

# CHAPTER I

## INTRODUCTION

### A. The Initial Idea

Tourism is currently one of the most dynamic phenomena worldwide. Indonesia has diverse and rich landscapes and ecosystems that position the country as an attractive destination for tourists. Indonesia is the largest archipelagic country with 17,504 islands and according to the Embassy of Indonesia, Indonesia is the fourth most populous country in the world with approximately 237 million people, more than 17,100 islands, and more than 300 distinct native ethnicities with 742 different languages and dialects (OECD,2019). Indonesia is by far the fourth-largest Asian country after China, India and Saudi Arabia. With Indonesia being strategically located close to countries such as Singapore, Malaysia and Australia, Indonesia has very high tourism potential as a tourist destination for our neighboring countries and also around the world. It can be inferred, thus, that Indonesia is a highly diverse country with great potential for growth in many different fields, including tourism. The rapid growth of tourism in Indonesia can be seen and it will continue to play a crucial role in Indonesia's economic growth. Tourism is special in that it touches many sectors of the economy, including hotels, restaurants, agri-food and transport and also affects spatial development and the environment. According to Walker (2017, p. 399),

Tourism is dynamic, evolving, consumer-driven force and is the world's largest industry, or collection of industries, when all its interrelated components are placed under one umbrella: tourism and travel; lodging; conventions, expositions, meetings, and events; restaurants and managed service; assembly, destination, and event management; and recreation. Tourism plays a foundational role in framing the various services that hospitality companies perform.

Travel & Tourism in Indonesia grew by 7.8% in 2018 which is double the global average of 3.9, and ahead of Indonesia's wider economy, which grew by 5.1% last year. In 2018, Travel & Tourism contributed IDR 890,428 in (USD \$62.6 billion) and nearly 13 million jobs to the Indonesian economy. Indonesia is the third largest Travel & Tourism economy in Southeast Asia after Thailand and the Philippines (Travel and Tourism Impact 2019 Indonesia, 2019). Additionally, as seen in Table 1 below, we can see the growth of tourism industry in Indonesia in which foreign tourism arrivals is increasingly steadily for the past five years from 2014 to 2018 reaching an all high of 15.810.305. Additionally, GDP contribution is projected to grow by 5.2% in 2019. Therefore, we can see how tourism plays a crucial role in Indonesia's economic growth.

**TABLE 1**  
Yearly International Visitors Arrivals to Indonesia, 1999-2018

Year	Quarter I	Quarter II	Quarter III	Quarter IV	Total
2014	2,221,352	2,330,170	2,395,327	2,488,562	9,435,411
2015	2,431,135	2,483,671	2,661,929	2,654,040	10,230,775
2016	2,617,631	2,673,952	3,071,380	3,156,312	11,519,275
2017	3,191,133	3,463,975	4,014,065	3,370,626	14,039,799
2018	3,658,768	3,867,700	4,429,195	3,854,642	15,810,305

Source: Central Bureau Statistics (2018)

Foreign tourists leave home to do business, to travel, to look for something new, to explore new cultures, explore different culinary destinations, to meet friends or relatives and for many other various other reasons. Tourist who come will need a place to stay, a home away from home and also food and beverages for their visit. Therefore, a hotel, place to dine, entertainment, transportation and other accommodation should be provided in a tourism business in a country. In other words, it is crucial for a destination to have accommodation and food services.

Moreover, with the increasing level of tourism and foreign tourist staying in Indonesia as seen in Table 1, the need to increase Accommodation and Food Service

industry should be paid attention to, because foreign tourist will spend on food and beverages and accommodation as they need a place to fulfill their basic needs when visiting a destination.

According to Robbins & Judge (2016, p. 128), based on Abraham Maslow's hierarchy of five needs theory: physiological, safety, social, self-esteem, and self-actualization. The most basic and important need for humans is physiological needs, such as food to relieve hunger, beverages to relieve thirst, and shelter. The food and beverage service industry are one of the most important sectors in the hospitality industry as can be seen from Maslow's theory, food is humans' primary need, survival needs, so opening and expanding the food and beverage industry is crucial to fulfill needs, as psychological needs are the basic needs that travelers expect destinations to meet. Additionally, Walker (2017, p. 48) stated that:

The restaurant business is also a vital component under the travel and tourism umbrella. People go to restaurants to fulfill diverse needs and wants. Eating is a biological need that restaurants accommodate, but restaurants and the people who work in them fulfill numerous other human desires, such as the need to socialize and be entertained.

Additionally, Indonesia, with a population of approximately 267 million, is the largest market for the Food Service Industry in the ASEAN region. With rising incomes amongst the growing middle class and changes in lifestyles, the Food Service Industry in Indonesia is expected to show a compounded annual growth rate (CAGR) between 2018 and 2023 of 7.06 percent (Indonesia-Investment, 2018). Furthermore, The Industry Ministry projects the food and beverage industry will grow above 9 percent in 2019 owing to increased investment. Minister Airlangga Hartarto said in a statement on Sunday that the government had projected that investment in food and beverage would reach 63 trillion Rupiah (US\$4.48 billion) in 2019.

When demand for certain sectors increases to fulfill the needs of the population, it would also give a significant impact to the nation's economy. Gross Domestic Product (GDP) is used to measure the economic health of the country by observing the total market value of all finished goods and services produced by a country in a certain period of time. While, Gross Regional Domestic Product (GRDP) is at the regional level (provinces/regencies/municipalities) (Central Bureau Statistics, 2017a, p. 601). GRDP is the sum of total value added produced by all economic industries and the way of using it. Two approaches are used to assemble GRDP statistics which are: "production approach" used to measure value added produced by various kinds of economic activities and the "expenditure approach" which is used to measure the final uses of a country's output (Central Bureau Statistics Indonesia, 2017a, p. 601).

