

## CHAPTER 1

### INTRODUCTION

#### 1.1 Research Background

The development of culinary business in Indonesia, especially in big cities, is growing rapidly. Many entrepreneurs who appear to open a culinary business with various concepts or ideas that are made to attract customers from various walks of life. Culinary business is one business that is very attractive to some peoples. The culinary business is not only satisfaction for primary needs but also provides new experiences for customer through various processed foods, a comfortable place and good service to get rid of boredom, family gathering places, and so on.

One of the emerging culinary business is restaurants. According to the result of the research from Qraved.com, the leading restaurant search and reservation site in Jakarta notes a shift in the trend where more and more Indonesian have the habit of eating in restaurants. Throughout 2013, it was recorded that Indonesian people visited restaurants with 380 million times and spent a total of USD 1.5 billion. The vibrant eating habits as this restaurant are also supported by the growth of middle and upper class restaurants up to 250 percent in the last five years.

Many cafes and restaurants have sprung up in big cities, one of the cities that faces a very rapid growth of restaurants in Padang. Seen from almost every corner of the city Padang has a restaurant. When many new restaurant appear, this will have a high level of competition. So companies are required to be more creative to create concepts that different from exsiting restaurants to attract visitor's attention. The company is also required to be more careful in determining the business strategy, because what is expected is how to maintain and increase customer satisfaction.

Customer satisfaction is the level of one's feeling as a result of a comparison between reality and expectations received from a product or service. For companies that provide service, customer satisfaction is the goal of the business. Because satisfaction leads to loyalty of customer and make customer re-purchase the goods or services.

According to Irawan (2004), the factors that drive customer satisfaction are as follows: first is product quality, if after buying and using the product the customer satisfaction, it turns out the quality of the product is good. Second is price, for customer who are sensitive, usually low prices are an important source of satisfaction because customers will get a high value for money. Third is service quality, satisfaction with service quality is usually difficult to imitate. Service quality is a driver that has many dimentions, one of which is popular is SERQUAL. Fourth is emotional factor, customer will feel satisfied (proud) because of the emotional value provided by the brand of the product. The last is cost and convenience, customers will be more satisfied if it is relatively easy, comfortable, and efficient in getting a product or service.

In today's business life, marketing activities are the main source for company to getting in touch with target customers and provide them the correct and important information. Market of business id highly competitive and it's very challenging for business organization to sustain and grow in business world. Any type of business can be benefited by using the proper promotional tools and recognize the cutomers behavior also. In the current economic condition the survival of the business require accurate knowledge about customers, about how they buy, why they buy, and where

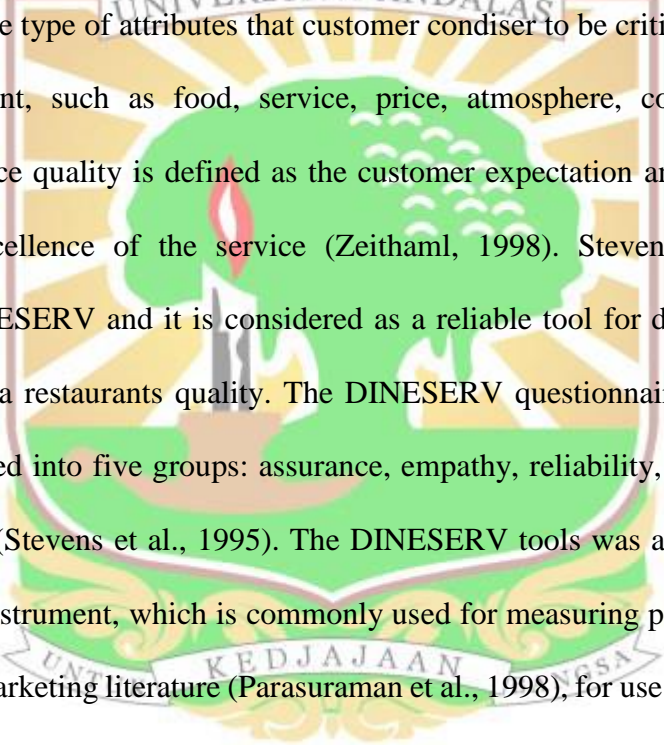
they buy from as well as what they buy. Hence, business manager have to know who their customers are and why they choose their products and service rather than those of competitors. Top management must achieve the integration of all element of marketing strategy (i.e. 4P's product, price, place and promotion) into a single strategic plan based upon knowledge of customer behaviors. According to the society for customer psychology, division 23 of the American Psychological Association, customer psychology employs theoretical psychological approaches to understanding customers (Cherry, 2014).

Nowday's, customer also becoming increasingly sophisticated and demanding more value for their money. On the supply side, the growing variety of restaurants with respect to menu types, service style and price ranges gives customer more choices than ever before. There is fierce competition among restaurant operators to attract customers discretionary spending. Therefore, it is critical for restaurateurs to understand the answers to such questions as : when dining out, what are the important attributes (dimentions) that customers consider when selecting a restaurant? How do restaurant performances with respect to these attributes impact customer satisfaction with their dining experience? What is the impact of customer satisfaction on repeat patronage intentions? Restaurateurs who fail to see the relationship among these issues and offer dining experiences that meet and exceed customer expectations will face declining customer counts and sales. Customer satisfaction is essential for operational survival. Therefore, management must be aware of customer overall satisfaction with operations and pay attention to any weaknesses.

