CHAPTER I

INTRODUCTION

1.1 Background of the Research

Business development in the 21st century has increased rapidly and continuously evolved in today's environment. Every business owners in every category of business are forced to have instinct in this ever-changing environment so that business will keep satisfy customers' needs and wants as the main goal (Kotler, 2005).

Food and beverages industry is considered as one of the biggest industrial sector and also the common business in Indonesia. Food and beverages industry is never stop and still growing such as the innovation and the creativity of the products and services. Many of Indonesians are compete among each other to get as many customers as possible because food and beverages industry is one of the most profitable industries in today's business.

Moreover, food and beverages industry is also affect the economy, culture, and political of Indonesia. According to the data from BPS – Statistics Indonesia (bps.go.id, 2016), based on the survey that had been conducted, it was shown that the total average of daily customers was 227 persons in 2015. As one of the biggest industrial sectors in Indonesia that is very well-known even to foreign countries and has the potential to keep growing as well as a significant opportunity to develop, food and beverages industry grows as one of the most profitable and has taken a great rule economically, socially and politically.

Human beings have so many things that they want and need; some of their needs are home, food, and clothes. Food has become one of the most important thing that human needs for them to be able to live and start the day. Since food is

become more important for every human being, so many people see this as an opportunity to open food and beverages industry which usually called restaurant.

Restaurant itself can be defined as every industry or business that provide or sell various foods and beverages for people (Made Lastra, 1934). According to Soekresno (2000), explained that restaurant is businesses that run commercially which offer and provide food and beverages, in addition it also can be define as a place where consumers or guests can buy any food and beverages that they like (Diktat Tata Hidangan, 2005).

According to Marsum WA (2005), restaurants are divided into several types based on the food and beverages that they serve and type of service that they provide, such as;

Table 1.1
Type of Restaurant

Restaurant	Explanation
A'la Carte Restaurant	In this restaurant, almost all type of food beverages is offered and there is no restriction
Table d'hôtel	Restaurant that offer food from appetizer to dessert. This type of restaurant usually located inside Hotel
Cafeteria	Restaurants which offer limited type of food and beverages such as sandwich and bottled/canned beverage. This type of restaurant usually located inside office or company
Coffee Shop	Another type of restaurant where people eat, drinks, and even held a meeting. This place offers relaxing atmosphere and coffee as their specialty.
Canteen	Small type of restaurant which offer instant food and beverages with affordable prices.
Continental Restaurant	Restaurant which offer the customers to pick and slice their own food. This type of restaurant usually offered western food.

Grill Room	Restaurant which offer their customers with grilled-type of food or barbeque as the main dish.
Fish and Chip Restaurant	Restaurant which offer customers with fish and chips as the main or special dish.
Pizzeria	Restaurant which more focus and offer customers with Pizza as the main or special dish
Discothèque	Different type of restaurant which offer more unique atmosphere such as loud music. In addition, this type of restaurant usually provides food and alcohol beverages
Pub	Restaurant which offer various type of beverages especially alcohol.
Gourmet Restaurant	Restaurant which provide good selection of food and beverages and exceptional services for the customers who have knowledge about food tasting and fine dining. This type of restaurant often offers luxury atmosphere with expensive price.
Terrace Restaurant	Outdoor restaurant which usually is available on hotels or resorts. In many countries, this type of restaurant only available on summer.
Family Restaurant	A simple type of restaurant which offer foods and beverages to group of people such as family or people who come in a large group and provide chill and comfortable atmosphere with affordable price.

Source: Marsum, 2005

The owner of restaurant is challenged and even forced to create something new that different among the competitor and using unique positioning to make sure business know which market segment that is needed to be focus on. According Mitchell (Rahmawati, 2008) every business owner should prepare the right or suitable strategy in order to satisfy customers and to build enthusiastic feeling that makes it into experience in consuming or using products or services. Therefore, business owners should change the perspective of using traditional way which is

only serving food and beverages to become business that offers modern concept that provide a whole new experience that can' be forgotten by the customers. The example of how to make comfortable atmosphere can be supported by the interior design, various additional facilities such as live music, free Wi-Fi, and etc to attract more customers.

In this ever-growing food service industry, this often linked with high mobility of people which means people who are getting busier to do activities outside whether it is a girl or a man, people are always looking for something instant that can be fulfilled daily needs and one of the is to eating out. According to Royan (Remiasa and Lukman, 2007) with these changes, it can cause a shift in the actual function of a cafe and restaurant that eventually lead to new social and cultural phenomenon. The shift in the actual function of a café and restaurant is actually affected by modern era to use restaurant not only as a place to fulfilled the main needs of eating and drinking but also makes restaurants and cafes as a place to gather, socialize, exchange ideas, expand the network and even become places to do prospecting business between corporate executives. So, it can conclude that eating and drinking outside has become habits of the modern society's life that can't be separated and it is no become much wider than its main function.

