

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The food & beverage industry in Medan has developed tremendously over the past few years with the emergence of many new restaurants every year. In this free competition, anyone could start building a business, however, the essential of this industry is not the products themselves, whereas the customers perception factors really play in affecting the customer in coming back to the restaurant. In fact, restaurants must understand the customer's eagerness and provide appropriate products and services to create a good brand image and brand awareness. The food industry is projected to remain the mainstay sector which supports manufacturing growth and national economy. (Gianina, 2021). This study aims to address the problem in which a hotpot restaurant is able to have a successful introduction and view in the consumer's eye. The challenge lies in developing strategies to establish the restaurant's presence, to build awisness and to attract a loyal customer base within the competitive culinary landscape. This encompasses numerous factors including creating a distinct brand image, having a targeted consumer, and optimizing the physical environment to ensure a positive and memorable dining experience.

One of the most favourite food outlets in Medan, Hai Kou Huo Guo, the object research of this study, is one of the subsidiaries of Hai Kou group, which consists of other brands such as Hai Kou Restaurant and Hai Kou Dimsum. Hai Kou Huo Guo is a company engaged in the business of hot pot restaurant (Hai Kou, 2023). Hai Kou Huo Guo, which is located in Komplek CitraLand Gama City, Blk.R6 No 58-62, Kenangan, Kec. Percut Sei Tuan, Sumatera Utara, is a newly launched restaurant that started its service in February 2023. Although their establishment is still very new and fresh, their amazing products and service have successfully gained so much attention among the people in Medan. Hai Kou Huo Guo could create innovation and provide hot offers daily, also, the management regulates a good marketing strategy and promotion on social media. Hai Kou Huo Guo maintains a stable brand image, brand awareness, and comfortable physical environment. In contrast, there are quite a few competitors in the same industry, which has been a threat to the customer decision-making process. Although consumers can always choose to dine-in at the restaurant, there are some exertions needed to retain the consumers and to attract new consumers as well.

These days, promotion over the internet is one of the most rapid exposures for the brand to reach the audience and target consumers on the internet. Based on research, online customer review, which are the report from customers who have been in Hai Kou Huo Guo as a form of digital record or video, shows that the restaurant gains much good reviews,

expressing fulfilment with feelings and emotion. Through these reviews, there will be internet users who are newly exposed to the brand, or even internet users who have encountered the products and services. Therefore, companies may retain consumers while maintaining a brand image customer outlook and placing brand awareness on the customer's mind.

Placing a brand image in the customer's mind must be carried continuously to attach a brand awareness or be lingering on the consumer's mind. As a result, the brand image created remained strong and positive in the consumer's eye. The emotion and the ambience created radiates a positive feeling and leads to loyal customers. These will increase the possibility of people to recognize and remember the brand for the consumers to return and enjoy the food and service in Hai Kou Huo Guo. It is such an interesting opportunity to dive into a niche market and explore the intricacies of a culinary experience, offering insights that may also be used and overlooked in broader restaurant studies and bringing notice to business owners or other parties who would like to have a successful launch of a business and sustained growth of hotpot restaurant in the community. Customer retention is highly concerning as other competitors of hotpot restaurants have similar concepts and ideas, which is why companies need to be able to invest in cultivating a distinctive, unique traits to enhance the more people they keep interested in the way Hai Kou Huo Guo is to provide their best in their products, services, and connections.

Restaurants that effectively convey the brand identity are more likely to stand out in a competitive market. Various marketing channels may be one way to ensure potential customers are not only aware of their existence, but also enticed to explore unique hotspot offerings. Moreover, the followings shows list of well-known hotpot restaurant and shares similar vibes with Hai Kou Huo Guo, such as Hot Hot Pot, Lao Lao Huo Guo Signature, Shu Guo Yin Xiang, Hotpot Steamboat, Beauty in the Pot, Mojiatang Shabu & Grill, Hanamasa Medan, Shaburi & Kintan Buffet, Hotpot Steamboat & Dimsum (Jendea Dunia, 2023) (Makan Mana, 2023).

Table 1.1 Hot Pot Restaurant in Medan

Hot Pot Restaurant in Medan	
No	Places
1	Hot Hot Pot
2	Lao Lao Huo Guo Signature
3	Shu Guo Yin Xiang
4	Hotpot Steamboat
5	Hai Kou Huo Guo
6	Beauty in The Pot
7	Mojiatang Shabu & Grill
8	Hanamasa Medan
9	Shaburi & Kintan Buffet
10	Hotpot Steamboat & Dimsum

Source: Prepared by the writer (Jendela Dunia, 2023); (Makan Mana, 2023)

Based on the research, it was mentioned that the first 5 on the list of the Hot Pot Restaurant in Medan are recommended. These restaurants served varieties of hot pot soups such as Mala, Collagen Chicken Soup, and many others. Toppings to meals including meat, tofu, vegetables, and seafood are freshly served and consumers can also enjoy authentic sauces that may be concocted on their own or are being assisted by waiters and servers.

Among the hot pot restaurants, all serve equivalent products and services. However, what differs one from another is the company's consistency in taste and service quality. By understanding how the brand compares to its competitors, it helps the object research to identify the strengths and weaknesses in consumer sight. This conducted research is to find a solution to how Hai Kou Huo Guo can maintain their brand image and brand awareness towards customer retention and to elevate how consumers feel about their establishment whether it is the interior design or the ambience and vibes of the restaurant. The key to having customers to stay and retain is by enhancing the level of awareness by creating a clear and depicted positive image on the customers' minds. One of the reasons that may be affecting the decision-making process is by designing a place or emotions that lay a significant impact towards the customers experience, having the customers to remember and reminisced the everlasting joy and memories from the company.

