

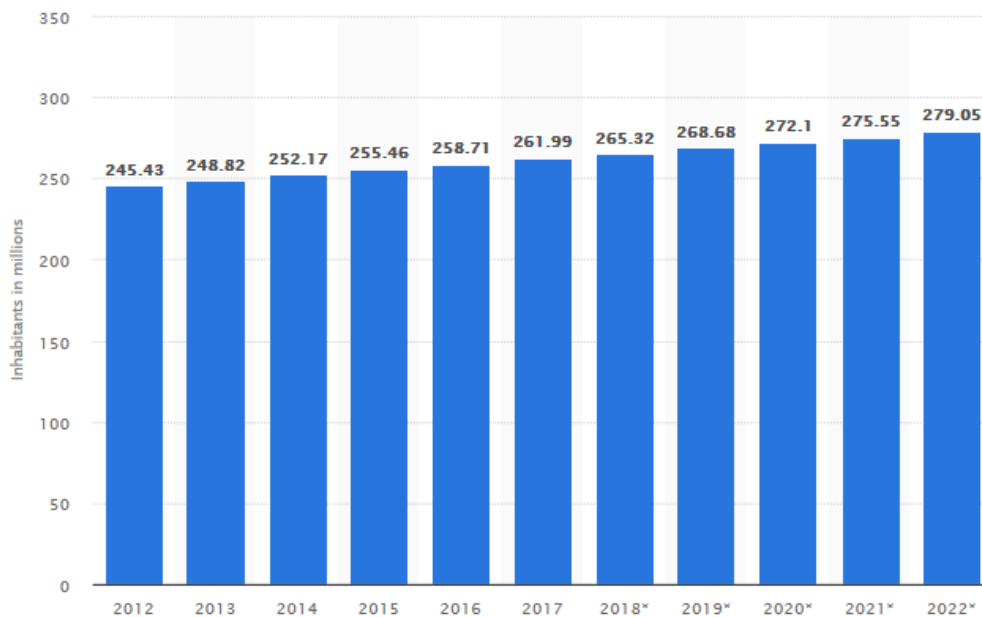
CHAPTER I

INTRODUCTION

1.1 Background of Study

Indonesia's economy is largely driven by rising household consumption, and one of the industries that thrives on is the food and beverages industry. The growth of the sales are expected due to rising personal incomes, and increased spending on food and drink especially from the growing number of middle class consumers. Therefore, most of the local companies are being ambitious with this food and beverages industry (Global Business Guide Indonesia, 2014).

Several players are optimistic that this business will do better from year-to-year. One of the reasons behind their optimistic attitude is because the population in Indonesia continues to expand which means that there are more mouths that need to be fed. The population growth in Indonesia can be seen in this figure:

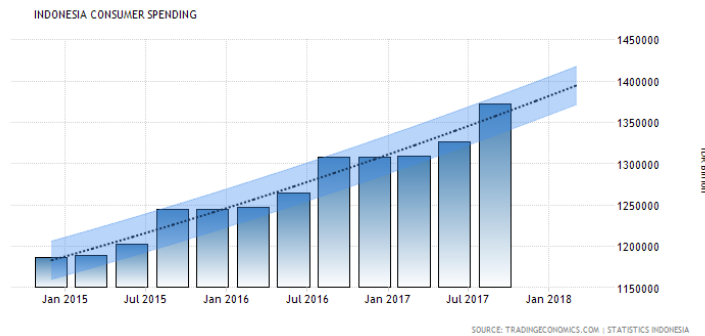


Picture 1.1. Indonesia's population in 2012-2022.

Source: <https://www.statista.com/statistics/294100/total-population-of-indonesia/>

From the Picture 1.1, the population in Indonesia is keep increasing from year-to-year and for the year 2018, the forecast of Indonesia's population is around 265 million and for the year 2022, the forecast of Indonesia's population is around 279 million. ("Indonesia - total population 2012-2022 | Statistic", 2018)

Moreover, not only the population in Indonesia has been increasing, but also the consumer spending in Indonesia has been increasing from year-to-year which can be seen in Picture 1.2 and Table 1.1.