As people habits, wants, and needs change, for several business owners this can be seen as an opportunity in culinary business, especially café and restaurant. According to (Atmodjo, 2005) every businessman has change and move to food and beverages industry because:

1. The potential of this business in the market is high and promising

2. The development of tools in food and beverages industry has become more advance and easy to control, which can benefit business.

3. With increasing in tourism sector, mobility of society, and other factors that push and affect customer decision to eat outside, makes food and beverages industry more promising in the future.

4. The increase in prices in foods and beverages that business sells can be an opportunity for businesses to gain profit.

This phenomenon has become an opportunity for any entrepreneur or businessman in Surabaya, The Head Association of café and restaurant in Indonesia (*Apkrindo*) Jatim Tjahjono Haryono said, increasing in café and restaurant industry in Surabaya is because the lifestyle of modern era which can be called *"chilling"* or relaxed. In addition, it supported by the infrastructure that is available for business owner to do distribution of raw materials or ingredients has expanded especially for food and beverages industries in Surabaya. There are already 500 to 600 middles to high class restaurants that have been registered in Surabaya with more than 2000 middle – low class restaurant. It shows that the development of café and restaurant has increased around 10% every year.

Boncafe Steak House Restaurant has opened several branches throughout Surabaya. This restaurant is focusing or specializes in serve Steak. Since it is served for the first time in 1977 Boncafe has matured a lot and has established relationship with Surabaya Citizens. Even though Boncafe is different from any other competitor Boncafe Ice cream and Steak has special characteristics and that is the local taste that suit with local people.

Figure 1.1 Logo of Boncafe Steak House Restaurant
Source: Google, 2017

Boncafe is very famous for their steaks and the ice cream. Back then in the 1990, customers didn't have much choice of restaurant that specializes and serves steak (foodgrapher.com, 2017).

Based on the research conducted above, researcher observes that there is a relation between this study towards behavioral intention;

Quality of the physical environment is one of the essential factor that influence on customers' expectation of the restaurant service quality, because customers need

tangible clue to create mindset or picture in order to estimate the quality, it is also one of the most important marketing tools in food and beverages industry business (Wall & Berry, 2007). Despite the fact that quality of the physical environment is one of the element from all these dimensions, it is important to understand how it can affect customer satisfaction (Parasuraman et al. 1988; Zeithaml & Bitner 2003).

Food and beverages quality is the most crucial part of the overall restaurant experience (Sulek and Hensley, 2004). According to Peri (2006), food and beverages quality is the most necessary requirement to satisfy the expectations and needs of the consumers. Moreover, restaurant should offer and provide wide variety of menus to the customers because customers that come in restaurant is basically from different ethnic, cultural, and economic background, where mostly having their exact food preferences. Menu variety is needed in order to offer varying dining experience, preferences of the miscellaneous customer (Payne-Palacio et al., 2005). Boncafe Restaurant has proven to have the consistency of maintaining good quality of products and wide range of menu selections from then until now.

Service Quality is an attitude that is related with the specialty of certain services provider or customers comparison in terms of how good is the company (Parasuraman, et al, 1985). According to Brady and Cronin (Remiasa and Lukman, 2007) perceptions of the customers regarding the service quality contains three qualities such as interaction, physical environment, and the result/real dining experience. Moreover, products or services that can meet or fulfilled customer needs and expectations the company or restaurant can be considered high-qualify (Hansen and Mowen, 2003).

Restaurant Image can be defined as a group of brands that is remembered by the customers (Rangkuti, 2002). Boncafe has strong image that can be easily remembered by the customer, as example; people will remember Boncafe because they provide good quality of steak and ice cream in Surabaya that already well-know.

Customer Perceived Value expressed about customers from certain company who consider on what products or services that they need can give benefits for them (Woodruff, 1997). Customer Perceived Value can also be defined as the qualities that has been experienced by customers which compared by costs of the products that is produced by company (Slater & Narver, 1994). With understanding the customers' perceived value, it can be seen that there is an emotional bond between company and customers that is important for company's future (Buts and Goodstein, 1996).

Customer Satisfaction itself shows as an overall performance assessment of different factors which are shaping a products or services (Bartikowski & Llosa, 2004). Customers satisfaction has been one of the most common topics in conducting research, concerning consumers' behavior. In short, quality of services and customers satisfaction are the critical factors in building successful business or company (Gronoos 1990; Parasuraman et al. 1988).