GRDP can be presented in two concepts which are the constant prices and current prices. Current prices indicate the assessment of goods and services produced or consumed using the price of the current year. Meanwhile, constant price valuation is based on the assessment of goods and services produced or consumed based on the fixed price of a certain base year, which is in the year of 2010 as base of valuation. The following table shows the Gross Domestic Regional Product at constant market price in 2010 by industrial origin from 2014-2018 in Batu City.

Focusing on Batu City, in accordance with Table 2 below, the value of regional gross domestic products in Batu City increases steadily from 2014 until 2018. On the feasibility study, we will focus on the hospitality industry, specifically shown on the table under the sector of Accommodation and Food Service Activities.

The table provides information regarding the growth rate of gross regional domestic product at 2010 constant prices on the Accommodation and Food Service Activities in Batu. From the table below, it can be seen that the Accommodation and Food Service sector have the highest Market price in the year 2018 with 1,190,885. This shows how the development of accommodation and food service activities in Batu has a positive trend during recent years and the fertility of the industry, giving way for new merchants to open in Batu City.

Furthermore, in regards to food service activities, there are eight reasons to go into the restaurant industry which are money, buyout potential, challenge, a place to socialize, habit, a firm lifestyle, express yourself, and too much time on your hands (Walker, 2014, p.4-5). Therefore, overall it is a good opportunity to go into the food service industry.

**TABLE 2**  
Gross Regional Domestic Product at 2010 Constant Market Prices by Industry in Batu Municipality (billion rupiahs), 2014-2018

<b>Industrial Origin</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Agriculture, Forestry, and Fisheries	1,327.099	1,370.261	1,436.879	1,469.635	1,500.095
Mining and Quarrying	15,645.8	16,050	16,499.4	16,878.9	17,284
Manufacturing	380,503.8	404,046.7	428,641.6	463,429.8	495,610.4
Electricity and Gas Supply	4,591.58	4,796.3	5.085.1	5.341.4	5.581.7
Water Supply, Sewerage, Waste Management, and Remediation Activities	17,151.95	18,126.3	18,753.5	19,605.3	20,664.0
Construction	883,608.3	927,092.1	1,058,589	1,153,851	1,260,005
Wholesale and Retails Trade; Repair of Motor and Vehicles and Motorcycles	1,645,413	1,763,420	1,883,410	2,025,290	2,180,823
Transportation and Storage	115,282.8	124,708.9	132,808.9	143,213.7	152,908.1

**TABLE 2**  
Gross Regional Domestic Product at 2010 Constant Market Prices by Industry  
in Batu Municipality (billion rupiahs), 2014-2018 (Cont.)

<b>Accommodation and Food Service Activities</b>	<b>854,768.3</b>	<b>937,013.6</b>	<b>1,021,195</b>	<b>1,110,564</b>	<b>1,190,885</b>
Information and Communication	648,074.5	698,976.2	740,709.7	779,448.9	882,518.5
Finance Services and Insurance	323,174.5	344,043.8	361,071.6	376,688.1	387,479.6
Real Estate Activities	257,997.9	270,992.8	283,901.6	305,458.5	324,091.5
Business Activities	42,588.05	45,255.9	47,555.8	49,553.2	51,540.2
Public Administration and Defense; Compulsory Social Security	226,017.8	231,403.0	240,459.1	250,856.5	260,941
Education Services	339,472.6	353,518.2	375,584.9	398,044.8	421,882.1
Health Services and Social Activities	72,742.3	75,206.4	78,823	82,682.2	86,006
Other Services	1,417,997	1,516,035	1,620,966	1,740,301	1,888,227
<b>GRDP</b>	<b>8,572,129</b>	<b>9,145,948</b>	<b>9,750,908</b>	<b>10,390,85</b>	<b>11,066,484</b>

Source: Central Bureau Statistics of Batu (2019, p. 274)

To focus further on food service activities sector, Table 3 below shows the number of restaurants in East Java from year 2014-2017. One of the most popular tourism destinations of Indonesia is Java as according to Central Statistics Agency (BPS) head Suhariyanto said Java island still dominated the country's economic structure, as evident in the national economic growth in the third quarter. He said Java Island contributed the most to the National Gross Domestic Product (GDP) with 58.57 percent. Additionally, according to data published Central Bureau of Statistics of East Java, the number of foreign tourist visits to East Java Province in 2017 amounted to 247,166 visits which meant an increase of 12.06 percent compared to the previous year which reached 220,570 visits. As East Java has a variety of attractions, ranging from temple sites to unspoiled beaches, stunning volcanoes,

extra ordinary highland lakes, resplendent marine parks and fantastic wildlife reserves.