Picture 1.2. Indonesia's consumer spending

Source: <https://tradingeconomics.com/indonesia/consumer-spending>.

Table 1.1: Forecast on consumer spending in 2017-2020

Indonesia Consumer	Last	Q1/18	Q2/18	Q3/18	Q4/18	2020
Consumer Confidence	126	119	120	121	123	123
Retail Sales MoM	2.2	3.6	3.6	1.05	6.2	2.5
Retail Sales YoY	2.5	8.7	9.2	8.14	9.2	12
Consumer Spending	1372053	1377090	1386320	1410872	1411859	1624301

source: <https://tradingeconomics.com/indonesia/consumer-spending>.

From the data above, consumer spending in Indonesia is expected to be 1,377,090 IDR Billion in the first quarter of 2018 and at the end of the year 2018, the consumer spending is expected to reach 1,411,859 IDR Billion.

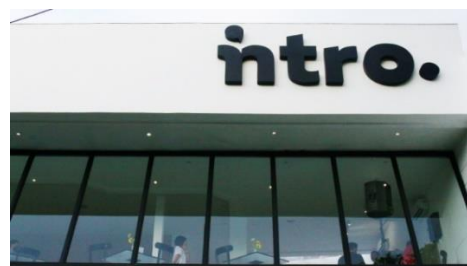
There are several reasons for the consumer spending to keep increasing from year to year. The first reason is because of the hectic and busy lifestyle in the urban areas. This new lifestyle are applied among people in Indonesia including in Surabaya. Nowadays, it seems that not only men but also women are looking for money to support their family. This means that women are no longer spend their time in the house prepare food for their family as they spend their time to earn money. Therefore, people tend to eat outside instead of cook and that means this lifestyle increases the percentage of consumer spending (Mufidah, 2006).

Moreover, another reason is because millennials have a tendency to go to the restaurants and café. Millennials are people who born between the early 1980s – mid 1990s. Millennials tend to be a big spender and not the type of people who likes to save money. Therefore, they are more likely to spend their money to try something new such as try a new restaurant and cafe. As a result, this millennials lifestyle also impact the overall consumer spending (Farrington, 2018).

By looking at the current vibe, opening up restaurants are auspicious business venture for the local as well as foreign investors. Therefore, in 2013, the hotels and restaurants industry contributed 14.33% of Gross Domestic Product (GDP) for Indonesia. Thus, from time-to-time, foreign investors will have various option whether they want to open chain or independent restaurant in Indonesia. This trend are also applied in Surabaya which is the second biggest city in Java after Jakarta (<http://www.cekindo.com>, retrieved on 8th February 2018).

Therefore, for the past few years, there are more restaurants and cafes that can find in Surabaya and one of them is Cacaote. According to Prisca (2018) who is the owner of Intro, Cacaote is a modern French Cuisine that opened its first branch in Indonesia in the capital city-Jakarta in 2016. One year later – 2017, Cacaote open up its second branch in Surabaya at Intro.

Cacaote in Surabaya is located at Intro that is located near Galaxy Mall. Usually Intro is known as a local start-up platform for those people who wants to start up a business but do not have much money to open up a store and they rent it per month. Intro's concept is quite appealing as it is a place where the customers can not only find foods but also other things such as clothes, jewellery, and so on which depends on who rent the space. (Prisca, 2018)



Picture 1.3. Intro 2016 (Exterior)

source: <http://www.instagram.com>



Picture 1.4. Inside view of Intro-2016

(source: <http://www.instagram.com>)

However, this concept did not really go well as Prisca need to find lenders every month and she found out that it was not easy to get one as she need around 16 lenders per month. Therefore, in November 2017, Intro proudly introduces a more established brand for an elevated dining experience. Partnering with Cacaote, a prominent French Restaurant from Jakarta which is the go-to hangout destination for people especially the millennials generation. This means that there are no more several food stores in Intro as Cacaote is the only one who provides food and drinks in Intro (Prisca, 2018).



