

# CHAPTER I

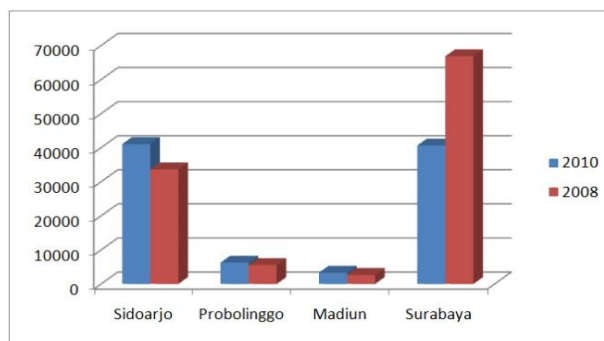
## INTRODUCTION

### 1.1 Background of the Study

Food and Beverage industry had been growing a lot at Indonesia. Data from *Gabungan Perusahaan Makanan dan Minuman Indonesia* (GPMMI) said that the nation growth of food and beverage industry in the last five years is quite high (Surabaya Post Online, retrieved on 6<sup>th</sup> Feb 2012) The selling volume in 2007 reached Rp. 383 trillion, in 2008 reached Rp. 505 trillion, in 2009 reached Rp. 555 trillion, in 2010 reached Rp. 605 trillion. Total value of the imported product for food and beverage in period of January – November 2010 raise as much as 22.95% compare to the same period in 2009. One of province that helps to boost up the Food and Beverage industry in Indonesia is East Java. In the third quarter of 2011, this industry had 10%-12% increase in its sales compared to previous quarter of the year (Surabaya Post Online, retrieved on 6<sup>th</sup> Feb 2012).

Because of all this growth in food and beverage industry, the needs of raw materials such as vegetables, fruits and all kind of meat is also increasing. It causes a positive impact too on other industry such as agriculture and farming. Among all the raw materials, one of the most important for this industry is chicken product. Even government of Indonesia had suggested that people should eat more chicken and eggs to meet the body's protein requirement because the chicken and eggs consumption in Indonesia is much more less compare to any other countries in ASEAN. Indonesian only consumes average of one chicken every four months and one egg per week, while for example, Malaysian consumes average of three chicken per months and three eggs per day (wartakotalive.com, retrieved on 6<sup>th</sup> Feb 2012).

Due to this chance and demand from the market, more population of chicken farm is built in some areas of East Java. Figure 1 shown some data from cities that are suitable for chicken farming business.



**Figure1**  
**Growth of chicken farm in some cities**

Note: <http://www.disnak-jatim.go.id/>, retrieved on 6<sup>th</sup> Feb 2012

From Figure 1, it can be concluded that the population of chicken farms in East Java is increasing even though the population at Surabaya itself is decreasing. The reason for decreasing is not because of low demand on chicken product, but due to the government policy. To build a chicken farm, there should be at least 100 meters of distance between the chicken farm and the citizen clusters so that the smell and the noise of the farm do not disturb the citizen (PT. Japfa Comfeed, 2012). The regions outside of Surabaya such as Sidoarjo, Probolinggo and Madiun become a target place to build more chicken farm.

As the population of farm is growing, problems also occur even more than before. People would sell dead chicken product (*carcass*) in order to sell it in lower price from the competitors. Close to high season such as Lebaran or Christmas, the rates of people selling carcass meat are increasing. This type of meat was found a lot during the police examination through the traditional market at Yogyakarta and Bogor (rimanews.com, retrieved on 8<sup>th</sup> Feb 2012). Also some are found at Nusukan market and Legi market, Solo, Center Java (<http://www.mediaindonesia.com>, retrieved on 10<sup>th</sup> August 2012). Disease such as bird flu is spreading widely, makes people tend to avoid poultry products. Government tried to control the spread though many efforts had failed. Bird flu had caused 147 deaths from 179 cases, spread across 13 provinces (The Jakarta Post, 8<sup>th</sup> Feb 2012). This shows that, there are some risks that faced by chicken product consumers.

Different consumers respond to food risk in different ways. This implies that the policymakers and food firms cannot rely on single information strategy for rising food risk. The diverse social networks and distinct preferred sources of information and differing levels of trust that citizen from different countries have in institution, media, scientific bodies and other sources of food safety information. In an attempt to reduce consumer's individual uncertainty, the consumer is assumed to obtain extra information about the future realization of various scenarios (Hirshleifer & Riley, 1992). The other effect of this chicken product scare, it had increased consumers' concerns for food safety causing significant reductions in the consumption of affected products, in this case is chicken product. As a consequence, the food industry had to guarantee food safety along the food supply chain. Moreover, the government has to reinforce controls and strengthened the role of food safety agencies.