**TABLE 3**  
Number of Restaurant by Municipality in East Java, 2014-2018

No.	Municipality	2014	2015	2016	2017	2018
1.	Kediri	35	25	25	25	35
2.	Blitar	41	34	34	22	22
3.	Malang	173	707	707	707	1,028
4.	Probolinggo	17	21	21	35	34
5.	Parsuruan	26	90	90	53	30
6.	Mojokerto	14	14	14	11	10
7.	Madiun	38	27	27	13	17
8.	Surabaya	383	713	790	1083	1,341
<b>9.</b>	<b>Batu</b>	<b>30</b>	<b>43</b>	<b>43</b>	<b>43</b>	<b>48</b>
<b>Total</b>		<b>757</b>	<b>1,674</b>	<b>1,751</b>	<b>1,992</b>	<b>2,517</b>

Source: Central Bureau Statistics of East Java (2019, p. 270)

From the Table 3 above, it can be seen from the table above that the food and beverage industry in East Java is constantly rising but if we focus in Batu, it is stable from 2015 to 2017, only 43 restaurants from the year 2015 to 2017 and only increasing by five new restaurants in the year 2018. As well, in fulfilling more demands in the food and beverage industry, none offers inflatable bubble house outdoor designs or afternoon tea, which is a new concept, offering new services and uniqueness. On top of that, the author wants to be able to provide an environment that will be convenient for people to meet up and relax whilst also providing an environment that is suitable for people to work and do their tasks with the company of food and beverage as well as in a place that provides access to Wi-Fi. Both

businessmen and students can then come to the cafe, whether it is to conduct an informal business meeting or to discuss tasks and assignments or to even just relax after a tiring day. Therefore, table 3 shows how the development of new food and beverage industry is going to be favorable to provide new choices and experiences to customers.

The food and beverages industry vary from small business to large business and they are serving food for people that are away from home, outside of their home. The food and beverage industry are an establishment that include formal restaurants, hotel dining rooms, coffee shops, family restaurants, fast food restaurants, and specialty and ethnic restaurants such as cafe (Palacio & Theis, 2016, p.20).

Café is one of the popular culinary choices in Indonesia in this generation. Café can be found in a place where many people gather to enjoy food and drinks with friends and family or do tasks or a place to relax (VIVA,2018). Starbucks, Djournal Coffee, The Coffee bean & Tea Leaf are examples of famous coffee shops that have branches in a lot of places. The majority of today's generation have the tendency of visiting cafes to not merely dine out but they now seek for suitable and comfortable surroundings to gather and socialize with friends, take instagrammable pictures, or also to gather to do work together, it has become an everyday lifestyle. Therefore, the ambience and displays of a cafe are major factors to be considered as nowadays. Additionally, the young generation have started to acknowledge that working with the company of their food and beverages has come to their liking. Therefore, attention should be given towards new businesses that arise in this sector ranging from menu diversities to the uniqueness of the place.

**TABLE 4**  
Population and Population Growth Rate by Subdistrict in Batu Municipality  
2010, 2016, and 2017

Subdistrict	Population (thousand)			Annual Population Growth rate (%)	
	2010	2016	2017	2010-2017	2016-2017
Batu	88 178	94 132	94 966	6.75	0.89
Junrejo	46 382	50 079	50 617	7.97	1.07
Bumiaji	55 624	58 108	58 414	4.47	0.53
<b>Kota Batu</b>	<b>190 184</b>	<b>202 319</b>	<b>203 997</b>	<b>6.38</b>	<b>0.83</b>

Source: Central Bureau Statistics of Batu (2018, p. 42)

As seen from Table 4 above, the population of Batu City is constantly increasing, having an increase of 0.83% from the year 2016-2017, the population in the area of Batu is 94.966 in the year of 2017 which is higher than the surrounding district. Therefore, the increasing number of populations in Batu City and in addition to Table 3 above that there is only a total of 43 restaurants in Batu City in 2017 shows how an expansion in the number of food and service industries should be done in order to fulfill demands of dining out, followed by to meet people's needs.

Cafe usually serve light meals such as cakes, cookies, or sandwiches with coffee or tea (Andrews, 2013, p.44). According to Moscowitz (2017, p.85), cafe is a small restaurant that primarily serves a broad range of food choices such as light meals, sandwiches, dessert, coffee or tea in which includes an outdoor or indoor service table. Mirella Café will have various cakes as the main component of the dessert menu. In Cafe, the menu tends to be situated towards lunchtime and desserts and options tend to be more limited than a full-service restaurant.

As seen from Table 5 below, it is shown how the people in Batu City spend their highest average expenditure per capita in Prepared food and beverages, which shows how they spend high amount of money on the purchase of food, it shows the customer have high consumer buying power to purchase goods and service, furthermore it shows an increase from the year of 2016-2017. Therefore, the intention of opening a cafe can further be supported and is a good opportunity in order to fulfill the primary needs of people in Batu City.

**TABLE 5**  
Average Expenditure Per Capita Per Month by Food Group in Batu Municipality (rupiahs), 2017

No.	Municipality	2016	2017
1.	Cereals	59.784	60.696
2.	Tubars	6.823	8.317
3.	Fish	23.107	27.249
4.	Meat	27.244	31.309
5.	Eggs and Milk	39.223	41.133
6.	Vegetables	40.727	52.878
7.	Legumes	20.147	20.848
8.	Fruits	24.672	34.664
9.	Oils and fats	15.303	14.413
10.	Beverage stuff	22.613	21.705
11.	Spices	11.453	11.852
12.	Miscellaneous food items	9.547	11.208
<b>13.</b>	<b>Prepared food and beverages</b>	<b>177.349</b>	<b>196.512</b>
14.	Tobacco and betel	67.858	69.693
<b>Total</b>		<b>545.856</b>	<b>601.887</b>

Source: Central Bureau Statistics of Batu City (2018, p. 277)

Additionally, outdoor hospitality has experienced increased demand, attributed to a number of factors including the perceived value of such an experience, increasing variety, increasing quality of products and amenities, and the need to escape from urban home settings and the various stresses which impact daily living (Brooker & Joppe, 2013, p. 5). Consumers are also willing to experiment and try new cuisines as a result of globalization and shifting influence (Global data, 2018, p. 4). The possibility of escape is afforded by outdoor hospitality's natural settings. Spending time outdoors, surrounded by nature, improves an individual's psychological wellbeing, according to a British Camping and Caravanning Club, 2011 report. Additionally, spending time outdoors provides an opportunity for physical, mental and emotional recovery from experienced stress. "Camping is a little time away from everyday hustle and bustle" (Garst *et al.*, 2010, p. 96). Hence, the researcher decides to propose to the business of *Inflatable bubble house* in Batu, to promote another experience-based tourism to customers, and promoting Indonesia's natural tourism.

