CHAPTER I

INTRODUCTION

1.1.   Background of the Study

Food and beverage industry is a critical business sector in every country, particularly when measured in terms of size. This industry is inextricably linked to other economic activities, particularly those businesses that are conducted locally. As a result, food and beverage industry is believed to enable the acceleration of economic activity both upstream and downstream (Belyaeva et al., 2020). As reported by Indonesia news portal, in the second quarter of 2021, the food and beverage industry were the largest contributor to the non-oil and gas processing industrial sector with the total of 38.42 percent, while contributing 6.66 percent to the national Gross Domestic Product (GDP).

According to the Ministry of Business Indonesia (2021), the food and beverage industry boosted the performance of national manufacturing exports. Food and beverage industry remains one of Indonesia's most developed industries, with a wide spectrum of businesses battling for sales.

Amid the growing number of competitions in the food and beverage industry, businesses have their own approaches to increase their benefit within the competition, one of them being having a social presence. People are beginning to use social media more frequently than in the past, and businesses are being pressured to adopt new platforms, services, and devices in order to remain competitive. This creates an urgent need to analyze factors so that businesses can

capitalize on the momentum and reach the constantly evolving market. However, this does not negate the reality that many enterprises began to emerge and then failed due to the industry's intense rivalry.

It is undeniable that technologies are playing a big role in the changes of the world. Among the several technologies that have evolved, the internet has become very significant. We-Are-Social reveals that 6 in 10 people worldwide are now online, with over 4.72 billion users in 2021, while Indonesia stood at 73.7% of population that uses internet by October 2021, as shown in Figure 1.1.
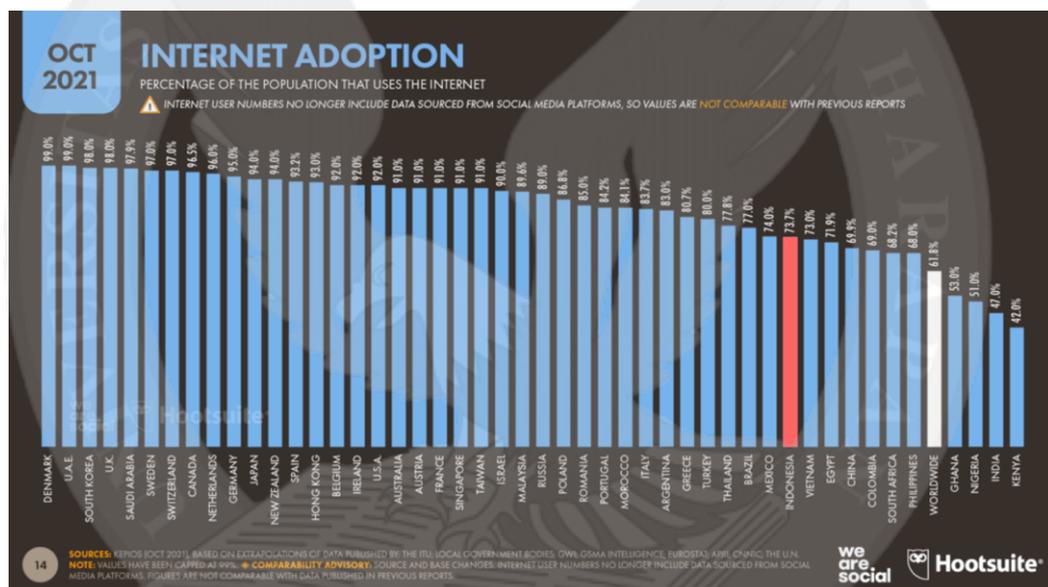

Figure 1.1 Percentage of the Population that Uses the Internet
Source: Wearesocial (2021)

