

CHAPTER I

INTRODUCTION

1.1 Background of the Study

During the early years, luxury products were considered a privilege to possess. As explained by Nueno and Quelch (1998) the word “luxury” was applied to products that were rare and scarce which were only presented to minor individuals. However, since time has changed and the luxury goods market has grown considerably, luxury products have been more affordable for middle class consumers. Additionally, the contribution of the Industrial Revolution played a key role in bringing in more wealth, which made luxury products more achievable for all consumers (Hauck &Stanforth, 2007). Silverstein and Fiske (2001) stated that the increases in luxury purchases are influenced by social and business factors. In regards to the changes of the luxury goods market, the definition of luxury was also redefined. Twitchell (2003) explains that luxury is “things other people have that people think others should not have”. There are many products that are considered as luxury, which makes the market size undeterminable. Frank (1999) noted that cars and homes are some of the emerging luxury features that are consumed. The other variety is food.

A set of ideas that made sense a century ago shaped the modern perspective on food-a-holic. Some of these old-fashioned ideas are people buy for kinds of food to survive and complete daily needs, but not in this new era which mostly people that live in big city choose kinds of food to find their class social. This decision make practical sense or that this is mostly about acquiring needed goods and better services. The new mode of thought in this environment is no longer sufficient to identify simple customer demand and try to satisfy them. Modern customers this day has a mutual habit to fulfill and satisfy their food needs to reward themselves, to satisfy psychological needs or to make them feel good. Modern customers try to fulfill their habits to shows that because they are luxury. Beside they changed their mutual habits, they has a statement, that to show off their personality or to boost their self-esteem. It is no longer sufficed to

see a customer as a rational creature making decisions. It is no longer enough to think that the customers' acts in a way that makes sense from an economic or logical point of view (Pooler, 2003).

The global luxury food industry involves the elaborate preparation and presentation of gourmet food, which is made of high-quality premium ingredients. The global gourmet market has seen demand rise due to rising levels of disposable income, consumer awareness of the importance of nutrition, and the globalization of taste (<http://www.reportlinker.com>, retrieved on 15 June 2014). One way to experience the best in luxurious food is by visiting hotels with fine dining restaurants, which are five star hotels. These hotels all boast award-winning restaurants, meeting the very highest culinary standards, and guaranteeing a memorable dining experience. In the hands of celebrated chefs, food becomes an expression of the national and regional culture. Set in elegant surroundings, with magnificent views and impeccable service, these hotel restaurants offer the most luxurious of dining experiences (<http://www.slh.com>, retrieved on 15 June 2014). From many five stars hotel in Surabaya which offer this luxurious dining experiences, Shangri-La Hotel managed to become a winner by defeating others hotels such as Hotel Majapahit, Sheraton Surabaya Hotel and Towers, and JW Marriott Hotel (<http://www.tripadvisor.co.id>, retrieved on 15 June 2014). One of the reason because Shangri-La Jamoo, All You Can Eat Buffet, which offer many variety of menu from five continent, which become their competitive advantage compare to others All You Can Eat Buffet service (<http://www.inijie.com>, retrieved on 15 June 2014).

Table 1.1
Restaurant business development

Year	Number	Growth (%)
2008	2,325	38.39
2009	2,704	20.98
2010	2,916	7.84
2011	2,977	2.09

Note: bps (2014)

In the table above, competition in the business world is getting tougher, so it is important for companies to create brand loyalty from the consumers. Aaker (1997) defines brand loyalty as a measure of customer connection to a brand. This size may be able to give an idea of whether or not a customer to switch to another brand offered by competitors, especially if the brand is found to the change, both concerning the price or other attributes. A customer who is very loyal to a brand will not easily move their purchases to other brands, no matter what happens with the brand. When the customer loyalty to a brand increases, the vulnerability of the customer group of threats and attacks can be reduced competitor product brands.

Research by Dhurupet et al. (2014) showed that there are three factors that could affect people to stay loyal to luxury product, those are: packaging, price (affordability) and brand awareness.

Brand awareness itself can be defined as the ability of a person who is a prospective buyer (potential buyers) to recognize (recognize) or mention back (recall) a brand is part of a product category (Aaker, 1991). Brand awareness is an important indicator of consumers' knowledge about a brand, the strength of a brand's presence in the consumers' minds and how easily that knowledge can be retrieved from memory (O'Guinn, Allen & Semenik 2009). It is the probability that consumers will easily recognize the existence and availability of a company's product or service (Mowen & Minor, 2001). People awareness on Jamoo Restaurant is very good, it can be seen from review by many trusted website.

