

CHAPTER I

INTRODUCTION

1.1. Background of Study

The food and beverage industry in Indonesia has been one of the most competitive industries that is able to contribute to the GDP (Gross Domestic Product) number in Indonesia. In fact, the contribution of the food and beverage industry to the GDP has increased 5.33% in the first quarter of 2023. It is also reported that the food and beverage industry is a part of the manufacturing sector that has contributed to Indonesia's GDP that has reached 33.62% in the first quarter of 2023.

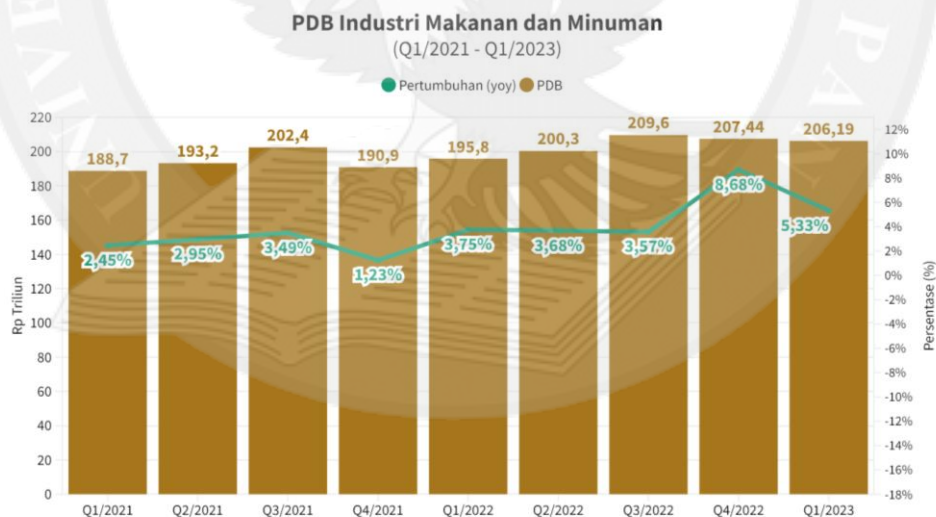


Figure 1. 1. Food and Beverage Industry GDP in Indonesia

Source: <https://dataindonesia.id/sektor-riil/detail/industri-makanan-dan-minuman-tumbuh-533-pada-kuartal-i2023> (2023)

According to the Ministry of Industry of Indonesia (2023), the food and beverage industry has been developing positively since the occurrence of Covid-

19 back then in 2019. As can be seen on the illustration above, the growth in the food and beverage industry GDP has been rising quite stably, even though the percentage of GDP went down a bit in the fourth quarter of 2022. This indicates that the emergence of Covid-19 has brought an unexpected opportunity to businesses in the food and beverage industry to develop their own strategies, capabilities, and competitive advantages to compete with the competitors. The food and beverage industry also reached its peak in the last quarter of 2022 where it reached the number of 8.68% before going down to 5.33% in the first quarter of 2023. That is why the government tries to improve the industry policy and make several attempts to increase the contribution of the food and beverage industry to the GDP of Indonesia. To make it a reality, the government has developed several programs such as the development of micro, small, and medium enterprises through the Entrepreneurship Development Program and SME Competitive Advantage, the improvement of technology capabilities in the F&B industry, the improvement of the structure of the F&B industry, the improvement of infrastructure capacity for the F&B industry, tax subsidiaries and administrative optimization, the improvement of market access and investment, regulations improvement and agreement with China (Ragimun & Widodo, 2019).

Restaurants, as a part of the food and beverage industry, have been one of the most developing sectors, from fast food restaurants to healthy restaurants, quick service restaurants, fine dining, café, etc. The demands of customers for restaurants' products are rising, and they are becoming more fastidious about making better restaurant selections based on the benefits of doing so. Restaurant

owners can better understand restaurant patrons' perceptions of important factors when choosing a restaurant by looking into the key factors that influence restaurant choice which then be used to develop strategies that will effectively compete with rivals and draw in both current and potential customers (Chua et al., 2020).