Instagram ranked third as the most frequently used social media platform in Indonesia as of January 2021, as shown in the chart below.
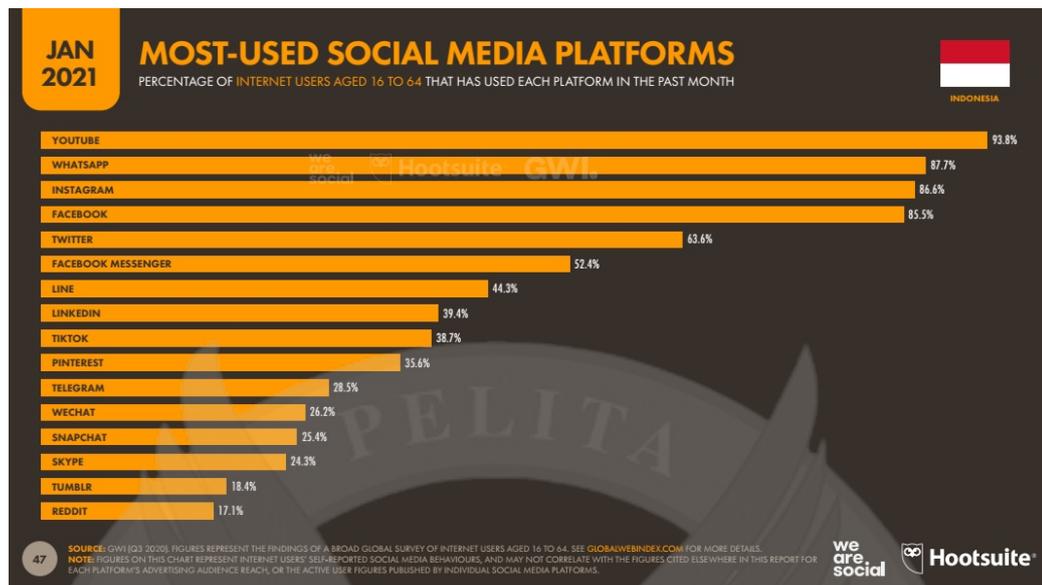
Figure 1.2 Most-Used Social Media Platforms in Indonesia by January 2021
Source: Wearesocial (2021)

Today, social media communities, blogs, and networks have become an integral part of the majority of people's lives, and they have evolved as a low-cost alternative communication channel that strengthens relationships between peer groups, customers, and marketers. With the use of social media platforms, businesses are able to monitor conversations about their brand and connect directly with consumers (Pandey et al., 2018).

Caffein Time is a cozy style café that is located at Jl. Boulevard Raya, Cemara Asri. Providing an array of spacious seats and tables, Caffein Time aims to provide comfortable experience for walk-in customers. Caffein Time's menu varies from selling local food such as Manado's special chicken with rice, several types of Indonesian style Fried Rice to western food such as pizza, steak, and burgers. The beverage menu is also fairly diverse, which includes sodas, teas, juices, and coffees as the name and the tagline suggests, 'Your Everyday Coffee'. Caffein Time opens every day from 9AM to 9PM, accepting dine-in(s), takeaways, and

reservations. Every menu is also available at online shopping applications Gojek and Grab. Caffein Time also utilizes the Instagram application to market their brand and products.

Figure 1.3 Internal Layout of Caffein Time
Source: Prepared by Writer (2022)

Given the widespread usage of social media as a marketing communication channel, a study has been conducted for further research. From past relevant studies, three variables, namely E-WOM, attitude toward social media advertising, and peer communication, were discovered, and an attempt was made to determine the effect of all these social media marketing channels on the purchase intention of customers (Pandey et al., 2018). Purchase intention reflects the possibility that consumers will purchase a particular product or service in the future (Martins, 2019).

According to theories as cited by Verma & Yadav (2021), E-WOM communication refers to Internet-based customer feedback about a product or

business (Hennig-Thurau, Gwinner, Walsh, & Gremler 2004). Due to the importance of electronic word of mouth in the ever-evolving marketing environment, it is an interesting concept to explore. Early study indicates that WOM, coupled with mass communication such as advertising, is a key influencer. Previous research indicates the importance of E-WOM in affecting the various stages of the customer decision-making process and purchase intentions (Davis & Khazanchi, 2008) as cited by Verma & Yadav (2021).

