

CHAPTER I

INTRODUCTION

1.1 Background of the Study

A company can be seen and examined from various angles and perspectives. Some people associate the company with its graphical image while others link it with its product range. The pressure on companies to stand out constantly increases due to the ever-increasing competition. However, companies that successfully manage their brand can expect benefits such as advantages of market entry and differentiation over their competitors (Hatch & Schultz, 2008).

Consumer buying behavior is the process for deciding that kind of product or services that consumers are really going to buy with the resources that they have. (Schiffman, Kanuk, & Wisenblit, 2010). Any business can attain the attraction of people through branding and can enjoy the competitive edge.

Every day, consumers are exposed to thousands of advertisements (Thornson, 1990), therefore, companies are always pushing and trying to create a certain brand image to receive attention from their target consumers. The use of celebrities in advertisements can help companies create unique values and provide a positive effect on the attitude and sales intention of the brand (Ranjbarian, Shekarchizade & Momeni, 2010). Celebrity endorsement has been around for many years. Even in 1979, one in every six commercials used a celebrity in their advertisements. In 2001, it grew to 25% (Erdogan et al, 2001).

The use of celebrity endorsements has increased in the last decade. In the year 1996, US companies paid more than one billion dollars to celebrity endorsers for endorsement deals and licensing rights (Lane, 1996). The contracts and payments of the celebrity endorsers given by the sponsors keep rising over the years (McGill, 1989). Endorsement of celebrities is not likely to change because people are obsessed with celebrities. This is can be seen by the fact that media

overloads society with news and illustrations about celebrities and gives them an entertainment function (Choi & Rifon, 2007).

Celebrity refers to an individual who is well-known to the public. People can classify celebrities as actors, famous sport athletes, entertainers, and people who have achieved great and memorable things (Friedman & Friedman, 1979). The general belief among advertisers is that advertising messages delivered by celebrities provide a higher degree of appeal, attention, and value than those delivered by non-celebrities. Marketers also claim that celebrities affect the credibility of the claims made, increase the memorability of the message, and may provide a positive effect that could be generalized to the brand (Copper, 1984).

The strategy of celebrity endorsement has positive effects for both the company and the celebrity. By using a celebrity as an endorser, the consumer receives a sense of security and association. Since his or her idol is recommending the product; the assumption is being made that it is a product of high quality. Consumers would like to identify themselves similar with the celebrity and they will buy the product because they would like to be like the celebrity. Advertisements with the use of celebrities create instant brand awareness, while the celebrity induces the personality of the brand. The magnitude of the effect of the celebrity figure to the product being advertised is not only utilized by the company, the celebrity, as the owner of the "name" also utilize its celebrity status to open a business, one of the efforts that many celebrities are ogled by are the food and beverage industry.

During these past few years, the business development in the field of food and beverage experienced significant growth. Increased growth of SMEs in Indonesia was also dominated by the food and beverage industry. The peak occurred in 2009 where the industry experienced an increase of just 2.34% in 2008, experienced a rapid spike of 11.22% in volume of sales worth Rp. 555 trillion in 2009. Although the increase is very high in 2009, the food and beverage industry sector had decreased quite significantly to 2.73% during the 2010 global

economic crisis. In 2011, the food and beverage industry showed another significant increase of 9.34% in the second quarter (<http://bisnisukm.com>, retrieved on 15 July 2015).

The Indonesian Ministry of Industry stated that, the food and beverage industry contributed greatly to the national economic growth in Indonesia. In the first quarter of 2015, national industrial growth reached 8.16% or higher than the growth of non-oil industry amounted to 5.21%. Meanwhile, the national economic growth reached 4.71%. Food and beverage industry sector accounted for 29.95% of the GDP of non-oil industries, while the non-oil industries accounted for 86.4% of the processing industry or by 18.27% of the National GDP (<http://www.kemenperin.go.id/artikel>, retrieved on 15 July 2015). One of the reasons is because food and beverages are now no longer just viewed as a “means” to meet basic human needs, but rather as part of a lifestyle. Furthermore, Indonesia's population of more than 250 million people has contributed to the factors that attract entrepreneurs to open businesses in the field of food and beverage.