Picture 1.5. Inside view of Cacaote at Intro – 2017

source: <http://www.instagram.com>

Since Cacaote is a new Restaurant in Surabaya, this research will focus deeper on the repurchase intention of the Cacaote's customers since it just opened for several months' operation. The decoration and the interior design in Cacaote looks luxurious and the price is quite expensive which makes the target customers for this restaurants are middle to high class people which can be seen from Picture 1.5. The range price for the food in Cacaote is around Rp 60,000 to Rp 585,000 as they sell risotto, steak, pizza, and so on. One of the example of the food in Cacaote that can be seen in the Picture 1.6.



Picture 1.6. Pan Roasted Chicken at Cacaote.

source: <http://myfunfoodiary.com>

Furthermore, there are several things that will be discussed about the factors on how Food Quality, Service Quality, Atmospherics, and Other Customers toward repurchase intention through emotions on Cacaote. According to Kwun and Oh (2006), food quality is the freshness and tastiness of the food that significantly give an impact to the customer's emotions whereas according to Wu and Liang (2009), food quality means the presentation of the food and beverages. Cacaote provides a good food quality as the presentation of the food looks fascinating which will influence customer's emotions.



Picture 1.7. Pan seared ox tongue at Intro.

source: <http://www.instagram.com>

On the other hand, according to Jang and Namkung (2009), service quality means that “the staff's knowledge of the restaurant and its menu, their level of helpfulness and their reliability are often considered”. Service quality can also mean that “the result from the comparison of their before-service expectations with their actual service experience” (Vaquez et al, 2001). The service quality in Cacaote is quite excellent as most of the staffs' knowledge related to Cacaote's menu is pretty good. It is proven by the staff's ability which they are able to explain well to the customers about the menu and their service hit the customer's expectations.

Atmospherics can be defined as “the effort to design buying environments to produce specific emotional effects in the buyer that enhance his purchase probability” (Kotler, 1974). According to Turley & Milliman (2000), atmosphere is the stimulus that causes the consumer evaluation in relation to the environment, and some behavioral responses. Eating at Cacaote can give a full experience for the consumers as Cacaote provides the right atmosphere for them such as a good music that suits the image of Cacaote, attractive design that looks catchy in the customer’s eyes and so on.

Not only that, Cacaote also provides a smoking area and non-smoking area which both area has a good spot to take photos. As a result, it will allow the customers to look around and enjoy themselves and probably stay longer than they planned as they feel comfortable staying there.



Picture 1.8. Smoking area at Cacaote.

source: <http://www.instagram.com>

According to Murali (2003), other customers are often strangers who have the potential to enhance or detract from an individual’s evaluation of, and experience with an organization. For example, in Cacaote most of the customers are medium to high class that can be seen from Picture 1.9. This means that general behaviour of customers who are in a middle to high class normally can be accepted by the others as they may not talking too loud which it may leads the customers to have a comfortable feeling for eating in Cacaote.



Picture 1.9. Customers at Intro.

source: <http://www.instagram.com>

Customers' emotion defined as mental states of readiness that arise from cognitive appraisals of events or one's own thoughts (Bagozzi, Gopinath, and Nyer, 1999). In the book "Emotions Revealed" (2003), it is stated that "emotions can happen unexpected way, because muscles change our visible appearance of the face. Emotions send out signals, changes in our expressions, face, voice, and bodily posture – we do not choose these changes, they simply happen". Those four independent variables that have been mentioned such as food quality, service quality, atmospherics, and other customers will indeed give an impact to the customer's emotions.

According to Hellier et al (2003), "repurchase is defined as the individual's judgment about buying again a designated service from the same company, taking into account his or her current situation and likely circumstances". Repurchase intentions can also be said when customers are satisfied, they are more likely to have the willingness to purchase again, namely repeating the purchase or recommending others to purchase (Feng and Yanru, 2013). Therefore, when the customers feel happy by eating at Cacaote, they will indeed come back to Cacaote and / or at least recommend this restaurant to other people as they are satisfied with the services and so on.