There are some platforms where E-WOM spreads about Caffein Time, such as Google and Facebook. There are quite little number of recent reviews that people can access in both platforms as evidently shown in the figure below. The content of can be said as mixed between positive and negative reviews.
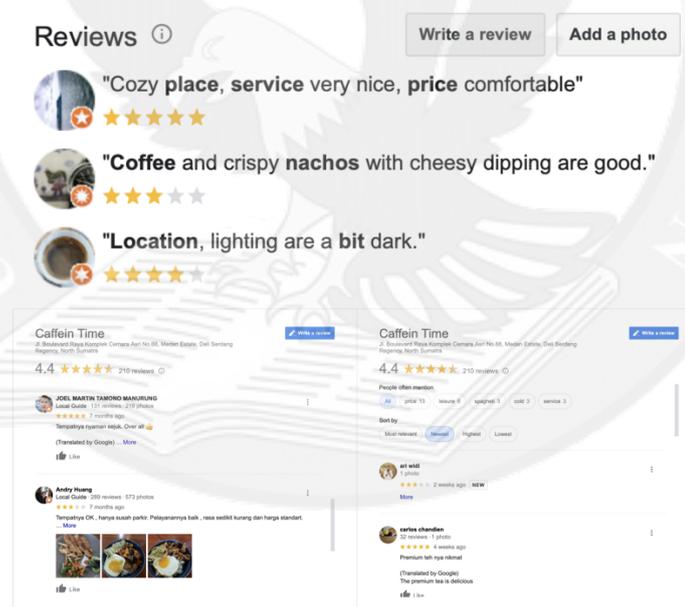

Figure 1.4 Google Reviews of Caffein Time
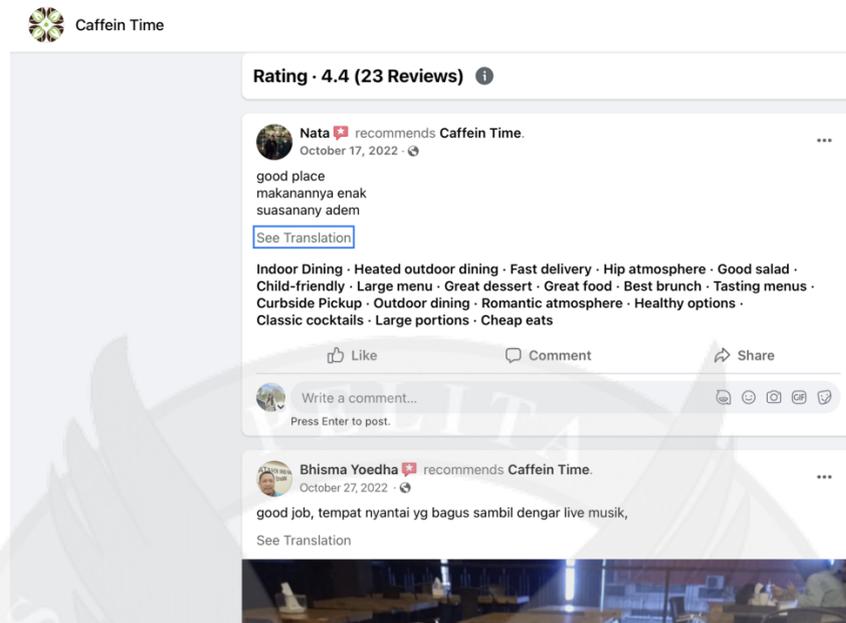Source: Google (2023)

Figure 1.5 Facebook Reviews of Caffein Time
Source: Facebook (2023)

Pandey et al. (2018) cited that traditional means and methods for advertising have limitations due to their expensive nature and one-way nature of communication, whereas social media advertising has made it feasible to close the cost and communication gap. According to Mehta (2000), it is crucial to examine advertising attitudes since they influence customer purchase intent and brand attitude. Inversely, a less favorable or negative attitude results in a decreased preference for the brand and usage of the item. Internet advertising is seen favorably by consumers compared to other forms of promotion (Schlosser et al., 1999; Pandey et al. (2018). According to a previous study, there is a correlation between consumers' attitudes toward social media advertising and their behavioral intent (Sun and Wang, 2010; Boateng and Okoe, 2015; Pandey et al., 2018).

