

CHAPTER I

INTRODUCTION

1.1 Background of the study

The increasing population of middle class income society will also provide significant impact on the development of the food industry and beverages in Indonesia. Convenience and lifestyle foods products must be grow rapidly with increasing public welfare and lifestyle changes. Lifestyles of middle-income urban society which usually busy and want practicality are increasing the consumption of instant foods, especially instant noodle. In Indonesia, the instant noodle has reached IDR 20 trillion in 2012 and cups / bowl instant noodles noted the highest sales growth is 12% on 2012. Instant noodle sales volume in Indonesia in 2013 is estimated to grow 10% or reached 18.1 billion packs (www.bankmandiri.co.id, retrieved on 09 June 2014)

Nowadays, people tend to consume more instant noodles in a day. In one household, they can consume noodles for breakfast or lunch even dinner which almost every day. The frequency of consuming instant noodle is keep increasing day by day. That is why it is normal if the level of consuming instant noodles in the world, especially Asia is a lot. Moreover, instant noodle now has already become foods that must available at home or can be said as “staple need”. From some research, people prefer to like instant noodles because they are easy and fast to prepare and delicious but still cheap. So it is grabbing markets’ interest with offers something that can fulfill all their needs and wants (www.thejakartapost.com, retrieved on 9 June 12, 2014)

Indofood Sukses Makmur which is the producers of Indomie has a market share of about 70% of Indonesian instant noodle production. Averagely, people in Indonesia purchase 342 packs a year, which means each person in Indonesia usually, consume Indomie almost or even more than a time each week. So, it can be assumed that Indonesian people acquisition Indomie habitually or can also be

referred as habitual response behavior (industri.bisnis.com, retrieved on 10 December 2014).

Brookins (2014) also explain that habitual response behavior is a situation when customers spend very little time deciding whether or not to purchase these items and do not typically need to read reviews or consult with friends for their opinions before they make habitual acquisitions behavior. These can range from a morning cup of coffee from a nearby convenience store, to milk, eggs and cheese from the supermarket. Based on Business Dictionary (2011), habitual response behavior is a type of purchasing scenario whereby the purchaser of a product or a service has past experience with purchasing it and automatically makes the decision to purchase again.

While the other opinion says consumers spend little time on search and decision before making the purchase. Usually, buyers are familiar with several different brands in the product category but stick with one brand. Consumers engaged in habitual response behavior normally do not experience need recognition until they are exposed to advertising or see the product displayed on a store shelf. Consumers buy first and evaluate later, whereas the reverse is true for extensive decision making (Cengage, 2012).

However, habitual response behavior does not guarantee company sustainability. Since 1983, the success of Indomie still survive for decades, as evidenced, the instant noodle product exports to foreign countries such as Australia. The company's business is also becoming greater until it become the market leader which is super dominant, with market share approximately 90%. In that time, many other companies are creating products to beat Indomie instant noodles. But one by one, the product was sinking. There are even some brands that were acquired by Indofood. To be more difficult for competitors to match the price of instant noodle products, Indofood also has named Bogasari flour mills. This innovation is said to make Indofood increasingly prevail, dominate market share from upstream to downstream. But In 2003, finally Indomie's position

successfully had taken. In this year, Wings Food product launches instant noodle namely Mie Sedaap. By Indomie, emergence of Mie Sedaap was underestimated, because there has never been a product that able to defeat Indomie for decades. Who thought, although only launched in 2003, Mie Sedaap capable to eroding the market share until make 70 % turnover slump (<http://hot.yukbisnis.com>, retrieved on 09 June 2014).

With a smart strategy and hard work, in 2010, Indomie manage to took the position again as a leader in instant noodle industry proof by crowned as Top Brand and in 2011 Indomie had another platinum best brand awards on IBBA (Indonesia Best Brand Awards) in bag noodle category (www.indomie.com; www.tempo.com, retrieved on 09 June 2014). Beside, the calculation of Indomie's profits each year would reach more than five trillion Rupiahs. (www.dedetnaswira.wordpress.com, retrieved on 09 June 2014). Even though Indomie managed to fight back and took the position back, but the lesson it gave is very 'though', so it will be very interesting to learn the key of Indomie's journey to success.