According to Canziani et al. (2016), there are several types of menu/dining styles which can be categorized into two: full-service categories and limited-service categories. Full-service categories can be classified into several types: moderate (economical foods with utilitarian setting), midscale (casual dining, bar area, and alcoholic beverages available), upscale (superior quality foods and higher-end alcoholic beverages), and fine dining (finest quality foods and unique menu with attractive atmosphere). While limited-service categories are classified into several types: café/snack bar (snacks, coffee drinks, beverages for dine-in or takeaway), fast-food (standardized quick economical foods system for dine-in or takeaway), fast-casual (fresh ingredients foods with upscale interior design), cafeteria (immediate consumption foods with cafeteria style or buffet serving). Restaurant selections on customers' decision making mostly depend on what the customers want to eat or the event and occasion that they are up to. This will lead to the selection of several types of restaurants whether they are fast-food restaurants, quick-service restaurants, fine dining restaurants, fast-casual restaurants, etc.

Along with globalization, people have been changing their lifestyle which can be seen in the increasing preference in eating at restaurants that offer healthy

food instead of processed food. Not only that, but the emergence of pandemic caused by Covid-19 has been the main driver of healthy lifestyle promotion and preference of most people nowadays. People are now more aware of their eating habits and attitudes towards their daily activities and promote healthy lifestyle such as exercising and prefer ordering food from healthy restaurants or self-prepare their meals at home rather than consuming processed food. The environment of each individual also plays a big role in affecting their preferences towards healthy food choices (Story et al., 2008). Hence, the increasing number of restaurants that provide healthy food should make a big difference in influencing the choice of ordering from healthy food restaurants over fast-food restaurants. It can be interpreted that the more there are healthy food restaurants, the more people aware of their choice towards healthy food and decrease the frequency of going to fast-food restaurants.



Figure 1. 2. Salad Bar by Hadi Kitchen Logo

Source: <https://www.instagram.com/saladbar.hadikitchen> (2023)

Salad Bar by Hadi Kitchen Medan is a fast-casual restaurant that specializes in offering healthy foods and smoothies with an upscale facilities and

interior & exterior design. Salad Bar by Hadi Kitchen Medan was established in 2019 by Dennis Hadi, a fitness influencer and celebrity fitness instructor, who is also a CEO of Puspa Hadi Batik Lasem Business. The establishment of this healthy restaurant is a development of his first business, Hadi Kitchen Healthy Catering with a total of 74,869 customers and 5 branches spread across Indonesia. Same as the healthy catering, Salad Bar by Hadi Kitchen has also had their own branches in 6 cities: Bandung, Palembang, Surabaya, Batam, Medan, and Pekanbaru. Focusing on their branch in Medan, Salad Bar by Hadi Kitchen Medan is located at Jl. H. Adam Malik No. 153. The unique part of this restaurant is that they use ingredients that are produced by their own hydroponic farm which means that they really focus on the food quality and want to maintain its freshness. The attractiveness of this restaurant also comes from the menu that varied, from smoothies, salad wraps, and salad bowls to healthy toasts. To support the dietary needs, they also provide each of their menus with calorie number so that customers can track their daily consumption through the calories information which include the number of carbohydrates, proteins, and fats of the food on the menus.

Back then in 2021, Salad Bar by Hadi Kitchen Medan was available in Sun Plaza Medan. However, as it is believed that due to the pandemic, the restaurant had to close its business in Medan before opening back in 2022 moving to the recent location with bigger buildings and better facilities. This indicates that Salad Bar by Hadi Kitchen Medan was not able to survive even though they are engaged in healthy food industry, not to mention that during the Covid-19

outbreak back then, people were more conscious of choosing healthier food. Unable to survive, means that the restaurant did not have any strategies to overcome the outbreak and due to its unreadiness to face the problem, they were failed to retain their customers.

The beginning of the opening of Salad Bar by Hadi Kitchen Medan was celebrated and welcomed with much enthusiasm from many people, including actors, actresses, and influencers. That happened not only in the previous location, but also in recent location at Jl. H. Adam Malik No. 153 Medan. This shows that Salad Bar by Hadi Kitchen has gained so much attention from most people in Medan with their enthusiasm in consuming healthier food like salad and smoothies. Even though there are not many restaurants that specialize in healthy food in Medan, Salad Bar by Hadi Kitchen Medan must still develop their strategies by looking at the factors that will affect customer satisfaction which will result in customer loyalty. The need to improve the drivers of customer satisfaction comes from several reasons, including the opening period of Medan branch which can be said as new (have not reached a year) and the awareness of healthy eating habit of Medan people which is not really high.