Indonesia is a country that consists of various kinds of natural beauty. The cafe is named Mirella, the name means to admire, in hopes that the customers can admire the beauty of Indonesia's nature and environment while relaxing, eating or doing work at the café. The ambience is planned to be cozy and gives off a relaxing vibe. The cafe also offers afternoon tea time experience and focuses on Indonesian themed. Additionally, the cafe will provide Wi-Fi to ensure that customers are able to work and complete assignments. Millennials are searching for new experiences and the tourism industry should focus on providing experience and not just functionality (Sofronov, 2018, p.3).

Therefore, this idea arises in pursuit of motivation to meet the demand for food service activities, and to gradually embrace localism when it comes to food and experience. The author wants to create a cafe that will be able to give new experience while still being able to fulfill the needs of people, providing new dining experience with the taste of Indonesia.

## **B. The Objectives**

The objectives are a list that contains the purpose of the business feasibility study. In running a business, every owner surely has objectives to be achieved, because the existence of business objectives will help the owner determine steps that are needs to be taken to ensure that the objectives and purposes will be achieved. Related to the Mirella Inflatable Bubble House Cafe, the objectives of this business feasibility study can be classified as follows:

### **1. Major objectives**

The major objectives investigate the establishment's business feasibility study to prove that Mirella Inflatable Bubble House Café is feasible is obtained from the market, technical, management and financial aspect of the business.

#### **a. Market Aspect**

Market aspect analyzes the marketing aspect such as the demand and supply analysis, targeting, and positioning, marketing mix, and external factors that could influence the market to ensure that the business proposed is feasible and possible to grow.

#### **b. Operational aspect**

Operational aspect analyzes the activities, facilities, and relationships among them. The information collected will be used to count the needed

space for the facilities and the suitable area equipped with supporting technology and the type of activities that will be done to run the business.

c. Organization and Human Resource Management Aspect

Organization and human resource management aspect analyzes the organization structure and human resource of the business as well as the rules and regulations from the government.

d. Financial Aspect

Financial aspect analyzes the whole aspects of the business in numbers that will show the feasibility of the business whether the business is profitable or not and able to attract investors and banks to invest in the business capital (balance sheet projections, profit and loss projections, cash flow projections, estimates of operating income, estimates of capital and operating costs, and sources of funds).

Overall, the major objective of the business feasibility study is to serve as a general guideline for the business owner and determine whether the proposed business makes sense operationally and will produce desired results and is reliable to be implemented in the near future.

2. Minor objectives

- a. To fulfill the demand of food service activities for customers as well as creating demand in the market.
- b. To create new job opportunities for inhabitants in Batu and as well as increasing local economy.
- c. To become measurement tool for investors, creditors and third parties in the funding loan of the business.

- d. To promote tourism and help local government while exploring new concept of dining to enjoy Batu scenery.
- e. To enrich the uniqueness of new dining experience in Batu City.
- f. To enrich the data for academic purposes and researchers who wants to pursue similar business.

### **C. Research Method**

Research is the process of finding solutions to a problem after a thorough study and analysis of the situational factors (Sekaran & Bougie, 2016, p. 13). According to Sekaran & Bougie (2016, p. 2) the defined business research as a systematic and organized effort to investigate a specific problem in work setting that needs a solution.

Getting a hold of research method enables managers to easily understand, predict, and control their environment and/or to effectively communicate with external researchers and consultant. Knowledge of research also greatly enhances decision making skills of manager (Sekaran & Bougie, 2016, p.14). Therefore, it is crucial to do preliminary research before opening up a business, in order to obtain and implement data that are accurate, reliable and trustworthy. The data collection techniques that would be implemented in this business feasibility study are:

#### **1. Quantitative**

Quantitative research methods are those methods in which numbers are used to explain findings (Kowalczyk, 2016). The tool used for this method is the questionnaire, in which this tool is used to find out how much prospective

customers would demand the products or services that are being provided or offered.

a. Questionnaire

According to Sekaran & Bougie (2016, p. 142),

“Questionnaire is a preformulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives.”

There are three methods of collecting questionnaire, which are personally administered questionnaires, mail questionnaires and electronic and online questionnaires (Sekaran & Bougie, 2016, p. 142). Method of questionnaires that are going to be used in this business feasibility study are personally administered questionnaires and electronic and online questionnaires.

1) Personally administered questionnaires

According to Sekaran & Bougie (2016, p. 143), personally administered questionnaires is a survey which is confined only to a certain local area. The main advantages of personally administered questionnaire is that it is not costly and researched requires less time to collect the complete responses in comparison to conducting an interview. (Sekaran & Bougie, p. 143). Additionally, any questions that arise from respondents could be assisted and answered directly on the spot by the researcher.

