

## CHAPTER 1

### INTRODUCTION

#### 1.1 Background

The fast food restaurant industry is one of the most competitive businesses and growing rapidly, and increase along with the demand of time. In Indonesia, the fast food restaurant business moves dynamically. Starting from the franchises which widens their business net, small and medium businesses which they countless and can be found easily. According to Chairperson of PHRI (*Perhimpunan Hotel dan Restoran Indonesia*), the growth rate of restaurant where go public is still higher than hotels. Estimates can growth at 8% in 2018, and will continue to increase in the coming year (Bella, 2019).

Agriculture and Agri-Food Canada through *Market Access Secretariat Global Analysis Report*, stated that *Indonesia is the largest food service market among all ASEAN countries. The value of sales for food service in Indonesia reached US \$ 36.8 billion in 2014. Full-service restaurants, fast food, and food street stalls are the top three of restaurants that boost the wheels of the restaurant industry in Indonesia* (Bella, 2019).

**Table 1.1**

**Value Sales and Growth of Indonesia's Foodservice by Subsector, 2014**

**In US \$ Millions**

| Subsector                  | 2013     | 2014     | 2015 <sup>E</sup> | 2016 <sup>F</sup> | 2019 <sup>F</sup> | %CAGR<br>2010-14 | %CAGR<br>2015 <sup>E</sup> -19 <sup>F</sup> |
|----------------------------|----------|----------|-------------------|-------------------|-------------------|------------------|---|
| Total Consumer Foodservice | 33,625.9 | 36,814.8 | 39,906.4          | 43,310.8          | 56,290.7          | 8.7              | 9.0   |

| Subsector                     | 2013           | 2014           | 2015 <sup>E</sup> | 2016 <sup>F</sup> | 2019 <sup>F</sup> | %CAGR<br>2010-14 | %CAGR<br>2015 <sup>E</sup> -19 <sup>F</sup> |
|-------------------------------|----------------|----------------|-------------------|-------------------|-------------------|------------------|---|
| - Full-Service Restaurant     | 27,486.2       | 30,022.8       | 32,465.4          | 35,152.5          | 45,423.5          | 8.5              | 8.8   |
| - Cafes/Bars                  | 3,298.6        | 3,364.9        | 3,969.0           | 4,338.8           | 5,756.0           | 9.4              | 9.7   |
| - <b>Fast Food</b>            | <b>1,442.8</b> | <b>1,651.3</b> | <b>1,861.1</b>    | <b>2,092.8</b>    | <b>2,941.5</b>    | <b>12.7</b>      | <b>12.1</b>                                 |
| - Street Stalls/Kiosks        | 1,203.6        | 1,291.9        | 1,376.4           | 1,468.7           | 1,821.1           | 6.3              | 7.2   |
| - Pizza Consumer Foodservice  | 356.8          | 411.9          | 474.2             | 542.5             | 755.1             | 11.6             | 12.3  |
| - Self-Service Cafeterias     | 179.9          | 196.8          | 211.7             | 228.1             | 288.9             | 8.9              | 8.1   |
| - 100% home Delivery/Takeaway | 14.9           | 17.1           | 22.8              | 29.1              | 59.8              | 57.2             | 23.3  |

**Note:** F: Forecast E: Estimate CAGR: Compound Annual Growth Rate

*Source: Euromonitor International, 2016*

The fast food restaurant business this year is believed to grow 15%, supported by sentiment on improving people's income and the increasing trend of dining outdoors. The performance of the fast food restaurant business is supported by improvement in people's consumption as reflected in the IKK (Indeks Keyakinan Konsumen) which always increases every year. Based on Bank Indonesia survey, the IKK reached 100 points in 2016 and continued to rise to the level of 123.5 earlier this year. In addition, the trend of eating out of the home is increasing because the millennials make their friends and family eat out often (**Richard, 2019**).

**There are many fast food restaurants in the big cities of Indonesia. This is caused by the many people who are busy with work and other activities, and they need quickly to meet their food needs. Therefore the demand for fast food is very high in big cities in Indonesia. In addition, millennials make eating at fast food restaurants a contemporary trend style. Most of them spend their time in fast food**

**restaurants, moreover the restaurant that has an attractive design and instagram-able makes them linger in the restaurant. Some of them eat at fast food restaurants just to enjoy free Wi-Fi or use the fast food restaurant to celebrate birthdays and anniversary days.**

In this research I was interested in researching new fast-food restaurants in Padang, Richeese Factory. Richeese Factory is a network of fast-food restaurants from Indonesia with a main menu of fried chicken and cheese owned by PT Richeese Kuliner Indonesia, a subsidiary of Kaldu Sari Nabati. Richeese Factory opened its first outlet in the Paris Van Java shopping center, Bandung, on February 8, 2011. Along with the development of this restaurant, now there are outlets that are spread in major cities in Indonesia, one of which is in the city of Padang.