Starting to run on the platform from 2017 with the username of @caffeintime, Caffein Time has managed to gather 493 followers, 133 following,

with the total of 698 posts on its feed as of December 2022. Caffein Time has been consistently updating photographs once for every two days and the amount likes received are averaging from 4-6 likes per post.
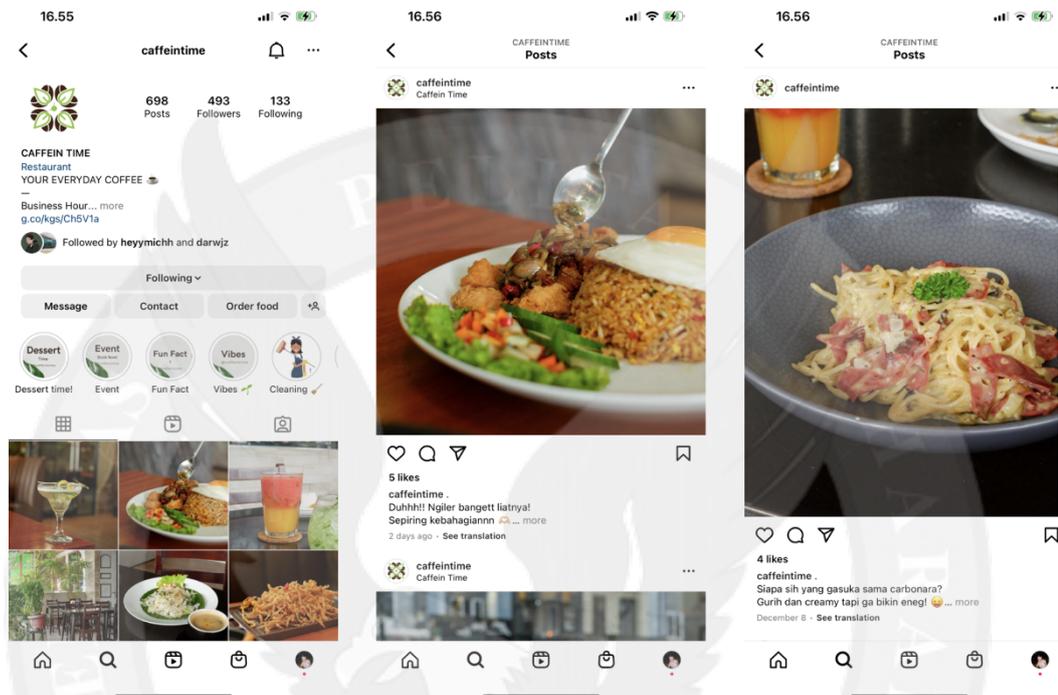

Figure 1. 6 The Instagram Page of Caffein Time
Source: Instagram (2022)

Peer communication has emerged as a new avenue for obtaining product information through social media (Mukhopadhyay and Yeung, 2010; Pandey et al., 2018). It enables consumers to share their views and opinions about the various products and services they consume and exerts a substantial influence on an individual's online purchase behavior by regularly reinforcing such behavior through the individual's peer group (Niu, 2013). Previous study has demonstrated a significant relationship between peer communication and purchasing intent.

Consumers tend to interact with their peers on consumption motivation, which influences their attitude toward goods and services (Wang et al., 2012).