Table 1. 1. Comparison of Healthy Restaurants in Medan

No.	Restaurant	Year	Outlet	Rating on Google	Price Range
1	Salad Bar by Hadi Kitchen Medan	2018	2	4.3	Rp 23.500 – Rp 81.600
2	Myndful	2020	2	4.9	Rp 29.000 – Rp 135.000
3	GreenSmoothie Factory	2014	1	4.5	Rp 15.000 – Rp 330.000

Source: Google.com (2023)

The data shown by Table 1.1. above explains that there are two other competitors which are engaged in the same industry as Salad Bar by Hadi Kitchen

Medan as a restaurant that offers healthy menu. Salad Bar by Hadi Kitchen Medan has reached 4.3 for their rating and has price range between Rp 23.500 and Rp 81.600, while Myndful has reached the highest rating of 4.9 on Google with a price range from Rp 29.000 to Rp 135.000, and GreenSmoothie Factory reaches 4.5 for their rating on Google with a price range from Rp 15.000 to Rp 330.000. Despite the fact that Salad Bar by Hadi Kitchen Medan is not the oldest established restaurant, nor it is a restaurant that has achieved the highest rating, it is still questionable about how the restaurant can still be able to compete with the other healthy restaurants with higher ratings and wider price range.

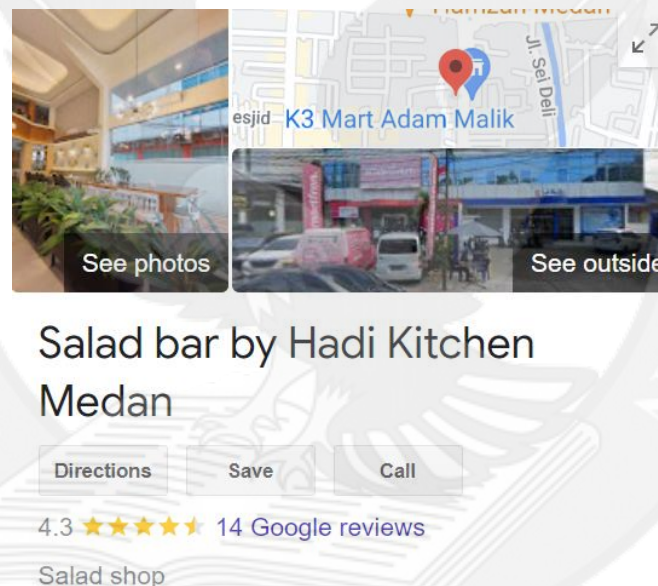


Figure 1. 3. Salad Bar by Hadi Kitchen Medan Google Review
Source: Google Review (2023)

Seeing that there is an intense competition among the three healthy restaurants listed on the table above, Salad Bar by Hadi Kitchen Medan must develop strategies to increase the factors like customer satisfaction which can result in an increase in customer loyalty. Customer satisfaction is a comparison between customers' expectations and the real products and services that they

receive which results in customer's perception that can either be positive or negative (Kotler & Keller, 2016). Additionally, customer satisfaction is the factor that influences the occurrence of customer loyalty (Khan et al., 2022). This means that customer satisfaction is the reason why customer loyalty can be achieved. To measure customer satisfaction, companies must know how well they meet their customers' expectations, which is different from customer loyalty that is measured by how eager the client is to make a repeat purchase. If the customers' expectations are not met, they will feel unsatisfied with the company and thus, customer satisfaction will not be achieved. To prove that Salad Bar by Hadi Kitchen Medan has gained customer satisfaction, it is shown by Figure 1.3. that the rating obtained on Google review by their customers has reached 4.3 out of 5 stars which is considered as high.

SEMARANG - Restoran makanan sehat yang berdiri pada 2019 Saladbar by Hadikitchen hadir di 5 kota di Indonesia. Yakni, Semarang, Jakarta, Tangerang, Bandung, dan Medan, dengan total 10 outlet.

Saladbar berada dibawah naungan Hadi Kitchen Healthy Catering, brand yang berfokus pada makanan diet dan sehat. Misi dari Saladbar by Hadi Kitchen ini adalah ingin mengenalkan dan mempermudah masyarakat akan gaya hidup dan pola makan sehat.