The significant rise in popularity of cooking shows on television are responsible for making a handful of people suddenly become famous. Chefs who were asked to host such events, instantly skyrocketed his or her name thus, the term “celebrity chef” was born. Not only chefs who have long been crisscrossing the world “cooking”, ordinary people can now become celebrity chefs. In 2011, Rajawali Citra Televisi Indonesia (RCTI) cooperated with Fremantle Media in airing a talent show that was adopted from MasterChef (UK) under the name MasterChef Indonesia. MasterChef Indonesia is an Indonesian competitive cooking reality show, open to amateur and home chefs based on the original British MasterChef. This television show won the Panasonic Awards for the Best Talent Search in 2012 and 2013 (<http://celebrity.okezone.com>; <http://hot.detik.com>, retrieved on 15 July 2015). Various talent shows that were aired on television stations helped anyone to become a celebrity. One celebrity

that was born from the talent show is Ken Kurniawan Sutanto, better known by the name of Chef Ken.

Ken Kurniawan Sutanto was born in Surabaya on January 7, 1982. He studied Hotel Management in Petra Christian University Surabaya. After graduation, Ken had numerous job experiences before competing in the television show, MasterChef. After working for some time in the United States as a cold storage manager, he moved back to Surabaya, Indonesia as a restaurant manager at Gelato Bar. After that he moved to Jade Imperial, a well-known Chinese restaurant in Indonesia as a banquet manager. Lastly, he moved to Tong Hai restaurant as a general manager. On 2012, Ken decided to compete in the Indonesian cooking competition television show, MasterChef Indonesia.

During an interview conducted by Okezone, RCTI, Ken stated that before he competed in MasterChef Indonesia, both parents, especially his mother, did not allow him to let go of his job as General Manager (GM) of a well-known restaurant in Surabaya. His parents' disapproval was mainly because the thought of being a chef is not a job that looked promising for the future. In terms of income, Ken's position as General Manager is fairly well established. The move does not make sense according to Ken's parents especially if Ken is planning to get married the following year. After a lot of considerations, Ken decided to compete in MasterChef Indonesia Season 2. Ken stated during an interview that his parents seem to understand what he should do, that his parents just want him to think things through carefully. Eventually, Ken's parents showed their support towards Ken.

After competing through numerous stages, Ken won third place and from there, his name skyrocketed. Ken got numerous offers from restaurants, television programs, and live cooking shows. He decided to become active in live cooking shows with numerous companies, participating in television programs, even participating as cooking competition judges, and talking in seminars. Chef Ken

decided to follow his dreams and ambitions to open up his own restaurant, and in November 2014, the restaurant Pipe and Barrel was found.

Pipe and Barrel is a restaurant and café based in Surabaya, Indonesia founded by the MasterChef Indonesia Season two top three finalist, Chef Ken Kurniawan. The restaurant serves various comfort foods such as sandwiches, burgers, pasta, and unique blended beverages. Located in the center of Surabaya city, it is one of the main eating destinations in town. The interior concept is an adaptation of the American Industrial style in the '70s, Pipe and Barrel has fascinating interior design. Every walls and corners are filled with American street-style graffiti that makes it eye catching and attractive. As one of the casual dining restaurants in the city of Surabaya, Pipe and Barrel is always innovating with new menus. All the food menu at Pipe and Barrel are creations of Chef Ken, so the menu unique and special. The price for food ranges from 22,000 to 75,000 Rupiahs.



Figure 1.1
Pipe and Barrel Surabaya Price Ranges

The match-up research model is also related to previous research, whereby the celebrity's image should be similar to that of the product or the brand to be effective. The focus in the source-attractiveness model of McGuire (1985) is on the attractiveness of an endorser. However, attractiveness does not only mean physical attractiveness but also covers intellectual attractiveness, personality, lifestyle and sport activities as elements of attractiveness (Erdogan, 1999). In the meaning-transfer model of McCracken (1989) the source-credibility model and the source-attractiveness model are combined.