Behavioral Intention defined as awareness of a person to approach the display of certain behaviors with the goals established from personal evaluation and normative construction (Goode and Harris, 2007). According to Oliver (1999) in Goode and Harris (2007) Behavioral Intention can also be called Conative Loyalty which means customers commitment to make a repeated purchase in the future.

1.2 Research Problem

1. Does Quality of the Physical Environment have a significant effect on Restaurant Image of Bon Café in Surabaya?
2. Does Quality of the Physical Environment have a significant effect on Customer Perceived Value of Bon Café in Surabaya?
3. Does Food and Beverages Quality have a significant effect on Restaurant Image of Bon Café in Surabaya?
4. Does Food and Beverages Quality have a significant effect on Customer Perceived Value of Bon Café in Surabaya?

5. Does Service Quality have a significant effect on Restaurant Image of Bon Café in Surabaya?

6. Does Service Quality have a significant effect on Customer Perceived Value of Bon Café in Surabaya?

7. Does Restaurant Images have a significant effect on Customer Perceived Value of Bon Café in Surabaya?

8. Does Restaurant Images have a significant effect on Customer Satisfaction of Bon Café in Surabaya?

9. Does Customer Perceived Value have a significant effect on Customer Satisfaction of Bon Café in Surabaya?

10. Does Customer Satisfaction have a significant effect on Behavioral Intentions of Bon Café in Surabaya?

1.3 Research Objectives

1. To examine the effect of Quality of the Physical Environment towards Restaurant Image of Bon Café in Surabaya

2. To examine the effect of Quality of the Physical Environment towards Customer Perceived Value of Bon Café in Surabaya

3. To examine the effect of Food and Beverages Quality towards Restaurant Image of Bon Café in Surabaya

4. To examine the effect of Food and Beverages Quality towards Customer Perceived Value of Bon Café in Surabaya

5. To examine the effect of Service Quality towards Restaurant Image of Bon Café in Surabaya?

6. To examine the effect of Service Quality towards Customer Perceived Value of Bon Café in Surabaya

7. To examine the effect of Restaurant Images towards Customer Perceived Value of Bon Café in Surabaya

8. To examine the effect of Restaurant Images towards Customer Satisfaction of Bon Café in Surabaya

9. To examine the effect of Customer Perceived Value towards Customer Satisfaction of Bon Café in Surabaya

10. To examine the effect of Customer Satisfaction towards Behavioral Intentions of Bon Café in Surabaya

1.4 Research Contributions

Based on the purpose of this research that has been explained before, this research is aimed to make contribution to;

1. Boncafe Steak House Restaurant

    The result of this research is expected to help the management of Boncafe Steak House Restaurant to be more aware and share knowledge about the impact of these factors such as; Quality Physical Environment, Food & Beverages Quality, Service Quality, Restaurant Images, and Customer Perceived Value towards Customers Satisfaction and Behavioral Intentions. In addition, this research also can be used to help fix the weaknesses as well as strengthen the marketing strategy of Boncafe Steak House Restaurant.

2. Future Research

    This research purpose is to share the knowledge and insight about the impact of factors that has been analyzed and identified which are Quality Physical Environment, Food and Beverages Quality, Service Quality, Restaurant Images, and Customer Perceived Value that could affects the Customers Satisfaction and Behavioral Intentions. At the same time, this research expected to bring business to the next level of solving the problem, develop marketing and management of restaurant, and also improve the strategy.

1.5 Research Limitations

This research is focusing on Customer Satisfaction that led to Behavioral intentions of Boncafe Steak House Restaurant in Surabaya by identifying how big the impact of related variables is. In order to arrange this research, the limitation is set for customers from Surabaya with age around 18-50 years old. The variables that used are Quality Physical Environment, Food and Beverages Quality, Service Quality, Restaurant Image, Customer Perceived Value, and Customer Satisfaction. This research will be conduct and took place in Surabaya during May – August 2017.

1.6 Research Outline

CHAPTER 1 : INTRODUCTION

This chapter explains about the research problem. It also explains the background information of the object and gives brief introduction of related factors that can help and create a successful strategy and products. In addition, it also defines issue and important terms that is related to the research. It specifies the research objectives explored in greater detail to contribute to understanding the research problem.

CHAPTER 2 : LITERATURE REVIEW

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

CHAPTER 3 : RESEARCH METHODS

This chapter provides an explanation of the detailed technical and scientific activities which include the research design, sampling plan, population, instrumentation, statistical tools, and treatment of data

CHAPTER 4 : RESULT AND DISCUSSION

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 5 : SUMMARY, CONCLUSION, and RECOMMENDATION

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.