This habitual response behavior are affected by some factors that could push potential consumers to buy repeatedly the products that offered by producers. There are awareness, acceptability, affordability, and availability (Sheth&Sisodia, 2011). All the factors have strong roles in decide whether the consumers will buy repeatedly or not.

Awareness is the extent to which a brand is recognized and moreover understood by potential customers, and is correctly associated with a particular product. It is usually done by using brand or products promotion like advertisement on television, billboard, or even online media. It will make people have stronger awareness to those products and brands. They can make their own commercial and put them in the first place of consumers' mind. So the more they do it, the more people will see and aware with them, which means all people will tend to categorize them as the main or number one products in their types of

goods and make people tend to buy those products indirectly. Beside awareness also tells about how people have a right perception about the products and how it can be useful or beneficial for them as the customers (Sheth&Sisodia, 2011).

Indomie has already launched many products (Appendix E) since 1972 and keep improving their products until now. They successfully reach 70% of market share for instant noodle in Indonesia. Indomie also has won so many awards and get a high number of sales each year. All of instant noodle consumers also have more aware with Indomie and remember it as the first brand of instant noodle in minds (www.wikipedia.co.id, retrieved on 09 June 2014).

Another factor that could affect the habitual response behavior directly is availability. Because the last factor that will decide the consumer able to buy is the availability of the products. If the products are unavailable, the consumers automatically will fail to purchase the products they planned. The level of difficulty that will be faced by the consumers to find the products also will be affected the purchasing addiction. If the products usually out of stocks and sold in places that hard to find it will definitely bring a bad number of sales for those products. The supply chain or products re-stock will determine the purchasing addiction of the consumers. So if the products are out of stock for several times, it will make a possibility of the consumers not to buy those products at that place or even substitute with another products (Sheth&Sisodia, 2011).

Indomie is a brand from company that provides a good distribution through all the markets in Indonesia. In its marketing, distribution groups of Indofood have the largest distribution network for instant noodle in Indonesia, which could penetrates not only urban areas but also rural areas with middle-low income. With a wide distribution channel that had by Indofood Company, all the customers never got any difficulties to find the products in their places. (www.euromonitor.com, retrieved on March 2014).

Acceptability is questioning about “did the products really have a good taste, good textures and quality?” Product is some good or service that a company offers in the market (Kotler, et al., 2008). Product is something that can be offered to the customers for attention, acquisition, or consumption and satisfies some want or need. So, the main idea of the acceptability is the way those products fulfill the needs and wants that exist in the market.

The quality and the capability of the products to fulfill the requirements of the people in the markets will affect a lot and decide the consumers’ feedbacks. If the goods were acceptable and favorable, it will get a great feedback for sure. But if the products are just averagely and have nothing special, it will be abandoned by the consumers for instant. The gauge of the acceptability for foods can be calculated from the tastes, smells, textures, and available flavors. If they are good, the possibility for the consumers to buy again or more will be higher (Sheth&Sisodia, 2011).

Indomie has so many variances of products that offer different tastes. It is dominated by Indonesian flavor, like Indomie Sate, Indomie Rendang, Indomie Coto Makassar, Indomie Cakalang, Indomie Soto Banjar, Indomie Kare, and so on. Beside there are also Indomie Taste of Asia, like Indomie Tom Yam, Indomie Laksa, and Indomie Bulgogi (www.indomie.com, retrieved on 10 June 2013). So the flavors are already adjusted with Asian, especially Indonesia’s taste and doubtless the customers will surely like it.

The last factor that consumers considered before doing habitual response behavior is whether the product is affordable to buy or not. The affordability of the products will really affects to the decisions of consumers. Price must be affordable but fit or match with the value of the products (Sheth&Sisodia, 2011). Affordability is valued from the price of the products and analyze did it affordable to purchase for the target market or not. Price is what a customer have to pay to acquire a product, or cost of a product to a customer. Price is considered to be the most significant factor that affects consumer’s choice (Kotler, et al., 1999).

From the pricelist in the market, the prices of Indomie's products are cheap and affordable. The lowest price is only IDR 1.500 and the highest price only IDR 3.500 (www.indomie.com, retrieved on 10 June 2014). In conclusion, Indomie's products offered a good price that match with the consumers' ability to buy and it is included as low involvement products, so people are more attracted and willing to try or even buy habitually.