Caffein Time appears to not have a lot of channels that could connect them to internet discussions within online communities. From Instagram application itself, Caffein Time recent posts have zero comment made by customers and Caffein Time also appears to never have emerged into any café or restaurant recommendation channels that could enable them to be exposed to many internet users. From the perspective of engagement, wherein Instagram platform it refers to number of likes, comments, shares, and replies that an account has, Caffein Time has a distinctly low number. Within the period of 5th March to 5th April 2023, Caffein Time reportedly has engaged with 20 accounts in total.
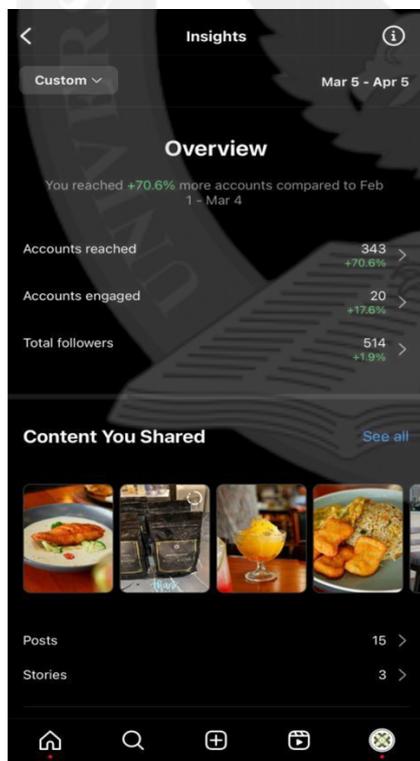

Figure 1. 7 The Insights Overview of Caffein Time from March 5 to April 5
Source: Instagram (2023)

However, compared to other stores that are also based at the same are as Caffein Time, such as Myndful and Super Slurp, they appear to have higher number of engagements. The engagement gaps between all accounts show that the number that Caffein Time has currently is fairly low.
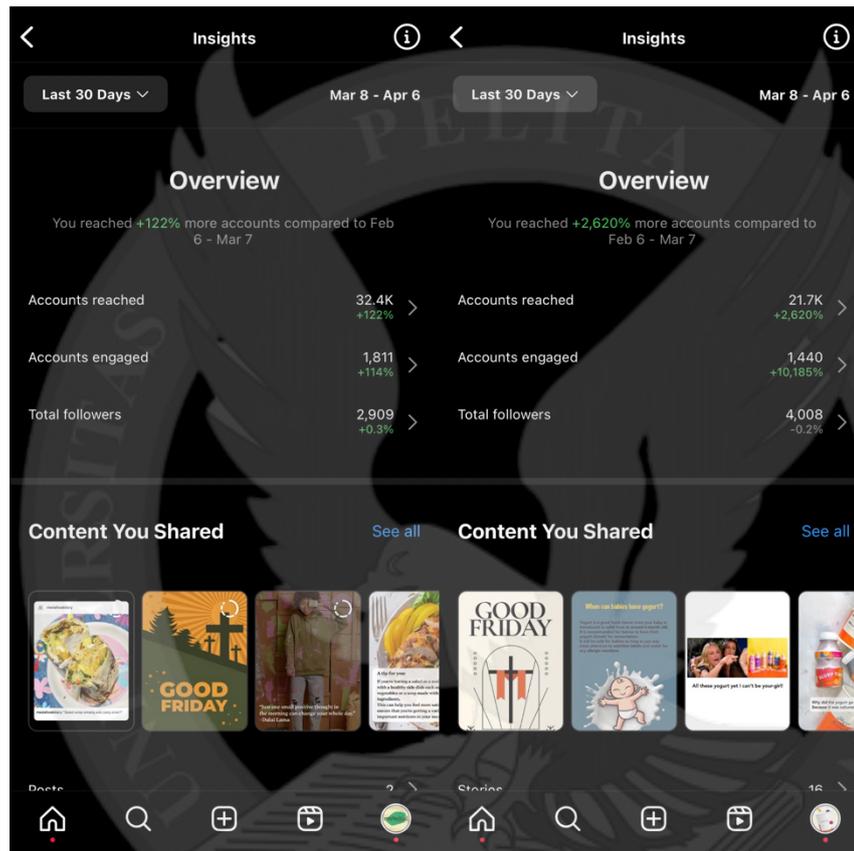

Figure 1. 8 The Insights Overview of Myndful (left) and Super Slurp (right) from March 8 to April 6
Source: Instagram (2023)