According to Kim, Ferin and Rao (2005), the consumers often react on information even though it is uncompleted and not reliable. As the consequences, consumers are frequently faced with at least some level of risk or uncertainty in the purchasing decisions. In this study researcher define perceived risk as a consumer's belief about the potential uncertain negative outcomes from the transaction. A consumer's perceived risk had a lot of influence on the decision to purchase. It is not rare for a consumer who is making a deal to be unwilling to purchase certain product because the sense of risk that something might happen (Antoni, Lin & Xu, 2006).

Due to basic nature of shopping, consumers will frequently face some level of risk, meaning consumers make bets about the doubt in the future and the free actions of others (for example: potentially reliable seller and unknown new technologies). In these uncertain situations, when consumers have to make decision to purchase, trust plays a big role as an answer for the specific problems of risk (Luhman, 1988). That is why in uncertain and uncontrollable future, trust becomes the vital strategy. As Gambetta, 1988, argued, trust is mostly related in

situation of unawareness or uncertainty with respect to incomprehensible actions of others.

The economic analysis of food safety issues, due to the effect of risk and trust is a growing and varied body of literature (Lobb, 2005). The consumers' increasing consciousness about food safety and the significance need of evaluating the perceived risk connected with food purchasing and consumption are vital in order to provide effective policy statement of food safety. From the paragraph above, it may be conclude that risk and trust play a great role on consumers purchase decision.

There are a lot of place to eat in Surabaya that served chicken products, one of it is A&W Restaurant. A&W Restaurants, Inc. is a chain of fast-food restaurants starting franchises in 1921 in California. The company name was taken from the surname initials of partners Roy W. Allen and Frank Wright. Today, it has franchise locations throughout the world and become one of the pillars of fast food industry until this day. A&W Restaurants serving typical fast food menu of hamburgers, french fries, fried chicken and many more. In Indonesia, A&W already had more than 200 outlets across the country. A&W Indonesia had its menu adjusted to suits Indonesian people taste. Products that were added to Indonesian menu are chicken chunks and waffle sundae ice cream (<http://www.awrestaurants.com/>; retrieved on 6<sup>th</sup> Feb 2012).

Drawing on a conclusion from the study, the researcher has developed a model that links consumer: (1) trust in chicken product safety; (2) perceived risk in chicken product; (3) consumers' intention to purchase; and (4) decisions to purchase chicken product.

## **1.2 Research Problem**

1. Does risk have significance influence on the consumer's intention to purchase chicken product at A&W Cito?
2. Does trust have significance influence on the consumer's intention to purchase chicken product at A&W Cito?
3. Does consumer's intention to purchase have significance influence on consumer's decision to purchase chicken product at A&W Cito?

## **1.3 Research Objectives**

1. To determine the significance influence of risk on consumer's intention to purchase chicken product at A&W Cito.
2. To determine the significance influence of trust on the consumer's intention to purchase chicken product at A&W Cito.
3. To determine the significance influence of consumer's intention to purchase on the decision to purchase chicken product at A&W Cito.

## **1.4 Research Contributions**

1. A&W All American Restaurant  
This thesis will provide the result of decision that consumer makes towards buying decision of chicken product, so A&W Cito might found some aspect to be improved, especially from trust and risk factors.
2. The food and beverages industry at Surabaya.  
This thesis will provide what causes people to consume a certain product, in this case is chicken product. The food and beverage industry would be able to predict what to do to gain trust and reduce risk from the consumers' point of view.
3. The researcher  
To help the researcher apply the theory to the real business world.

## **1.5 Research Limitations**

The research respondents are only people who lived in Surabaya, who had visited and consumed chicken products at A&W Cito minimum once in the latest

six months. Female and male age of 17-65. The variables that used are risk, trust, intention and decision to purchase. The research will be conducted on September – November 2012.

## **1.6 Research Outline**

### **CHAPTER I – INTRODUCTION**

This chapter one will provide the reader about the background and the research problem of the thesis. This chapter is important because it define the issue and the related factors that influencing the intention and decision to purchase of chicken product at A&W Cito. Moreover, it specifies the research objectives in detailed manner so that it contributes to increase the understanding of the problem.

### **CHAPTER II – REVIEW OR RELATED LITERATURE**

This chapter two contained the studies and findings that have been published on the research topic and how this study will add to what has already been studied in previous journal. This chapter is also gives details description of the theory, a reason of why it is relevant, and how the modeling deals with the hypothesis being tested.

### **CHAPTER III – RESEARCH METHODOLOGY**

This chapter three is explaining the detail of the research design, sampling plan, research instrument, statistical tools and treatment of data.

### **CHAPTER IV – RESULT AND DISCUSSION**

This chapter four is going to provide all the result of the questioner including the statistics data. Also the profile of the company, description of the respondents, the relationship between variables and the hypothesis testing.

### **CHAPTER V – SUMMARY, CONCLUSION AND RECOMMENDATION**

This chapter five summarized all the result from this study and provides conclusion and recommendation for both the company and for future research.