Based on Figure 1, The average wages of manufacturing is still increasing each month. Now it has already reached 1.9132 millions IDR compared to last period that only 1.8162 millions IDR. This fact can be the opportunity for the businesses in Indonesia because people will have more money and buying power. So, they will consume more products and give more profits to the companies.



*Figure 1.*Indonesia Average Monthly Wages in Manufacturing
*Note.*Fromwww.tradingeconomics.com, retrieved on 20 August 2014

In Indonesia, there are so many retail stores that have been existed nowadays such as Carrefour, Hypermart, Giant, and so on. Carrefour was built first, and became the oldest among all those hypermarkets. It has 84 stores that available in Indonesia and 8 stores are placed in Surabaya. Among of all stores that Carrefour has in Surabaya, based on some survey with Carrefour's

employees, Carrefour Rungkut is one of the most crowded and has most visitors (finance.detik.com, retrieved on 10 December 2014).

Based on phenomenon and theory, researcher proposed a research entitled *“The Effects of Awareness, Acceptability, Affordability, and Accessibility on the Habitual Acquisition Behavior of Indomie’s customers in Carrefour Rungkut Surabaya”*.

1.2 Research Problems

Based on the background that has been explained, the research problems are:

1. Does awareness positively affect acceptability of Indomie in Surabaya?
2. Does awareness positively affect affordability of Indomie in Surabaya?
3. Does acceptability positively affect accessibility of Indomie in Surabaya?
4. Does affordability positively affect accessibility of Indomie in Surabaya?
5. Does accessibility positively affect habitual acquisition behavior of Indomie in Surabaya?
6. Does acceptability positively affect habitual acquisition behavior of Indomie in Surabaya?
7. Does affordability positively affect habitual acquisition behavior of Indomie in Surabaya?

1.3 Research Objectives

Based on the research problems that has been explained, the research objectives are:

1. Identify the effect of awareness on acceptability of Indomie in Surabaya
2. Identify the effect of awareness on affordability of Indomie in Surabaya
3. Identify the effect of acceptability on accessibility of Indomie in Surabaya
4. Identify the effect of affordability on accessibility of Indomie in Surabaya
5. Identify the effect of accessibility on the habitual acquisition behavior of Indomie in Surabaya

6. Identify the effect of acceptability on the habitual acquisition behavior of Indomie in Surabaya
7. Identify the effect of affordability on the habitual acquisition behavior of Indomie in Surabaya?

1.4 Research Contributions

Based on the research objectives that has been explained, the research contributions are:

1. Future Research

This research is aim to share knowledge and insight about how big effects from related factors (acceptability, affordability, availability, and awareness) could affects the consumers' willingness to acquisition Indomie. It also hopefully can give contribution to develop the marketing and management study about what is strategy to create habitual response behavior phenomenal. It has possibility to bring business solution and inspiration to fixed and improve product quality and marketing strategy in the market.

2. Instant foods producers

These research findings hopefully can provide greater insight for instant foods producers in developing their products to gain better results in developing marketing strategy. It also purposed to make the businessmen that working in food industry to gain more inspiration about how big some factors can affects the habitual consumer behavior and what should be changed or develop to get the consumers' enthusiastic and even do habitual purchasing. These results findings also can be applied in producing instant foods or even general foods which will be exported to other countries with similar condition and cultures.

1.5 Research Limitation

This research is focusing on habitual response behavior of Indomie Instant Foods in Surabaya to calculate how big the impacts of related factors in creating

that phenomenal. To arrange this research, the limitation set for Indonesian people that only live in Surabaya area with productive age around 18 – 60 years old. The variables that used are acceptability, affordability, availability, and awareness. This research took in Surabaya during June – August 2014.

1.6 Research Outline

Chapter I: This chapter explains the research problems. It also consists of background information of the products and introduction of related factors that create successful sales for the products. It explains more about the research objectives which reveal in more details to make a good contribute to answer the research problems.

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 the theory that applies 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 explains the details of the results after the calculation is concluded. It includes the company profile, description of survey respondents and variables, validity, and reliability test, classical assumption test and hypothesis testing. This chapter also states the discussions made about the results.

Chapter V: This chapter summarizes the results for this study and gives the conclusions. It also explains the recommendation for company and future researcher.