1.2 Research Limitation

To anticipate the occurrence of the expansion and discussion of problems that are not in accordance with the discussion, then the researches give limitations of the problem. Its purpose are to strengthen research on the focus of the field of observation. Research is limited by researching Food Quality, Service Quality, Atmospherics, Other Customers, customer's emotions, and repurchase intention of Cacaote at Intro, Surabaya. Limitations of research problems in detail include:

1. The study only analyzes six variables consisting of four independent variables, namely Food Quality, Service Quality, Atmospherics, and Other Customers, and two dependent variables which are customer's emotions, and repurchase intention.
2. The object of this research is only Cacaote Restaurant in Intro, Surabaya
3. The research was conducted in Surabaya, East Java
4. Questionnaires are limited only to people who ate in Cacaote at Intro, Surabaya
5. Research and analysis of the questionnaire results using software tools Amos 22.0
6. Filler questionnaire is limited to 18-60 years old
7. Research conducted in 2018

1.3 Research Problem

1. Does Food Quality affects significantly to Customer's Emotion on Cacaote at Intro in Surabaya?
2. Does Service Quality affects significantly to Customer's Emotion on Cacaote at Intro in Surabaya?
3. Does Atmospherics affects significantly to Customer's Emotion on Cacaote at Intro in Surabaya?
4. Does Other Customers affects significantly to Customer's Emotion on Cacaote at Intro in Surabaya?
5. Does Customer's Emotion affects significantly to Repurchase Intention on Cacaote at Intro in Surabaya?

1.4 Research Objectives

1. To examine if the effect of Food Quality has a significant effect to Customer's Emotion on Cacaote at Intro
2. To examine the effect of Service Quality has a significant effect to Customer's Emotion on Cacaote at Intro
3. To examine the effect of Atmospherics has a significant effect to Customer's Emotion on Cacaote at Intro
4. To examine the effect of Other Customers has a significant effect to Customer's Emotion on Cacaote at Intro
5. To examine the effect of Customer's Emotion has a significant effect to Repurchase Intentions on Cacaote at Intro

1.5 Research Contribution

Based on the background that has been explained, the purpose of this research is expected to make contribution toward Cacaote and also for the Future Research:

1. Cacaote

The result of this research are expected to help Cacaote by giving knowledge about how big the factor of Food Quality, Service Quality, Atmospherics, and Other Customers toward repurchase intention through customer's emotions. This research findings can be used to enhance the strength and fixed the weakness of Cacaote to provide a greater quality marketing strategy.

In addition, this research may provide contribution to develop the marketing and management study about what are the strategies to make customer's satisfaction in eating in the restaurant or café. On top of that, there is also chance to give solutions and inspirations to fix and improve the marketing strategy since Cacaote in Surabaya just open for a few months.

2. Future Research

This research's aim is to share knowledge and insight on how big the effects from related factors (Food Quality, Service Quality, Atmospherics, and Other Customers toward repurchase intention) could affect the customer's emotions

toward food and beverages industry. Moreover, this research may give contribution to develop the marketing and management study about what are the strategies to make customer satisfied in eating in the restaurant. On top of that, there is also a probability to bring solutions and inspirations to fix and improve marketing strategy.

1.6 Research Outline

Chapter I: Introduction

This chapter analyze the research problems. It provides information for not only the products but also those related factors that generate successful sales for the products. It also indicates the research objectives explored in better detail to contribute to know and understand the research problem.

Chapter II: Review of Related Literature

This chapter compile the main studies and findings which have published on the research topic and how this study provides or adds to what has already been studied. This chapter also states a clear description of the theory which applies to the research, an explanation of why it is related, and how the modeling efforts address the hypothesis to be tested.

Chapter III: Research Methodology

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

Chapter IV: Data and Analysis

This chapter starts with explaining the object of the study, organizing the findings that address the research questions, and explain more on how these data collected are related to the theory and prior researchers presented at the beginning of the study.

Chapter V: Conclusion

This chapter consists of the summary of the research, conclusions and recommendation that can be used to advance the study of the research topic by its theoretical, methodological, substantive contributions that may be necessary to overcome the limitations of existing empirical facts in the future.