"Menu-menu kami seperti salad dan smoothies menghadirkan cara praktis dan enak bagi orang yang ingin makan sayur dan buah-buahan," kata founder of Saladbar by Hadi Kitchen, Dennis Hadi, kepada SINDOnews, Kami (10/9/2020). (Baca juga: Kesalahan Memotong Sayuran Bisa Memengaruhi Nilai Gizi)

Figure 1. 4. The Establishment of Salad Bar by Hadi Kitchen Medan

Source: <https://daerah.sindonews.com/read/160270/707/restoran-makanan-sehat-saladbar-by-hadikitchen-hadir-di-5-kota-1599725394> (2023)

According to the figure above, the establishment of Salad Bar by Hadi Kitchen Medan from 2019 until now, indicates that the restaurant has survived for about 4 years. This also shows that the healthy restaurant has been able to retain their customers since its establishment in 2019 until now which explains that they

achieve customer loyalty since then. Moreover, they have been increasing the number of outlets in several big cities, which is enough to prove that customers are loyal and willing to always come back to the restaurant. According to Ratna & Nasrah (2022), customer loyalty is the form of liking a product or service where customers purchase the product or service repetitively and willing to recommend the product or service to others. However, to achieve customer loyalty, the company must achieve customer satisfaction through the factors that influence customer satisfaction which can be service quality, social enjoyment, cleanness, aesthetics, and cost.

Service quality can be defined as a form of service which can be measured through the achievement of customer expectations, needs, wants, and satisfaction that is maximized (Setiawan et al., 2019). Even though most businesses are customer oriented as they pay full attention to the customers' expectations, it is highly recommended that service quality brings satisfaction to the service provider as well as the owner and the employees. To achieve this, there has to be open communication among the owner, the employees, and the customers to gain deeper understanding in accordance with service quality.

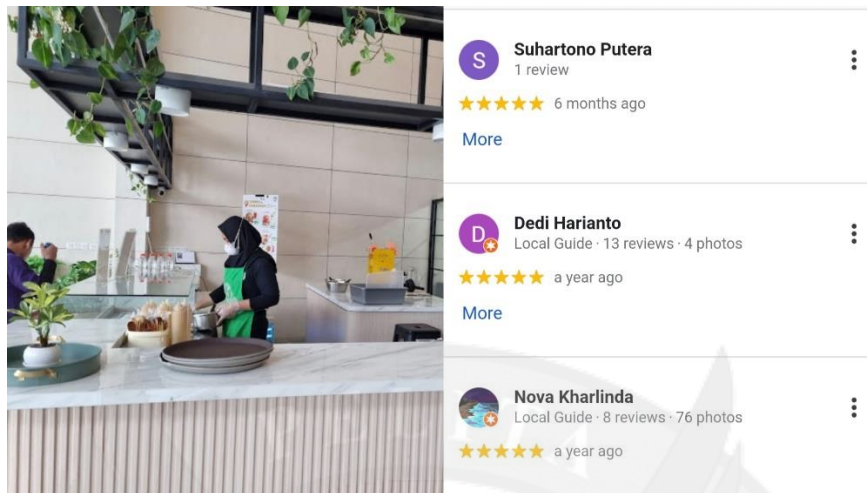


Figure 1. 5. Salad Bar by Hadi Kitchen Medan
Source: Google Review (2023)

According to Figure 1.4., it can be seen that the service provider of Salad Bar by Hadi Kitchen Medan wears proper and appropriate uniform when preparing orders and giving service to the customers. This is an important element of service quality because when the service providers wear the attributes properly, this means that they are paying attention to the service quality that they are giving to the customers. The quality of service does not only come from the action that they give to customers, but also from the appearance that is always visible to the customers which is the first thing that customers will spot once they step into the restaurant. However, there are still several reviews showing that customers are not really satisfied with the service given, which can be seen in the figure below.



Figure 1. 6. Salad Bar by Hadi Kitchen Medan
Source: Google Review (2023)

Even though most customers left positive reviews on Google Review, there are still several customers that felt unsatisfied with the service given by Salad Bar by Hadi Kitchen Medan. On the left review, the customer said that the service provider only provides toilets for dine-in customers and not for takeaway customers. While on the right review, the customer said that there is no prayer room for Muslim customers at the restaurants which is considered as a disadvantage for Salad Bar by Hadi Kitchen Medan.