2) Electronic and online questionnaires

According to Sekaran & Bougie (2016, p. 143), electronic and online questionnaires contains question that is usually created in a form of web with a database to store the answers and statistical software with the purpose of providing statistical analysis. It is easily designed and

administered in this modern day and age. The main advantage of electronic and online questionnaires is that this type of questionnaire can reach wide geographical area so that anyone could access the questionnaire at their own convenience. However, this type of questionnaire has a problem such as low percentage of responding. (Sekaran & Bougie, 2016, p. 143).

According to Sekaran & Bougie (2016, p. 239)

Sampling is the process of selecting a sufficient number of the right elements from the population, so that a study of the sample and an understanding of its properties or characteristics make it possible for us to generalize such properties or characteristics to the population elements.

#### b. Probability Sampling

Probability sampling means that every item in the population has an equal chance of being included in the sample. One way to undertake random sampling would be if researcher was to construct a sampling frame first and then used a random number generation computer program to pick a sample from the sampling frame. Stated below are four types in using probability sampling to conduct a study:

##### 1) Simple Random Sampling

The simple random sample means that every case of the population has an equal probability of inclusion in the sample. For example, there are 5,000 students, and out of the 5,000 students, 100 students will be sampled. When using this method, the sample will be randomly selected between 1 to 5,000 students.

##### 2) Systematic Sampling

Systematic sampling is where every  $n$  case after a random start is selected. For example, if surveying a sample of consumers, every fifth consumer

may be selected from your sample. The advantage of this sampling technique is its simplicity.

### 3) Stratified Random Sampling

Stratified sampling is where the population is divided into strata (or subgroups) and a random sample is taken from each subgroup. A subgroup is a natural set of items. Subgroups might be based on company size, gender or occupation. Stratified sampling is often used where there is a great deal of variation within a population.

### 4) Cluster Sampling

Cluster sampling is where the whole population is divided into clusters or groups. Subsequently, a random sample is taken from these clusters, all of which are used in the final sample (Wilson, 2010). Cluster sampling is advantageous for those researchers whose subjects are fragmented over large geographical areas as it saves time and money. The stages to cluster sampling can be summarized as follows: Choose cluster grouping for sampling frame, such as type of company or geographical region, then number each of the clusters and lastly, select sample using random sampling.

### c. Non-Probability Sampling

Non-Probability Sampling is a non-random sampling method. These methods are divided into three:

#### 1) Convenience Sampling

Convenience sampling is a sampling technique by selecting from which data is easiest to obtain, that are often readily and easily available.

Elements of the sample are not limited to the population but researchers have the freedom to choose the samples that are most convenient for them such as family members or friends. For example, by conducting consumer research on finished products to make it easier for researchers to conduct surveys of each customer found in supermarkets.

## 2) Quota Sampling

Quota sampling is a non-random sampling technique in which participants are chosen on the basis of predetermined characteristics so that the total sample will have the same distribution of characteristics as the wider population

## 3) Purposive Sampling/ Judgement Sampling

The selection of this sample is based on the research objectives. For example, researchers need information regarding the company and therefore the researcher will choose company managers as their sample.

## 2. Qualitative

Contrary to quantitative research methods, rather than use numbers, qualitative research methods use descriptive procedures to generate meaning and understanding of the phenomenon being studied. In this research method, the researcher may be a part of the research instruments. This method uses quality or words that serve as further insights into the product. To get the data, the tool used is through the results of interviews and direct observation at the location of the business and competitors. The following are techniques for conducting interviews and observations (Sekaran & Bougie, 2016, p.332).

## a. Observation

According to Sekaran & Bougie (2016, p. 127),

“Observation concerns the planned watching, recording, analysis, and interpretation of behaviour, actions, or events.”

Research through observation is research by making observations at a location, place, object or other. There are a few advantages of observation which are its directness and the possibility to observe certain groups of individuals whom it might be otherwise difficult to obtain information from (Sekaran & Bougie, 2016, p. 133).

The observation is divided into 3 processes including (Sekaran & Bougie, 2017, p. 127):

### 1) Descriptive Observation

Writing is open to everything that is happening.

### 2) Focused Observation

Emphasizing observations in which the researcher will focus in terms of emotions, events, appearance, themes and so on.

### 3) Selective Observation

Research focuses on various actions, activities, events, rules or others.

In conducting research, the results of these data can be divided into two categories including:

### 1. Primary Data

Primary data or primary data is the result of data obtained from research conducted directly by researchers (Sekaran & Bougie, 2016, p. 111). To produce the data the research method used by distributing questionnaires, interviews and direct observation.

According to Sekaran & Bougie (2016, p. 38),

“Such data that the researcher gathers first hand for the specific purpose of the study are called primary data.”

The primary data in the feasibility study of the “Mirella inflatable bubble house in Batu” will be collected through quantitative survey method of questionnaire and qualitative method of structured interview explained below:

a. Survey Method with Questionnaire

The purpose of data collection using this method is to be able to obtain information regarding whether or not the business will run smoothly and in accordance to the market desires. The author will distribute questionnaires in order to understand customer tendency in marketing mix. The questionnaires will be paper based and online based. As there are stages in sampling, such as (Sekaran & Bougie, 2016, p. 239-241):

1) Define the population

Sampling begins with defining the target population, in terms of elements, geographical boundaries, and time. According to Sekaran & Bougie (2016, p.236), population can be defined as the whole group of people, events or things of interest that the researcher targeted to be investigated. The target population would be all residents of Batu City and its surrounding such as Malang.

