

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Ever since human born, human had to work and it becomes responsibilities of each people in order to obtain achievement in life such as happiness, wealth and so on (Jensen & Meckling, 1994). As times passes by, new argument had been rise, people who once thought that business like daily needs for earn money, now business is for pride or self-esteem. As Bachtiar (2012), said, it is not just to earn money, but human have something to be proud of by opening new line of business and be success. For example, people in Indonesia proud as number three rice producing country over the world. Business can make Indonesian to be well known as the rice supplier.

Opening a new business can be called entrepreneurs, on the other word, anyone who dare to work independently (www.quickimba.com retrieve on August 21st, 2012). Entrepreneurs can also be interpret as business owner, since all the work must be done independently. According to Naude (2011), becoming entrepreneur has become more and more common because almost in every university now applied entrepreneurship on each subject in economic majority. Not only among universities, but entrepreneurship also become center of attention from government and private parties. This though can be understandable considered entrepreneur can be reliable way when college student has graduated and expected to become new entrepreneurs. This means every college graduate student is not depending on job vacancies available anymore. Development of entrepreneurship is emerging today by the Indonesian government in a way improving the economy and reducing unemployment in all sectors of employment rate. Entrepreneurs are believed to be one of the pillars supporting the economy in a country. Ideally a country needs a minimum 7% (McLelland, n.a) grown entrepreneurs per year in order to improve in economy.

Food industry is a business that never comes to an end. The cycle of food supplier keep on twirling because everybody as human beings needs that so called food. Thus, food is also included in Maslow's hierarchy of needs as known as theory of human motivation (Schifman & Kanuk, 2010). Maslow's hierarchy of need is often described as a pyramid. "Physiological Needs" is in the bottom. It argues that air, water and food are metabolic requirements for survival in all animals, including humans.

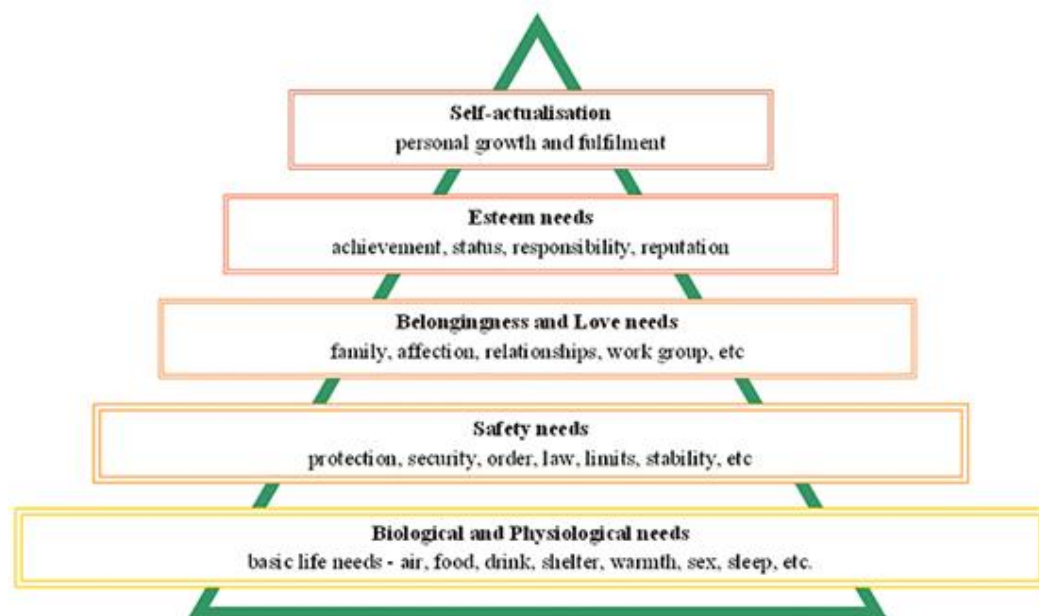


Figure 1
Maslow Hierarchy of Needs

Note: <http://www.businessballs.com/maslow.htm> retrieve on August 23rd, 2012

In this model of Maslow, the bottom part is the basic need of a human. If one does not fulfill, then human survival is at risk.