Purchase intention reflects the possibility that consumers will purchase a particular product or service in the upcoming time (Wu, Yeh, & Hsiao, 2011: Martins, 2018). Prior study has shown that an increase in purchase intent correlates with an increase in the likelihood of making a purchase. If a consumer has a favorable buy intent, then a favorable brand engagement will encourage the purchase. Regarding smartphones, one must think purchase intention as the

consumers' desire to make a purchase through a mobile application (Chen, Hsu, & Lin, 2010). Martins (2018) cited that in the most recent study of Zubcsek, Katona, and Sarvary (2017), they have shown various statement arguing the hypothesis that consumers' patterns of movement might be a reflection of their product preferences, which marketers should employ to enhance the commercial offer. Along these lines, Shen (2015) emphasizes that mobile shopping is definitely increasing to the point where it has become a part of vast people's daily routine, and there is a set of many determinants, such as subjective norms, attitudes, and behavioral controls, that might also influence the customer's intention to purchase.

Thus, the writer's preferred title for this research is **"The Impact of E-WOM, Attitude Towards Social Media Advertising, And Peer Communication Towards Purchase Intention at Caffein Time, Medan"**.

1.2. Problem Limitation

This study will use Caffein Time as the research object. The sample will be limited to men and women from age 18 until 60 with the specification that they have surf through Caffein Time's social media especially Instagram within the past year. The study analyzes four variables consisting of three independent variables, namely E-WOM, which stands for electronic Word-of-Mouth, Attitude Towards Social Media Advertising, and Peer Communication, along with one dependent variable which is Purchase Intention. The indicators of the mentioned variables are as follows:

1.   E-WOM: E-WOM credibility, E-WOM quality, and E-WOM quantity.

2. Attitude Towards Social Media Advertising: informativeness, trust, and irritation.

3. Peer Communication: positive and negative comment, recommendation, and discussion.

4. Purchase Intention: transactional, referential, preferential, and explorative.

1.3. Problem Formulation

According with the above findings of the background, the following problem formulation is used in this study:

1. Does E-WOM partially impact Purchase Intention at Caffein Time, Medan?

2. Does Attitude Towards Social Media Advertising partially impact Purchase Intention at Caffein Time, Medan?

3. Does Peer Communication partially impact Purchase Intention at Caffein Time, Medan?

4. Do E-WOM, Attitude Towards Social Media Advertising, and Peer Communication simultaneously impact Purchase Intention at Caffein Time, Medan?

1.4. Objective of Research

Based on the description of the problem given previously, the objectives of the research are as follows:

1. To identify if E-WOM has a partial impact on Purchase Intention at Caffein Time, Medan.

2. To identify if Attitude Towards Social Media Advertising has a partial impact on Purchase Intention at Caffein Time, Medan.

3. To identify if Peer Communication has a partial impact on Purchase Intention at Caffein Time, Medan.

4. To identify if E-WOM, Attitude Towards Social Media Advertising, and Peer Communication has a simultaneous impact on Purchase Intention at Caffein Time, Medan.

1.5. Benefit of the Research

1.5.1. Theoretical Benefit

The theoretical benefit of the current research is to contribute for the growth of food and beverage management theory as a source of literature for scientific research at Universitas Pelita Harapan Medan's Undergraduate Management Studies Program, particularly in social media marketing. This research is meant to contribute insight, science, or knowledge to theory by empirically providing evidence that may be useful as materials for reference, materials for discussion, and further study information for readers interested in social media marketing issues.

1.5.2. Practical Benefit

The research may be beneficial to the author, the research object, the company itself, its employees, other researchers, and other businesses in related industries. Most significantly, this research may serve as a foundation for future modifications at Caffein Time Medan.

a.   **For Writer**

The writer thinks that by doing this research, new insights and knowledge about social media marketing variables, and behavioral intention to visit would be gained. Additionally, the writer believes that each theory incorporated in this study will assist the writer in performing real-world work practices.

b.   **For Company**

This research is expected to help Caffein Time as an input in identifying factors that influence customer behavioral intention to visit, especially through social media marketing. The writer thinks that this study will uncover strategies for increasing consumers' purchase intention using effective social media marketing.

c.   **For Further Researchers**

The writer hopes that this research can be utilized as a leverage or starting point for upcoming research in order to gain and gather basic facts and theories in order to undertake study on this particular topic.