Social enjoyment is the feeling of joy and pleasure that can only be achieved when spending time enjoying food and drinks in a restaurant with social groups (Stevany et al., 2021). Humans are motivated to form social connections based on their particular preferences because they enjoy the feelings associated with social contact which refers to the social enjoyment (Kawamichi et al., 2016). Social enjoyment is achieved when customers feel the connections that they make through social contacts and interactions with other people anywhere and in any conditions. By gathering with the right people and in the right place at the right

time, customers can achieve the factor, social enjoyment, for example going to a restaurant with close friends.



Figure 1. 7. Salad Bar by Hadi Kitchen Medan Google Review
Source: Google Review (2023)

Another review which is also obtained from Google Review stated that Salad Bar by Hadi Kitchen Medan is a comfortable place to gather with others to have some casual talks. This indicates that Salad Bar by Hadi Kitchen Medan has proven that they could offer social enjoyment to their customers by providing comfortable place for them to dine in and enjoy their time with families, friends, loved ones, etc.

Cleanness can be defined as a condition where there is no dirt and diseases which are the causes of harm in every living aspect in our daily basis between ourselves and the environment (Jumarsa et al., 2020). According to Vázquez-Suárez et al. (2020), cleanness in a restaurant is a factor that includes the external and internal parts of the restaurant which should be classified as hygienic. Those external and internal parts include the dining room, counter, food preparation area, storage, restroom, parking area, windows & storefronts, and other areas that are visible to the public. Cleanness in a restaurant should be taken care of as it plays an essential part in the process of food production and affects the satisfaction of the customers. Every customer wants to dine in a restaurant that has a clean

atmosphere and facilities where they will feel comfortable gathering with their families, friends, etc. Therefore, we always see cleanness as a part of our life within every activity that we do on our daily basis and so, we also want to get the cleanest treatment in any time and place.



Figure 1. 8. Salad Bar by Hadi Kitchen Medan

Source: Google Review (2023)

Cleanness in Salad Bar by Hadi Kitchen Medan can be measured accordingly to collected pictures above which were obtained on Google Review, uploaded by the customers. The pictures above show the dining area, storefront, and the counter of Salad Bar by Hadi Kitchen Medan. It is very obvious that their areas are clean and maintained as good as possible. The foods prepared are also neat and adjusted as appetizing as possible to attract the customers and as proof that they really control the cleanness of the restaurant.

The cleanness of a restaurant is not enough factor to achieve customer satisfaction. Aesthetics is the introduction of everything related to objects that are only caught by our senses which then results in giving us memorable experiences

of feelings such as disgust, anger, happiness, amazement, etc. (Ekosiwi, 2017). According to Marković et al. (2021), the aesthetic factor of a restaurant brings a unique experience to customers, where they could feel a sense of pleasure and satisfaction of appreciation to the symbolic and creative products or services offered. Atmosphere and facilities play the most significant role in this factor as they are the first thing to be enjoyed and sensed by the customers (Ryu & Han, 2011). For instance, customers may enjoy the additional experience perceived from paintings, wall decoration, flowers, lighting, food plating, etc. According to Figure 1.6. above, it can be seen that Salad Bar by Hadi Kitchen Medan takes care of their physical environment which leads to an aesthetic concept where they hang some paintings on the wall, eye-friendly lighting, seasonal decorations (Christmas tree), eye-pleasing food positioning, comfortable room and well-positioned dining tables.

According to Carnegie et al. (2007), the factor that is influential in a restaurant includes price and the cost that is sacrificed by the customers in obtaining the service quality that must be worth the price offered by the restaurant. Cost is the benefit that we sacrifice in an exchange for products and services that we want to buy (Irianie & Handayani, 2019).