There are many kind of business that had been classified in Indonesia, one of them is Usaha Mikro, Kecil dan Menengah (UMKM), for micro until medium scale of business. Each of the business has some regulation that limits the scale of the business through size of the income, capital and taxes (Inia, 2009). *Small Business* defined as economically productive stand-alone business, conducted by individual or business entity that is not a subsidiary or branch of a company

owned, controlled, or a part, either directly or indirectly from medium or large business enterprise, that has a net worth of more than Rp 50 million up to maximum Rp 500 million excluding land and building of business premises or has annual sales if more than Rp 300 million up to a maximum of Rp 2.5 billion. While *Micro Enterprise* is owned productive enterprise and natural persons or entities that have new worth of at most Rp 50 million, excluding land and building of business premises or has annual sales Rp 300 million. Furthermore *Medium Enterprise* is economically productive stand-alone, conducted by an individual or business entity that is not a subsidiary or branch of a company not owned, controlled, or a part, either directly from the small business or large enterprise with a minimum net wealth annual sales Rp 2.5 billion up to maximum Rp 50 billion or has a net worth of more than Rp 500 million up to a maximum of Rp 10 billion excluding land and building of business premises. Table 1 represent the conclusion differences between Small Business, Micro Business and Medium Enterprise based on annual sales and net profit.

Table 1
Type of UMKM

	Micro Business	Small Business	Medium Enterprise
Net profit	< Rp 50 million	Rp 50 million – Rp 500 million	Rp 500 million – Rp 10 billion
Annual Sales	< Rp 300 million	Rp 300 million – Rp 2.5 billion	Rp 2.5 billion – Rp 50 billion

Note: <http://huluinia.org> retrieved on August 24th, 2012

Based on Entrepreneurship Module from Kasali *et al.* (2010), UMKM emerge from crisis in 1998, people of Indonesian experience economic crisis on that year. UMKM become the foundation of the economy and important options for scholars to live more prosperous, independent and helped many people cope with unemployment.

Populations of Indonesia keep increasing every year as well as the total labor force (Kasali *et al.*, 2010). In Table 2 mention that in 2011 it could frown 14 million, while total labor force was increasing 3.4 million, which is a fantastic number of human resources. That great amount of growth also means a lot to

entrepreneurs in Indonesia that will be rise because entrepreneurs have chance. Many potential of new entrepreneurs in Indonesia will pop out when people see number of UMKM that exist in Indonesia itself. Table 3 show large amount of micro business that subsists if compared to small business and medium enterprise. Increasing number of micro business indicate increasing number of entrepreneurs. But the phenomena is productivity of micro business is smallest compare to other type of business, this is the main reason why people in Indonesia still have to improve so UMKM can contribute a huge amount of income in Indonesia economic area.

Table 2
Population and Labor Force in Indonesia 2008 – 2011

Year	Population	Total Labor Force
2008	228 million	111.48 million
2009	231 million	113.74 million
2010	234 million	116 million
2011	247 million	119.4 million

Note: Kasali *et al.*, 2010

Table 3
Enterprise in Indonesia and Productivity

	Number of Enterprise (unit)	Productivity (rupiah/work force)
Micro Business	50,700,000	< 11.5 million
Small business	520,220	11.57 million
Medium Enterprise	39,660	38.71 million
Big Company	4,370	2.22 billion

Note: Kasali *et al.*, 2010

Food industry classified as some industry at fast turning of money, because mostly food will be paid in cash (Tulus, 2012). So food industry sometimes reach top in people mind when opening a business. Company has many goals to achieve, which is profit, increase company's market share, gain competitive edge, provide excellent customer service. But of all those reasons, one important point is to gain sustainability (Reichheld & Sasser, 1990). The main

cause company become sustainability is never-ending customer that keep on coming back to buy the product, on other word, repurchase. Repurchase intention is individual judgment about buying again a designated service from the same company, taking into accounts the current situation and likely circumstances (Danaher & Mattson, 1994). According to the study of Wen *et al.* (2011) factors that contribute to repurchase intention are perceived ease of use, perceived usefulness, perceived enjoyment, satisfaction, trust and confirmation. Hence, repurchase is important in achieving sustainability where food industry also needs it besides make profit. So the author wants to research more about those variables that affected repurchase intention.

One of the examples of this growing food industry is Canteen 1. From explanation above about small, micro and medium scale industries, the owner of Canteen 1 categorized Canteen 1 as micro business because has a net worth less than Rp 50 million.

This business was already opened first at Petra 1 Senior High School. It is also known as Canteen 1. Canteen 1 has grown up since very first time opening. Background of the opening Canteen 1 in Petra 1 Senior High was because the owner had an easy chance to access Petra 1 as a successor of Petra 1 Senior High School. Also the owner knows the market condition and wants of customer in Petra 1, so easier to make advantage in customers need and wants.