Table 1.2
Rating review of Jamoo Restaurant

Rating	Source
4.4 / 5	www.foursquare.com
4.5 / 5	Id.openprice.com
4.4 / 5	Agoda.web.id
4.3 / 5	www.expedia.com
5 / 5	Trip advisor

Packaging appears to be one of the important factors in brand loyalty that are made at the point of sale where it becomes an essential part of the selling process (Silayoi & Speece, 2004). In current competitive retail environments, consumers are exposed to a plethora of messages on packaging and merchandising (Klevas 2005; Nancarrow, Wright & Brace 1998). When consumers are spoiled for choice in terms of the available product range, they rely on product externalities, such as packaging, as signals of perceived quality (Rundh 2005). This presents marketing with a challenge to depend heavily on the visual communication of packaging to inform and persuade consumers, both at the point of purchase and at the point of consumption (McNeal & Ji 2003). Packaging adds exceptional value to products (Underwood et. al., 2001) and is a vital product differentiation tool that has a beneficial stimulus effect on the buying behavior of consumers (Wells, Farley & Armstrong 2007). It attracts the consumer's attention to a particular brand, enhances its image and influences consumers' perceptions about a product (Vila & Ampuero 2007). These have the same ideas as Jamoo has a plus value because Jamoo officially become one a part of Shangri-La hotel.

Price also an element of the marketing mix that is flexible, meaning that it can be changed quickly. According to Tjiptono (1997), price can also be an indicator for the quality of which a high quality product will dare to set a price that is too high. Prices may affect consumers in making the decision to purchase a product. The pricing of restaurant items also varies according to the type of restaurant. If the price is high, customers are likely to expect high quality, or it can induce a sense of being "ripped off." Likewise, if the price is low, customers may question the ability of the restaurant to deliver product and service quality (Grewal et al., 1998). This indicates that the price offering for the restaurant needs to be in accord with what the market expects to pay by avoiding negative deviation. Compare to others three hotel restaurants, Jamoo have cheapest price, so it can be conclude that Jamoo Restaurant is more affordable than the others.

Table 1.3
Price comparison

HOTELS	RESTAURANTS	PRICE
Shangri-La	Jamoo	Rp.200.000
JW Marriot	The Pavilion	Rp.325.000
Sheraton	Café Bromo	Rp.224.000

Based on the phenomenon and previous study, then researcher proposed a study and title “**The affect of Brand Awareness, Packaging and Affordability on Brand Loyalty: evidence from Jamoo Restaurant at Shangri-La Hotel, Surabaya**”.

1.2 Research Problems

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

1. Does Brand Awareness affect customer Brand Loyalty on Jamoo Restaurant at Shangri-La Hotel in Surabaya?
2. Does Packaging affect customer Brand Loyalty on Jamoo Restaurant at Shangri-La Hotel in Surabaya?
3. Does Price affect Jamoo Customer Brand Loyalty on Jamoo restaurant at Shangri-La Hotel in Surabaya?

1.3 Research Objectives

The purpose of this research is to reveal which factors between brand awareness, packaging and price the role of factors that could affects the customers of Jamoo in Surabaya loyalty. Specifically, this research wants to:

1. Identify the effect of Brand Awareness towards customer Brand Loyalty on Jamoo Restaurant at Shangri-La Hotel in Surabaya.
2. Identify the effect of Packaging towards customer Brand Loyalty on Jamoo Restaurant at Shangri-La Hotel in Surabaya.
3. Identify the effect of Price towards customer Brand Loyalty on Jamoo Restaurant at Shangri-La Hotel in Surabaya.

1.4 Research Contributions

Based on the background that has been explained, this research is aim to make contribution to:

1. Jamoo

The results of this research are expected to help giving knowledge about how big the factors of brand awareness, packaging and price can affect Jamoo customer brand loyalty. These research findings can be used to improve the strength and fixed the weakness of Jamoo for make a better quality marketing strategy. This research is aim to share knowledge and insight about how big effects from related factors (Brand Awareness, Packaging and Price) could affects the consumers' Brand Loyalty toward Jamoo restaurant. It also hopefully can give contribution to develop the marketing and management study about what is strategy to create brand loyalty. It has possibility to bring business solution and inspiration to fixed and improve marketing strategy.

2. Future Research

This research is aim to share knowledge and insight about how big effects from related factors (Brand Awareness, Packaging and Price) could affects the consumers' Brand Loyalty toward hotel restaurant industries. It also hopefully can give contribution to develop the marketing and management study about what is strategy to create brand loyalty. It has possibility to bring business solution and inspiration to fixed and improve marketing strategy.

1.5 Research Limitations

This research is focusing on customer Brand Loyalty of Jamoo Restaurant at Shangri-La Hotel in Surabaya by identify how big the impacts of related factors. To arrange this research, the limitation set for Indonesian youth with age around 17 – 30 years old and only in Surabaya area. The variables that used are Brand Awareness, Packaging and Price. This research took place in Surabaya during June – August 2014.

1.6 Research Outline

Chapter I: Introduction

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 specifies the research objectives explored in greater detail to contribute to understanding the research problem

Chapter II: Review of Related Literature

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: Research Methodology

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: Results and Discussion

This chapter starts with describing the object of the study, descriptive analysis of the data collected proceed with hypotheses testing and discussion.

Chapter V: Summary, Conclusions, and Recommendation

This chapter consists of the summary of the study, conclusions on the finding of the study and the recommendation proposed.