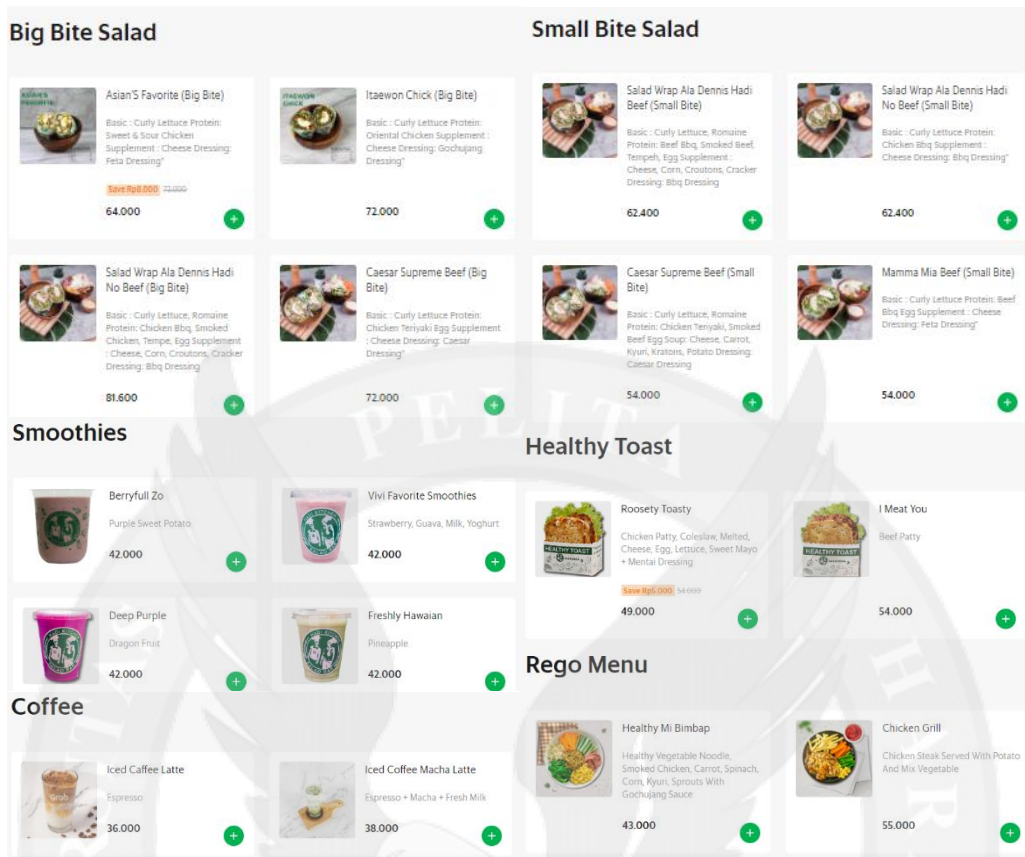


Figure 1. 9. Salad Bar by Hadi Kitchen Medan Menu
 Source: GrabFood (2023)

The picture above which is obtained from GrabFood shows several menus that Salad Bar by Hadi Kitchen Medan offers to customers. The cost that they have spent in the restaurant can be said to be worth the service quality and food given by the restaurant. Seeing from the cost of the menu that they offer, it can be considered as affordable since they are using high quality fresh ingredients without any chemical ingredients and preservatives, specifically made for dietary purpose for people who are in focused on healthy lifestyle. Plus, with a wide variant of menus, it is safe to say that customers will be satisfied with the opportunity cost that they have sacrificed to enjoy the food and drinks offered by the restaurants.

Health knowledge is also one of the factors that is needed as an additional condition where customers can feel more satisfied during the time enjoyed in the restaurants. Health knowledge is the source of knowledge that includes causes, risk factors, transmission, symptoms, and treatments of diseases as well as information on patient rights and health services which leads to the prevention of disease risks (Rincón Uribe et al., 2021).



Figure 1. 10. Salad Bar by Hadi Kitchen Medan Instagram
Source: https://www.instagram.com/p/Cwj9jcvB4Ez/?img_index=1 (2023)

Salad Bar by Hadi Kitchen Medan, through its social media, Instagram, has been sharing knowledge and information about nutrition, dietary facts, healthy lifestyle, and vegetable facts. This indicates that Salad Bar by Hadi Kitchen Medan has been putting effort into making campaigns for consumers so that

people can improve their health knowledge and achieve more satisfaction when interacting and consuming products from Salad Bar by Hadi Kitchen Medan.

Seeing that people are now more aware of improving their lifestyle and becoming healthier, restaurants and cafés are now keeping evolving, producing and offering more healthier menu with health information provided. This gives a great change to Indonesia, because as a developing country, we still have low education quality and high number of poverties which is also caused by malnutrition and other factors as well. This brings such a good reason for the writer to analyze of whether service quality, social enjoyment, cleanness, aesthetics, and cost have a positive influence on customer loyalty in Salad Bar by Hadi Kitchen Medan. According to the background of the study that has been stated above, the writer then decided to conduct research with the title **“The Influence of Service Quality, Social Enjoyment, Cleanness, Aesthetics, and Cost towards Customer Satisfaction and Customer Loyalty with Health Knowledge as a Moderating Variable at Salad Bar by Hadi Kitchen Medan”**.