Table 4 presenting top three foods that are popular or most favorite that chosen by consumer in Petra 1. Since the business was started at 2009 so the author mentions 2009 as the starting year and list for three years. Numbers stated in there are amount of dishes that are being sold at average per day for a year. Ayam Bawang is the most preferable food given that number of food demanded is increasing each year and best selling. Seeing the result from table 4, all the three dishes are increasing every year although there are differences in number of increasing.

Table 4
List of Food Served in Canteen 1

Top 3 Favorite Foods	Year (per day)		
	2009	2010	2011
Ayam Bawang	40	50	60
Chicken Katsu	30	40	45
Ayam Oriental	20	33	35

Note: Ling (2012)

The study conducted five variables that will be tested against product of Canteen 1 from the basic model of Wen *et al.* (2011), which are perceived enjoyment, confirmation, trust, satisfaction and repurchase intention, Trust can be described as conviction of a customer toward a brand of a product, here in this study is Canteen 1 product of food. Trust can be obtained by the quality of the product itself, because of the good quality, customer will keep buying on the same store over and over again (Rizal, 2006). Confirmation happens when expectation of product is met; expectation usually can build through issue that spread about a product. According to Bhattacharjee (2001), lower expectation met higher confirmation will result in satisfaction to that product. Normally people presume quality of dishes based on the presentation of the food, but sometimes the taste can change the looks of the food. So the presentation of dishes may differ each other and make expectations of the food in each of the customer mind. Perceived enjoyment explained as an awareness of total excitement that result in pleasure from doing something fully (Csikszentmihalyi, 1976). Buyer will found pleasure in looking food around court and will satisfy inner feeling of a hungry customer. With a wide selection of food served with tasty looking picture, people will feel tremendous joy in choosing their food. Satisfaction comes up after confirmation, food that meets desire of customer will satisfied and makes customer remember the brand.

1.2. Research Problem

From the information gathered above, it should be interesting to conduct the research since there are potential growths from this entrepreneurial business.

The problem set as follow:

1. Does trust have direct positive effect towards repurchase intention in Canteen 1?
2. Does perceived enjoyment have direct positive effect to repurchase intention in Canteen 1?
3. Does confirmation have positive significant effect toward satisfaction in Canteen 1?
4. Does satisfaction have direct positive impact to repurchase intention in Canteen 1?

1.3. Research Objective

Based on the research problem, the objectives of the research are as following:

1. To distinguish whether trust has direct positive effect towards repurchase intention in Canteen 1
2. To determine the effect of perceived enjoyment on repurchase intention in Canteen 1
3. To identify whether confirmation have positive significant effect towards satisfaction in Canteen 1
4. To define the impact of satisfaction toward repurchase intention in Canteen 1

1.4 Research Contribution

1.4.1 Theoretical Contribution

This study will be helpful to determine the effect of satisfaction as intervening variable between confirmation and repurchase intention of Canteen 1. This study also helps explaining the relationship of trust and perceived enjoyment

to repurchase intention of Canteen 1. The result of this study will be referable in relevant field of study.

1.4.2 Empirical Contribution

The research can be useful to the owner of the Canteen 1 because this research model was made prior to Canteen. In the future, after the result of the research testing comes out, the variable used will be the main reason to improve productivity and quality Canteen 1 product. This research will also useful to all people who want to start a new business and become entrepreneurship especially who wants to try to set up business. This thesis can help the owner by given some information about effect of satisfaction, perceived enjoyment, confirmation, and trust toward repurchase intention.

1.5 Research Limitation

This research limited by only five variables, that will help determine the effect confirmation, to satisfaction and satisfaction to repurchase intention with the independent variables like perceived enjoyment and trust to repurchase intention.

The subject of this study is Canteen 1 with Canteen 1 food as the product, and limited respodents to Surabaya citizens with specific characteristics that are determined by the author. This research was done on September until November 2012.

1.6 Research Outline

CHAPTER I – INTRODUCTION

This chapter sets up the research problem for the reader. It also provides the backgrounds information defining the issue and important terms. 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 explains the detailed of the results after calculation is conducted. It includes the company profile, description of survey respondents and variables, the pretest, classical assumption and hypotheses testing. This chapter also states the discussion about the result.

CHAPTER V – SUMMARY, CONCLUSIONS, AND RECOMMENDATION

This chapter summarizes the result for this study and gives the conclusions. It also explains the recommendation for the company and for the future research.