2) Determine the sample frame

According to Sekaran & Bougie (2016, p.240), sampling frame is a physical representation of all considerable elements in the population from which the sample is drawn. The sample frame for this feasibility study is the inhabitants of Batu City and its surrounding with access to Batu from their residence (teenagers, adults and foreigners that are available) with various occupations.

3) Determine the sampling design

According to Sekaran & Bougie (2016, p. 240-249), sampling designs have two major types, probability sampling and non-probability sampling. The technique that will be used in this feasibility study is non-probability sampling, focusing on convenience sampling, which gives freedom in finding sample to act as respondents to the questionnaire where the subject does not have a known chance of being selected. Additionally, being able to find member of population that are conveniently and readily available to provide the information which means it will be quicker, more convenient and less expensive.

4) Determine the appropriate sample data

According to Sekaran & Bougie (2016, p. 264) stated that in 1975, Roscoe proposed the following rules of thumb to determine sample size:

- a) Sample size that is appropriate for most research data should be more than 30 and less than 500.

- b) Sample size should be broken down into subsamples such as females and females, juniors and seniors and etc, a minimum of 30 sample size is necessary for each category.
- c) In multivariate research (including multiple regression analyses), the sample size should be several times (preferably ten times or more) as large as the number of variables in the study.
- d) For simple experimental research with tight experimental controls (matched pairs, etc.), research could be successful with samples as small as 10 to 20 in size.

Additionally, Hair *et al.* (2014, p.176) claimed that,

“A general rule is that the ratio should never fall below 5:1, meaning that five observations are made for each independent variable in the variate”

Therefore, in accordance to the statement above, the minimum sample size required for the Mirella feasibility study is 150 respondents, as the distributed questionnaires contain 30 questions on the marketing mix section which are Product, Price, Place, Promotion, People, Packaging, Programming and Partnership (30 questions times five equals 150). The paper-based questionnaire will be distributed to people who live in Batu area, ranging from teenagers to adults as well as electronic questionnaire to areas surrounding Batu or any potential customer who are able to visit Batu. The respondents are expected to answer all the questions in the questionnaire. Additionally, SPSS will be used to check the validity and reliability of the questionnaire results. Validity is a test of how well an instrument that is developed measures

the particular concept that is intended to measure (Sekaran & Bougie, 2016, p.220) while reliability is a test of measuring instrument, whether it is consistent or not (Sekaran & Bougie, 2016, p.220).

#### 5) Execute the sampling process

Lastly, all the steps above should be implemented in the final step of the sampling process. The questionnaire will contain questions with scales, a scale is used to distinguish how individuals differ from one another regarding the variables of interest to the study. Method of collecting information would be based on the Likert scale, the Likert scale will show how strongly respondents agree with a statement with the following anchors: 1 = Strongly Disagree, 2 = Disagree, 3 = Slightly Disagree, 4 = Slightly Agree, 5 = Agree, 6 = Strongly Agree. The purpose of using the Likert scale is to reduce the answers of neutrality and to be more constant in analyzing the reliability.

Scale categories that are going to be implemented in the Likert scale are Interval scale and Nominal scale. According to Sekaran & Bougie (2016, p. 207), nominal scale is one that allows the researcher to assign subjects to certain categories of groups (gender, etc.). Meanwhile, the interval scale, shows the differences, order and equality of the magnitude of difference in the characteristics being measured which are the variables.

Overall, to collect the data, the research method used is by distributing questionnaires manually and online as well as convenience sampling and direct observation.

## 2. Secondary Data

According to Sekaran & Bougie (2016, p. 37), secondary data is data that are readily available as it is already collected by others for another purpose than current study's purpose. Some common sources of secondary data include statistical bulletins, government publications, published or unpublished information available from either within or outside of organization, library records, and online data (Sekaran & Bougie, 2016, p. 37). The key criteria for evaluating secondary data are: timeliness of the data, accuracy of the data, the relevance of the data and costs of the data (Sekaran & Bougie, 2016, p. 38).

The researcher will be using several sources of secondary data to support the research through textbooks references from libraries or online books, online government publicity to obtain official statistics that are relevant to the business feasibility study, such as Statistics Indonesia which provides data regarding population or business growth, as well as other official information in the form of numerical data or graphic data and credible online sources, such as websites from official organization and electronic journals from reputable institutions.

## D. Theoretical Conceptual Overview

There are several theories supporting this business feasibility study, which are:

### 1. Definition of Restaurant

According to Barrows, Powers, & Reynolds (2012, p. 68), restaurant is:

“Any public place that specializes in the sale of prepared food for consumption on- or off premise.”

The term restaurant was originated from French word *restaurant*, which means “restorer of energy” as it was used early in the mid-1700s to describe public places that offered soup and bread (Barrows, Powers, & Reynolds, 2012, p. 68). Meanwhile, according to Walker (2017, p. 268), the definition of restaurant is as follows:

“Restaurants offers a place to relax and enjoy the company of family, friends, colleagues, and business associates and to restore our energy level before heading off to the next class of engagement.”

### 2. Classification of Restaurant

The goal in planning a restaurant is to put together the thoughts for a restaurant on paper that will be lucrative and satisfying for both the guest and the owner. The idea of restaurants is called the formulation of these concepts, the matrix of ideas that constitutes what will be perceived as the restaurant’s image (Walker, 2014, p. 61). Restaurant is classified from style of service (Meyer & Vann, 2013, p. 6-7) Restaurant has many different types of classification according to the type of service offered, type of food and beverages sold, and so on. Based on Walker (2017, p. 283), restaurants can be segmented into a number of categories:

a. Chain or Independent Restaurant

There are advantages of chain restaurant which includes the recognition that it already gets in the marketplace, it has greater advertising clout, has sophisticated systems development, and has discounted purchasing. Additionally, this type of restaurant is easy to open and much more flexible. The owner can do their own thing in terms of concept development, menus, décor, and so on but generally accompanied by more risks.

