as time goes by Crunchaus' focuses on innovating and adding new products as their retailer innovativeness (<http://instagram.com/crunchaus.co>, retrieved 30 September 2019).



Figure 1.7 Crunchaus' new menu: grain bowl, introduced in 2nd January 2019

Note. <http://instagram.com> (retrieved 11 April 2019)

Healthiness of food and its safety has been in the spotlight of the public debate, food policy, researches, nonetheless in food industry. Healthiness of food can determine the consumer satisfaction and dissatisfaction, which rests on the basic assumption to the extent of confirmation or disconfirmation of the pre-

purchase expectations of quality, as well as post-purchase quality, where it determines of a repurchase probabilities (Oliver, 1980). The standard of good healthiness of food product conducts of four criteria: taste (and other sensory characteristics), health, convenience, and optional for some consumers–characteristics such as organic production, animal welfare, GMO-free, natural production, etc (Brunso et al., 2002).

Crunchaus put their quality and healthiness of food to be their number one priority. From figure 1.7, it shows that Crunchaus acknowledged that their store may be affected due to short supply of organic and hydroponic vegetables, that is caused by the weather condition. This also shows that Crunchaus pays attention to the type of vegetable that they are using, which is organic and hydroponic. On the same Instagram post, Crunchaus also shows the way they produce their vegetable, that how they clean their vegetable, as their quality control.



Figure 1.7 Crunchaus' organic Vegetables

Note. <http://instagram.com/crunchaus.co> (retrieved 11 April 2019)

As Crunchaus was established in less than three years, it is important for them to overlook on the store loyalty. So, to examine Crunchaus Pakuwon Mall's Store Loyalty, it is important to look on variables, such as *healthiness of food*, *retailer innovativeness*, *store prestige*, and *store trust*. This study will take data by using purposive sampling method in Crunchaus Pakuwon Mall Surabaya. Hence, this research entitled "The Effect Of Healthiness Of Food And Retailer Innovativeness On Store Prestige and Store Trust Towards Store Loyalty Of Crunchaus Pakuwon Mall Surabaya".

1.2 Research Problems

Based on the background of the study, research problems consist of the following:

1. Does *retailer innovativeness* has significant effect on *store prestige* of Crunchaus' customers in Surabaya?
2. Does *healthiness of food* has significant effect on *store prestige* of Crunchaus' customers in Surabaya?
3. Does *retailer innovativeness* has significant effect on *store trust* of Crunchaus' customers in Surabaya?
4. Does *healthiness of food* has significant effect on *store trust* of Crunchaus' customers in Surabaya?
5. Does *store prestige* has significant effect on *store trust* of Crunchaus' customers in Surabaya?
6. Does *store prestige* has significant effect on *store loyalty* of Crunchaus' customers in Surabaya?
7. Does *store trust* has significant effect on *store loyalty* of Crunchaus' customers in Surabaya?

1.3 Research Objectives

Based on the research problems, research objectives consist of the following:

1. To analyze the effect of *retailer innovativeness* on *store prestige* of Crunchaus' customers in Surabaya.
2. To analyze the effect of *healthiness of food* on *store prestige* of Crunchaus' customers in Surabaya.
3. To analyze the effect of *retailer innovativeness* on *store trust* of Crunchaus' customers in Surabaya
4. To analyze the effect of *healthiness of food* on *store trust* of Crunchaus' customers in Surabaya
5. To analyze the effect of *store prestige* on *store trust* of Crunchaus' customers in Surabaya
6. To analyze the effect of *store prestige* on *store loyalty* of Crunchaus' customers in Surabaya

7. To analyze the effect of *store trust* on *store loyalty* of Crunchaus' customers in Surabaya

1.4 Research Contributions

1.4.1 Theoretical Advantages

This study contributes as a reference in Store Loyalty by analyzing and identifying the factors affecting the customers' Store Loyalty in healthy fast food chain. This study also contributes as a reference for further studies that are related and similar to this field of study.

1.4.2 Empirical Advantages

1.4.2.1 For Crunchaus Surabaya

The outcome of this study can be beneficial for evaluation purposes for Crunchaus Surabaya regarding to their consumer behavior, and through this study Crunchaus Surabaya would be able to improve their marketing strategies by learning about their consumers and how they create marketing effectivity through variables such as: retailer innovativeness, healthiness of food through store prestige and store trust.

1.4.2.2 For the researcher

This study depends on the researcher's knowledge about Marketing Strategy particularly in the sub-field of marketing strategy. Through this study, the researcher's given a much broader awareness of the intricacy of marketing and its elements to its marketing strategy.

1.5 Research Limitations

The research for this study is using Crunchaus Surabaya as the object of the research. This research used retailer innovativeness, healthiness of food, store prestige, store and store loyalty as the variables. This research is limited in term of location as the research will be done only in the area of Surabaya, Indonesia. The respondents will also be limited only to customers who has the experience of buying the salads in Crunchaus.

1.6 Research Outlines

Research outline explains the systematic writing of this study. The outline is divided into five chapters as follows:

Chapter I

This chapter sets up the research problem for the reader. It also provides the background information defining the issue and important terms. It specifies the research objectives explored in greater detail to contribute to understanding the research problem.

Chapter II

This chapter summarizes the major studies and findings that have been published on the research topic and how this study contributes or adds to what has already been studied. This chapter also states a clear description of theories that apply to the research problem, an explanation of why it is relevant, and how the modeling efforts address the hypothesis to be tested.

Chapter III

This chapter explains the detailed technical and scientific activities which include the research design, sampling plan, instrumentation, statistical tools, and treatment of data.

Chapter IV

This chapter organizes the logical presentation of all findings in the research questions, and focus on how these key findings relate back to the theory and prior research presented in the beginning of the study.

Chapter V

This chapter outlines the implications, conclusions, and recommendation supposed to advance the study of the research topics by its theoretical, methodological, or substantive contributions that may be necessary to overcome the limitations of existing empirical facts.