In Padang, this restaurant is located on the first floor of Padang Transmart shopping center and next outlet has been opened on Ahmad Yani Padang Street. When this restaurant opened for the first time in Padang city, we can see that people were very enthusiastic when the restaurant was opened. Long queues for days and even months still occur at the Richeese Factory restaurant.

In starting the research, the author have conducted an initial research to find out what factors make people decide to buy Richeese Factory products. To find out the factors that influence customer satisfaction at Richeese Factory restaurants, the author conducted an initial observation by interviewing 15 Richeese Factory restaurant

visitors, and asked questions from 7 factors that influenced customer satisfaction, and obtained the following results:

**Table 1.2**  
**Initial Observation Result**

| Visitor      | Factors That Influence Purchase Decision |          |                 |                 |                  |           |          |
|--------------|--|----------|-----------------|-----------------|------------------|-----------|----------|
|              | Location                                 | Price    | Product Quality | Service Quality | Store Atmosphere | Lifestyle | Brand    |
| 1            | √  |          | √               |                 | √                | √         |          |
| 2            | √  |          | √               | √               | √                |           |          |
| 3            |  | √        | √               | √               |                  |           | √        |
| 4            | √  |          | √               | √               |                  |           | √        |
| 5            |  |          | √               | √               | √                | √         |          |
| 6            |  |          | √               |                 | √                |           | √        |
| 7            | √  |          | √               | √               |                  |           | √        |
| 8            |  |          | √               | √               | √                |           |          |
| 9            |  | √        |                 |                 |                  | √         | √        |
| 10           | √  |          | √               |                 | √                |           |          |
| 11           |  |          |                 | √               | √                |           | √        |
| 12           |  | √        | √               | √               |                  | √         |          |
| 13           |  |          | √               | √               | √                |           | √        |
| 14           |  |          | √               | √               | √                | √         |          |
| 15           |  |          | √               |                 | √                | √         | √        |
| <b>Total</b> | <b>5</b>                                 | <b>3</b> | <b>14</b>       | <b>10</b>       | <b>10</b>        | <b>6</b>  | <b>8</b> |

*Source : initial survey, 2019*

Based on table 1.1 above explained the factors that influence purchase decision dominantly on product quality, service quality, and store atmosphere. That can be conclude base on initial research that product quality, service quality and store atmosphere are factors that more influence on the decision to buy Richeese Factory product than other factors.

The product quality is a factor to support purchasing decisions. The results of research by Al-Tit (2015) emphasized the importance of quality as a key factor influencing consumer satisfaction. So, a company must satisfy its customers with good

product quality. About product quality in Richeese Factory, serving fried chicken with cheese sauce is a flagship product and main menu of the Richeese Factory product. These make the Richeese Factory different from other fried chicken restaurants which only serve fried chicken with regular sauce. In addition, this restaurant also serves chicken wrapped in spicy barbecue sauce with different levels of spiciness. The consumer can choose which one the level of spicy that they want. Richeese Factory also serve some beverage, snacks and cakes. For beverage it's like Fruitarian Tea, Pink lava, and mineral water. BBQ Cheese Wedges and Richeese French Fries for snacks. The last is Richeese Cake-in-a-cup for menu cake.

Service quality is closely related to customer satisfaction because the quality of services can provide benefits and losses for producers. Good service will provide support to customers to build long-term mutually beneficial relationships with restaurants. For service quality in Richeese Factory is not really different with other fast food restaurant. Every consumer must wait for the queue to order food and immediately pay for it at the cashier. After that consumers can sit in the space provided and enjoy food. When I visit this restaurant for initial research, this restaurant was very clean. It can be seen from officers who always clean the table before other consumers use it. And other officers always make sure the floor is always clean. Besides that the Richeese Factory restaurant also provides parking lots and places of worship for Muslims.