Example of chain or independent restaurant: Union Square.

b. Casual Restaurants

Casual restaurants are popular because it fits the societal trend of a more relaxed lifestyle and it serves almost all types of people. The menu offered is usually quite simple and at an affordable price. Defining factors including signature food items, creative bar menus or enhance wine service, and comfortable homey décor.

Example of casual restaurants: Applebee's, Hard Rock Cafe, Chili's, T.G.I.Friday's.

c. Celebrity Restaurants

This restaurant is a restaurant owned by celebrities (public figures). Celebrity restaurants generally have great power to attract guests because they provide a superior combination of decor, design, atmosphere, and sometimes a visit from celebrities.

Example of Celebrity Restaurant: Geprek Bensu Restaurant.

d. Centralized Home Delivery Restaurants

In this type of restaurant, meals are being ordered and delivered via the Internet in the same way as fresh flowers. Food items can be prepared and delivered within a local area by transportation such as car, motorcycle, or bicycle. The center can be where a bank of phone operators and clerks take orders via the Internet or by telephone. The home delivery centers verify and process credit card information and use computers to perform accounting. Centralization reduces the cost of order taking, food preparation, and accounting, except marketing cost; however, marketing expenses may not be reduced. Competition will continue to impose heavy advertising on most players.

Example of centralized home delivery restaurants: Steak-Out Franchising.

e. Chef-owned Restaurants

Chefs who own restaurants have the advantage of having an experienced, highly motivated person in charge, often helped by a spouse or partner equally interested in the restaurant's success. However, hundreds of chefs are less knowledgeable about costs, marketing, and "the numbers" that are requisite for a restaurant's success.

Example of chef-owned restaurants: Gordon Ramsay restaurant, Per Se, New York City, owned by Chef Thomas Keller, and Daniel, New York City, owned by Chef Daniel Boulud.

f. Coffee Shops

Coffee shops or coffeehouses is a restaurant that is not as complete as a full-service restaurant. Coffee shops were originally created based on the model

of Italian bars, which reflected the deeply rooted espresso tradition in Italy. The original concept later on was modified and now coffee shops offers wider variety of beverages and styles of coffee to meet the taste of consumers, who tend to prefer a greater selection of products.

Example of coffee shops: Starbucks.

g. Ethnic Restaurants

Ethnic restaurant is a restaurant which provides ethnic food from a certain region or country, supported by the region's or country's style menu, decoration, and others. It is a restaurant with distinctive characteristics of a country, it provides different experiences to customers by showing the different atmosphere of the country and the food served.

Example of ethnic restaurants: Papa John's (Italian Restaurant), May Star (Chinese Restaurant).

h. Family Restaurants

This restaurant is a restaurant that has a simple menu and service to welcome families visiting restaurants. Family restaurants evolved from the coffee-shop style restaurant. Family style restaurants often located in or within easy reach of the suburbs or Interstate roads. In this segment, most restaurants are individually or family operated. They offer informal and simple menu and service designed to appeal to families. Most of family restaurants do not serve alcoholic beverages, but some offer wine and beer.

Example of family restaurants: The Playground, Waffle House, and Friendly's.

i. Fine-Dining Restaurants

Fine dining restaurant can also be known as an “upscale restaurant”, it refers to a formal restaurant that has a price range from middle to high, with beautiful room decor, exclusive atmosphere, and a high-quality menu. The fine dining restaurant serves food at a fairly high price but complies with the quality of food served, food presentation, service, atmosphere and experience offered by the restaurant. Usually this restaurant is managed independently by its owner, although in some cases, restaurant owners can open several fine dining restaurants in several different locations.

Example of Fine Dining restaurant is: Gaia by Oso Ristorante, Jakarta.

j. Franchised Restaurants

When an investor, or franchisee, has bought the right to use the restaurant then it means they own franchised restaurants. It is a possible option for those who lack extensive and yet want to open up a restaurant with a fewer risk than starting up their own restaurant from scratch. The franchisee is responsible for the day-to-day running and management of the restaurant. Meanwhile, the company, or franchisor, is responsible for granting the license, providing support, marketing and proven restaurant concept.

Example of franchised restaurants: McDonald’s and KFC.

k. Hotel Restaurants

Restaurants inside hotels have always tried to support guest’s desire to have a meal there, not only a meal but including a cup of coffee, or just a cocktail. Nowadays, luxury hotels usually used their popular restaurants to help market their hotel brand. They counted on to have restaurants boasting a

highly paid chef who understands French, Asian, and American food, who likely attended an American culinary school or trained at a prestige restaurant, and who has mastered French cuisine.

Examples of hotel restaurants: Picasso, Prime Steakhouse, Le Cirque, and Michael Mina at The Bellagio Hotel in Las Vegas.

#### l. Sandwich Shops

Sandwich and sub shops are comparatively simple to open and operate rather than full-service restaurant. The menu consists of various kinds of hot and cold sandwiches made with a selection of bread or buns and toppings or fillings of different meats and vegetables or salads and pickled items. Little or no cooking is required. Hot and cold soups and pastries may also be offered along with a selection of hot and cold beverages.

Example of sandwich shops: Jimmy John's.