Another factor influencing brand image is marketing communication. Marketing communication can be defined as a collective term for all various types of planned messages used to build a brand-advertising, public relations, sales promotion, direct marketing, personal selling, packaging, events, sponsorship, customer service, and product placement. This is one way of how they express and implement their brand identity. Advertising gives a company the possibility to modify the consumers brand image and steer it in the direction to the brand identity. This is done in order for the brand image to be as congruent as possible (Riezebos, 2003). It is also highly important that the intended message from the company is understood by the consumer, which would affect the image (Baker & Hart, 2008).

The influences of marketing communication are hard to change when established, as the first impression tends to stick. Therefore, much emphasis should be put on how it should be formed, in order to make the best possible impact on the consumer (Riezebos, 2003). The organization needs to take noise into consideration as well, which is the surrounding distractions such as competitors advertisements (Blythe, 2006).

A good consumption experience is another factor that can influence brand image. Consumption experience is based on the satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the

fulfillment of some needs, goals or desire (Hansemark and Albinson, 2004). Even if the marketing communication has a strong and positive effect on the consumer, the consumption experience still plays a vital role in the image forming of the customer. These two factors should not contradict each other in order for the consumer to have a clear image of the brand since the message which corresponds to the consumption experience would have the greatest effect on the customer (Riezebos, 2003). If the marketing communicated to the consumer differs from the actual consumption experience, the image would not only be changed in the eyes of the consumer, it would be worsened. Therefore, the marketing communication needs to be exchanged in a truthful way in order to minimize a potential gap between the marketing and the actual experience of a consumer.

Based on the phenomenon and theory that has been elaborated, this research then aimed to gain the insights on customer buying behavior based on celebrity endorsement, marketing communication and consumption experience toward brand image.

1.2 Research Problems

1. Does celebrity endorsement have significant effect on brand image?
2. Does marketing communication have significant effect on brand image?
3. Does a consumption experience have significant effect on brand image?
4. Does brand image have significant effect on consumer buying behavior?

1.3 Research Objectives

The general objective of this proposed research is to identify the factors that affect the consumer buying behavior of Pipe and Barrel in Surabaya. In addition, the specific objectives of the research are as follows:

1. To identify the effect of celebrity endorsement on brand image.
2. To identify the effect of marketing communication on brand image.
3. To identify the effect of consumption experiences on brand image.
4. To identify the effect of brand image on consumer buying behavior.

1.4 Research Contributions

1.4.1 For Pipe and Barrel

The result of this study is useful for the marketing plans of Pipe and Barrel, Surabaya. This study can help the company to utilize celebrity endorsement, marketing communication, and consumption experiences to improve its brand image, thus, improving its consumer buying behavior towards the restaurant.

1.4.2 For the Researcher

This study deepens the researcher's knowledge on consumer buying behavior. It gives the researcher a much broader awareness of the intricacy of brand image and its elements to its branding strategy.

1.4.3 Future Research:

This study made its contribution as a reference in consumer buying behavior. By identifying the significance of factors that affect brand image in food and beverages businesses. This study is also a reference for further studies or similar to the field of study.

1.5 Research Limitations

This research used Pipe and Barrel Restaurant, Surabaya as the allowed research object. This research used the variables of celebrity endorsement, marketing communication, consumption experiences, brand image, and consumer buying behavior. The researcher is limited in terms of location because the research will be done in Surabaya, Indonesia.

1.6 Research Outline

Research outline explains the systematic writing of this study. The outline is divided into three chapters as follows:

Chapter I

This chapter sets up the research problem for the reader. It also provides the background information defining the issue and important terms. It specifies the research objectives explored in greater detail to contribute to the understanding the research problem.

Chapter II

This chapter summarizes the major studies and findings that have been published on the research topic and how this study contributes or adds to what has already been studied. This chapter also states a clear description of celebrity endorsement and its dimensions including: credibility, expertise, trustworthiness, attractiveness, similarity, likability, familiarity; marketing communication; and consumption experiences, and how these factors contribute or impact brand image and consumer buying behavior and how they apply to the research problem, an explanation of why its relevant, and how the modeling efforts address the hypothesis to be tested.

Chapter III

This chapter explains the detailed technical and scientific activities which include the research design, sampling plan, instrumentation, statistical tools, and treatment of data.