After conducting a survey to Hai Kou Huo Guo, the writer obtained some data revenue from the director of Hai Kou Huo Guo which indicates the restaurant sales for the past few months since Hai Kou Huo Guo opened to the public. As stated by Michael, the director of Hai Kou Huo Guo, the service starts right on February 14, 2023, on Valentine's Day. The data shows that there has been turmoil in the first month continuing to the preceding month. The increase in sales may be due to eagerness for the opening of a new restaurant, customers are excited to try their products and services. Hai Kou Huo Guo team effort and consistency have driven the sales tremendously despite being newly opened. In order to increase and boost the sales every month, Hai Kou Huo Guo is determined to bring the restaurant's best to the community whether it is the images of the company, the memorable feeling and connection through their establishment, and increasing the chances of consumers staying longer and have an extra feeling of eagerness to come back for the second time or even continuously wanting to visit Hai Kou Huo Guo.

Based on the interview with the director of Hai Kou Huo Guo, it is mentioned that innovation is key to maintain consumers to keep coming back, while the essential of building this business is to anticipate solace by increasing the brand awareness, creating a good brand image with high quality food, and taste. This may be the reason that Hai Kou Huo Guo can remain consistent in their data revenue obtained these past few months.

Even though there are ups and downs, the struggle still hasn't changed the way the team are optimistic about providing the best for consumers every single day.

In this competitive market, identifying the problem can improve the quality and service which enhances brand image and brand awareness since Hai Kou Huo Guo is newly established. Focusing on who the target audience that the company wanted to attract may be an effective way to expose the restaurant to families and friends, even by word-of-mouth method or social media.

By enhancing the brand image and brand awareness, restaurants can find ways to retain more existing consumers, new consumers, and to differentiate the brand from other competitors. Let alone, the beautiful and comfortable interior that the restaurant provides which gives off a very well family nuance and ambience, special offering and discounts, special events to entertain the consumers, great service by the waiter and waitress, the spacious dining room for families to celebrate their birthday, work dinner, welcoming dinner, and amazing music to enjoy the wondrous range of beautifully displayed nourishment. Successfully promoting these factors through social media marketing, focusing on product compatibility with customer expectations, employee service quality, creating brand image, getting consumer trust, the company can receive more positive feedback or reviews and allow consumer to experience an everlasting memory, and escalate the number of customer retention.

1.2 Problem Limitation

There are some limitations to the problem of this research. The data will be collected in person through the director of Hai Kou Huo Guo located in Medan and by distributing surveys online. The writer determines the limitation of the discussion. This research is conducted and limited to customers who have encountered or experienced the products and services of Hai Kou Huo Guo at CitraLand Gama City in Medan in accordance with their perception.

Due to the limitation of time, access, and budget, this research will only focus on Brand Image, Brand Awareness, and Physical Environment as the independent variables (X) and Customer Retention as the dependent variable (Y).

X1: Brand Image Indicator = Product Image, Corporate Image, User Image

X2: Brand Awareness Indicator = Recall, Recognition, Purchase, Consumption

X3: Physical Environment Indicator= Ambience, Interior and Exterior Layouts, Employees

Y: Customer Retention Indicator = Revisit Intention, Loyalty, and Word-of-Mouth.

1.3 Problem Formulation

The problem formulation questions are as follows:

1. Does the brand image have a partial effect on customer retention at Hai Kou Huo Guo in Medan?
2. Does brand awareness have a partial effect on customer retention at Hai Kou Huo Guo in Medan?
3. Does the physical environment have a partial effect on customer retention at Hai Kou Huo Guo in Medan?
4. Do brand image, brand awareness, and physical environment have a simultaneous effect on customer retention at Hai Kou Huo Guo in Medan?

1.4 Objective of the Research

Through the problem formulation compiled by the writer, this study objective of the research aims:

1. To examine whether brand image has a significant influence on Hai Kou Huo Guo's customer retention.
2. To examine whether brand awareness has a significant influence on Hai Kou Huo Guo's customer retention.
3. To analyse whether the physical environment affects customer retention in Hai Kou Huo Guo at CitraLand Gama City.

4. To analyse whether brand image, brand awareness and physical environment will simultaneously affect customer retention in Hai Kou Huo Guo at CitraLand Gama City.

1.5 Benefits of the Research

This research on how to build better brand image, brand awareness, and a good physical environment which can influence customer retention at Hai Kou Huo Guo CitraLand Gama City in Medan, this research consists of two benefits:

1.5.1 Theoretical Benefits

Research on how to build a better brand image, brand awareness, and a better physical environment towards customer retention than any other competitor in the industry is expected to be used as a lesson, reference, or material for every party towards future applications.

1.5.2 Practical Benefits

Based on the purpose of this research, this research is expected to provide research benefits as follows:

1. For the writer

In this study, the writer is going to understand about how the brand image of a company, brand awareness of the consumers, and the physical environment aesthetic can bring changes towards the amount of customer retention since the Hai Kou Huo Guo was first exposed to the public.

2. For companies

In this study, companies can learn about how the problems regarding brand image, brand awareness, and physical environment can be examined and evaluated to increase sales and customer retention. This study may also contribute to the existing body of knowledge, offer insights into a specific area of research, and provide practical implications.

3. For other researchers

The results of this study are expected to bring contribution towards other parties or researchers to acknowledge the influence of brand image, brand awareness, and physical environment of the company Hai Kou Huo Guo towards the customer retention, as to be an applicable and beneficial reference in the future research.