#### m. Seafood Restaurants

Seafood restaurant is a restaurant that specializes in seafood cuisine and seafood dishes, such as fish and shellfish. Dishes may include freshwater fish. Many seafood restaurants are owned and operated by independent restaurant owners. Meanwhile, the concept of seafood restaurants may focus upon the preparation and service of fresh seafood (as opposed to frozen products).

Example of seafood restaurants: Captain D's.

n. Steakhouses

Steakhouse is a business that only has limited menu and that caters to a well-identified market: steak eaters. All steakhouse concepts feature steak, but the range in service offered is wide from walk-up to high-end service.

Examples of steakhouses: Holycow, Jakarta.

o. Theme Restaurants

Theme restaurants are built around an idea, usually emphasizing fun and fantasy, glamorizing and romanticizing an activity such as sports, travel, and an era in time (the good old days), the Hollywood of yesterday - almost anything. In general, this restaurant has a limited and unique menu to provide a wonderful experience for guests. Much or most of the profit in many theme restaurants comes from the sale of high-priced merchandise. The cost will be high if it is a large theme restaurant.

Example of theme restaurants: Aborea Café and Hospitalis in Kebayoran Baru, Jakarta.

p. Quick Casual Restaurants

Quick casual restaurants are mix between quick service and casual dining. The traits of quick casual restaurants are: the use of high-quality ingredients; fresh, made-to-order menu items; healthful options; limited or self-serving formats; upscale décor, and carry-out meals.

Example of quick casual restaurants: Marche.

q. Quick-service Restaurants

This type of restaurant is a restaurant that serves food quickly at affordable prices. Quick-service restaurants offer limited menus such as burgers,

chicken, tacos, burritos, and other items for the convenience of people on the go. It requires the guests paid for before service. Quick-service restaurants are usually associated with “quick food”.

Example of quick-service restaurants: McDonald’s, and Burger King.

### 3. Café

Café is a place where people can relax and talk, ordering food and beverages that focuses more on to giving off a relaxed atmosphere, entertainment and comfortable ambience. Therefore, café usually offers comfortable seats as well as music. According to The Cambridge Dictionary, Café is a restaurant where simple and usually quite cheap meals are served. At first, Café was a place that just simply sells coffee. However, Café started to grow and now Café does not only provide coffee but also various kinds of snacks and other drinks. Cafe is now one of the places that are often visited by many people to socialize, do assignments, rest, conduct meetings and many others. Coffee culture, including the proliferation of coffee shops, has become a recent trend of driving up coffee consumption. While urbanization is also another supporting factor. People who move to cities start consuming coffee for the first time as a lifestyle trend. The status, experience and personalization of coffee also make up the values of millennials. This is socially acceptable and now drinking coffee is more trend compared to other drinks like soda. "Coffee is one of the drinks that attracts millennials because of the presentation image as presented by Starbucks and also advertising in a number of medias” as stated by detikfood.com (Mustinda Lusiana, 2016).

#### 4. Understanding of Inflatable bubble house

Inflatable bubble house is a transparent home dome that provides a 360-degree panoramic view of the surrounding area, it offers a camping-like experience, and is insect free as well, people can feel “being one with the outdoors”. It gives an indoor-outdoor space and can be spacious as well, it can be used as a sleeping shelter or a rain barrier when the weather gets rough as well.

#### 5. Business Concept

From the conceptual review above, the types of restaurant classification by Walker, this proposed “*Mirella Inflatable bubble house café*” falls into the category of independent dining restaurant because the concept, and decoration will be created by the owner. Mirella Inflatable House Cafe chooses cafe among other types of restaurant because it will provide several main course, dessert and beverages. On the menu, the owner will serve food and beverages in accordance to the taste of Indonesia providing light meals, heavy meals and desserts, alongside also serving afternoon tea sets with Indonesia theme and other beverages such as coffee, chocolate drink, tea and smoothies. The decoration of the restaurant will focus on modern contemporary theme, there will be an indoor and outdoor section, with the outdoor section filled with some inflatable bubble house on the field, each with different sizes and decorations catering to the needs of different target markets (family, a group of friends, couples). The cafe will have wide windows and will be a non-smoking cafe, with Wi-Fi and will focus on giving a calm atmosphere. It will also offer customer choices to enjoy takeaway or dine in.

The flow of restaurant customer will be, first, the customer will look for a seat then waiter will give menu to the customer. But for the customer who wants to dine in the inflatable bubble house or have afternoon tea should reserve beforehand. For the customer who just wants to eat while still being able to see the outdoor nature will just be seated and order from the menu, while the waiter note down their orders. For the outdoor section, customers will also be guided to their inflatable bubble house and orders will be taken. There will be a bell inside the inflatable bubble house that will call the waiter if the customer needs assistance. After eating, the customers could pay the bill. Customers could ask the waiter to deliver the bill directly to the customer or customers can also pay directly at the cash register using debit card, credit card or cash.

The inflatable bubble house cafe will be located in Batu. The researcher chose this area because it is still surrounded by mountains with high peaks, with its cool temperatures, beautiful countryside, and attractive historical buildings, it offers spectacular views and nature, which is suitable as the cafe aims to offer a different dining experience accompanied by serene atmosphere, admiring the beauty of nature that Batu has to offer, hence the name "Mirella" which is the Italian form of French "Mireille" which means to admire. The cafe will be located in Abdul Gani Atas Street Batu, near Amarth Hill Hotel, located on top of a hill, which will provide spectacular views, surrounded by villa and residences but will offer a peaceful environment. Other than that, there is no inflatable bubble house dining concept yet that has been established in the area, which can be an opportunity as customers can have a different experience.