According to Kusumawati et al. (2014) store atmosphere could be more reason for consumers to be interested and choose where he will visit and buy. When a

consumer feels satisfied from the retail environment of the store, he spends more time in a particular store and buys more because of pleasant environmental stimuli (Hussain, 2015). In Richeese Factory restaurant, they have own concept for design. The outlet color creates a positive image in my mind. And the staff always keeps the restaurant environment clean. Then, the lighting in the restaurant is fine.

Based on the above in the background, researcher is interested in the research with title **“The Influence of Product Quality, Service Quality and Store Atmosphere toward Consumer Purchase Decision in Richeese Factory”**.

## **1.2 Problem Statement**

Based on the background above, the researcher try to study the problem in this research as follow:

1. How does product quality influence purchase decision in Richeese Factory?
2. How does service quality influence purchase decision in Richeese Factory?
3. How does store atmosphere influence purchase decision in Richeese Factory?

## **1.3 Objectives of the Research**

Based on the problem statement, there are several objective of this research:

1. To analyze the influence of product quality on purchase decision in Richeese Factory.
2. To analyze the influence of service quality on purchase decision in Richeese Factory.
3. To analyze the influence of store atmosphere on purchase decision in Richeese Factory.



## 1.4 Contribution of the Research

There are several contributions that we can get from this research:

1. For researcher

The results of the study are expected to be useful to obtain additional knowledge and insight in the field of marketing management, especially in terms of the influence of product quality, service quality and store atmosphere toward purchase decision at the Richeese Factory.

2. For company

This study is expected to become a consideration and recommendation for the manager to run the business particularly in relation with the influence product quality, service quality and store atmosphere toward purchase decision.

3. For academics contribution

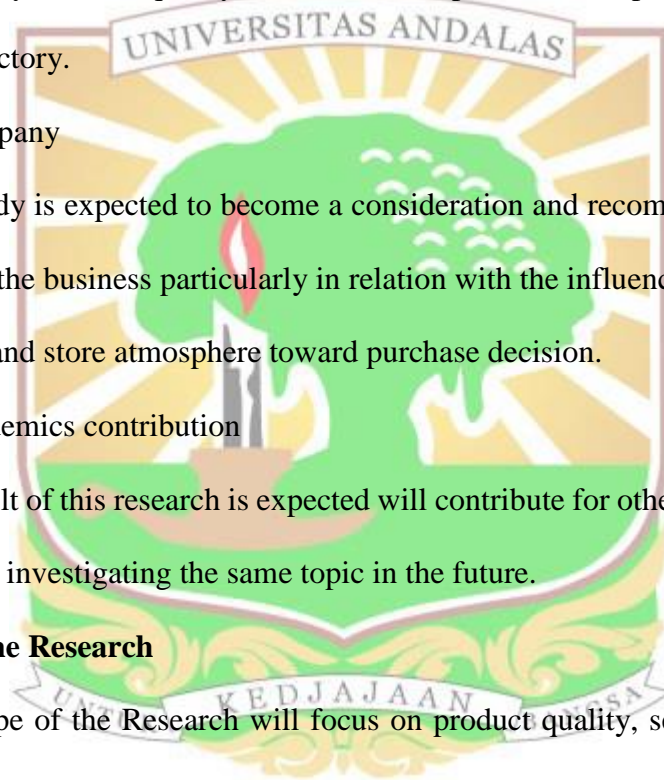
The result of this research is expected will contribute for other researchers who are interested in investigating the same topic in the future.

## 1.5 Scope of the Research

The scope of the Research will focus on product quality, service quality and store atmosphere as independent variables and purchase decision as the dependent. The object of this research is the buyers of Richeese Factory product.

## 1.6 Outline of the Research

In order to make it easier and make moderate the forwarding of content, this research is divided into five chapters, they are:



## **CHAPTER I: INTRODUCTION**

The first chapter explain about the background of, problem statement, objective of the research, contribution of the research, scope of the research, and outline of the research.

## **CHAPTER II: LITERATURE REVIEW**

The second chapter explain about descriptions of theoretical variables that include the theories that support and underline the variables used in the research and framework.

## **CHAPTER III: RESEARCH METHODOLOGY**

This chapter explain about research method which discussing about research design, location of research, population and sample, data and data collection, variables and measurement, operational definition of variables, and data analysis.

## **CHAPTER IV: RESULTS AND DISCUSSION**

This chapter explain about the result of analysing the influence of product quality, service quality, and store atmosphere toward consumer purchase decision for Richeese Factory.

## **CHAPTER V: CLOSING**

This is the last chapter researcher will explains conclusions, implication of the research, limitation of the research and recommendation for further research.