1.2. Problem Limitation

Research on its own is generally conducted limited due to several factors that challenge the writer to select and limit the area of study that they want to conduct. This research also is limited by several things such as:

- a. This research consists of variables such as service quality, social enjoyment, cleanness, aesthetics, cost, customer satisfaction, and customer loyalty with

health knowledge as a moderating variable with a reason that those variables are the most suitable for the study.

- b. The data of this research will be collected through questionnaires given to customers of Salad Bar by Hadi Kitchen Medan which then will be tested according to the research model.
- c. This research's respondent characteristics are classified suitably for the object, which is male or female customers, located in Medan, age range from 18-60 years old, know that Salad Bar by Hadi Kitchen Medan offers only healthy food, have an experience of dining in at Salad Bar By Hadi Kitchen Medan in recent 3 months, and have an experience of dining in at Salad Bar By Hadi Kitchen Medan with acquaintances such as family and friends.
- d. The chosen data that has been obtained will then be tabulated and operated by using software which is SPSS version 25.0.

1.3. Problem Formulation

The writer has formulated some questions according to the background of the study, as follows:

- a. Does customer satisfaction have a significant influence on customer loyalty at Salad Bar by Hadi Kitchen Medan?
- b. Does service quality have a significant influence on customer satisfaction at Salad Bar by Hadi Kitchen Medan?
- c. Does social enjoyment have a significant influence on customer satisfaction at Salad Bar by Hadi Kitchen Medan?

- d. Does cleanness have a significant influence on customer satisfaction at Salad Bar by Hadi Kitchen Medan?
- e. Does aesthetics have a significant influence on customer satisfaction at Salad Bar by Hadi Kitchen Medan?
- f. Does cost have significant influence on customer satisfaction at Salad Bar by Hadi Kitchen Medan?
- g. Is there any positive influence of customer satisfaction towards customer loyalty that is stronger on high health knowledge and weaker on low health knowledge at Salad Bar by Hadi Kitchen Medan?

1.4. Objective of the Research

The objectives of this research based on the problem formulation are:

- a. To investigate whether customer satisfaction has significant influence towards customer loyalty at Salad Bar by Hadi Kitchen Medan.
- b. To investigate whether service quality has significant influence on customer satisfaction at Salad Bar by Hadi Kitchen Medan.
- c. To investigate whether social enjoyment has significant influence on customer satisfaction at Salad Bar by Hadi Kitchen Medan.
- d. To investigate whether cleanness has significant influence on customer satisfaction at Salad Bar by Hadi Kitchen Medan.
- e. To investigate whether aesthetics has significant influence on customer satisfaction at Salad Bar by Hadi Kitchen Medan.

- f. To investigate whether cost has significant influence on customer satisfaction at Salad Bar by Hadi Kitchen Medan.
- g. To investigate whether there is any positive influence of customer satisfaction towards customer loyalty that is stronger on high health knowledge and weaker on low health knowledge at Salad Bar by Hadi Kitchen Medan.

1.5. Benefit of the Research

Through this research, the writer expects this paper to give benefits, both theoretically and practically.

1.5.1. Theoretical Benefit

Through the results of the research, companies can develop better understanding of their problems and how to improve and solve the problems. The research can also be used to expand relevant theories, specifically in service quality, social enjoyment, cleanness, aesthetics, cost, and health knowledge.

1.5.2. Practical Benefit

There are some practical benefits gained from this paper, as follows:

- a. For the writer

This paper will bring a new experience of research to the writer and add more knowledge in depth about service quality, social enjoyment, cleanness, aesthetics, cost, and health knowledge.

- b. For the company

This paper will provide implementable suggestions in improving the company's customer purchase decision through service quality, social enjoyment, cleanness, aesthetics, cost, and health knowledge.

c. For the researchers

This paper can be used as a reference and additional information in assessing future research in analyzing and investigating similar variables in the future.

1.6. Writing Systematics

CHAPTER I: INTRODUCTION

Will consist of background of study, problem limitation, problem formulation, purpose of study, benefit of the research, theoretical benefit, practical benefit, and writing systematics.

CHAPTER II: LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Will consist of theoretical basis that will help this study, previous research, hypothesis development, and framework of thinking.

CHAPTER III: RESEARCH METHODOLOGY

Will consist of type of method that will be conducted, population and sample, data collection method, operational variable definition and variable measurement, and data analysis method.