Previous research has indicated that customer satisfaction in restaurants, including the key attributes influencing customer satisfaction and behavioral intentions (Liu & Jang, 2009). Since then, customer satisfaction in restaurant has been studied extensively using such service quality models as SERQUAL and DINESERV. However, some researchers have pointed out that these models are unable to identify the salient attributes applicable to the restaurant industry (Kivela et al., 1999). Therefore, survey instruments capable of identifying important attributes in the restaurant context are still needed (Ramapuram & Batra, 2018). The objective of this study is to identify and analyze the importance and performance of customer full-service restaurant selection factors in Padang, Sumatera Barat. More specifically, the objectives of the study are: to identify customer preceptions concerning the importance of different restaurant attributes when choosing full service restaurant, to examine customers preceptions regarding the performance of full service restaurants, to investigate factors influencing full service restaurant customer satisfaction, and to identify factors contributing to customer revisit intentions toward full service restaurants.

Kotler and Keller (2005) suggest that, economics who study customer behavior are the view that customer are price takers and accept prices at price value or as given by the producers. Marketers acknowledge that customer often assess price information, decode prices in terms of their knowledge from previous buying experiences, formal communication (advertising, and sales promotions), informal communications (friends, collagues, family, people) and point of purchase.

According to Rasli, A. Main work for any restaurants with providing quality food is that customer satisfaction. Satisfaction leads to success and attracts more and more customer. Satisfaction is strongly related with quality. For the service provider should check service quality measurement timely to know the level of quality they are providing and it will also help to do some changes regarding quality improvement and it also increase the customer level of satisfaction and encourage customer to come again (Rasli, 2011)



There are type of attributes that customer consider to be critical while dining out in restaurant, such as food, service, price, atmosphere, convenience, etc. Perceived service quality is defined as the customer expectation and judgement of the overall excellence of the service (Zeithaml, 1998). Stevens et al. (1995) developed DINESERV and it is considered as a reliable tool for determining how customer view a restaurants quality. The DINESERV questionnaire comprises 29 items categorized into five groups: assurance, empathy, reliability, responsiveness, and tangibility (Stevens et al., 1995). The DINESERV tools was adapted from the SERVQUAL instrument, which is commonly used for measuring perceived service quality in the marketing literature (Parasuraman et al., 1998), for use in the restaurant industry. The SERVQUAL model has received great attention because it is scales are both valid and reliable.

Researchers have applied SERVQUAL scales for numerous service organizations in a variety of industries (Parasuraman et al., 1998). However, SERVQUAL has been recognized to lack consistency in replicating dimension in different service settings (Babakus & Mongold, 1992). (Kivela et al., 1999) also in

dictated that service quality models like DINESERV and SERVQUAL are unable to identify salient attributes specific to the restaurant industry.

In addition to service, food is considered one of the most important factors in a customer's decision to return to a restaurant (Qu, 1997). Food quality includes taste, menu variety, availability of healthy options, texture, appearance, etc. (Namkung & Jang, 2007). (Almanza et al., 1994) identified 17 attributes affecting customers' satisfaction with university food service operations. Equally, perceived service quality contributes to customer satisfaction and is found to be a strong factor in revisit intention (Kim et al., 2009).

Customer satisfaction with the dining experience is also dependent on the atmospherics, that is, the physical and service environments. Atmospherics have a powerful impact on customer emotions, attitudes and behaviors (Ribeiro-Soriano, 2002). Ryu and Jang (2007) examined the effect of atmospheric variables on behavioral intentions in restaurants. Other aspects, such as convenient location, price (Klassen et al., 2005) and value for money (Yuksel and Yuksel, 2002) are also factors in customer satisfaction and revisit intentions. Customer also consider ease of access and available parking when they choose a restaurant (Klassen et al., 2005). The meaning of price is relative. Customer do not necessarily equate low price with value. Rather, they are often to pay a premium if they consider the food quality, service and atmospherics to be worth, as in the case of fine dining. Previous studies have measured price in terms of food authenticity and environmental authenticity (George et al, 2001).

Nowdays the restaurant is not only a place to eat and drink but also a place to socialize and release fatigue, eating activities are also a place to socialize, meetings between family members, office colleagues or also friends.

Millennials likewise known as Generation Y, are defined as people who born between approximately 1980 and 2000 (Gurău, 2012). Millennials are mainly children of the baby boomers and their numbers rival those of the boomer generation, roughly 77 million individuals comprising nearly 24% of the U.S. population (Williams et al, 2010).

The millennial generation is also known as the most educated and ethnically diverse generation with a strong sense of self and independence. They have tendencies to be excellent multitaskers and are well versed in technology (Williams et al, 2010). While they have come of age during difficult economic times, the size of the Millennial generation has given way to marketers claiming them as the next big spending generation (Harrington, Ottenbacher, Staggs, & Powell, 2012). With roughly \$150 billion to \$170 billion in spending power, millennials customer spend about \$100 a week on disposable purchases, and much of that is spent on dining out, which millennials do nearly three times a week (Salzman, 2012).

Millennials dine out more often than the other generations, their eating habits and dining preferences still confuse many restaurant managers. Millennials are known for being health conscious and environmentally aware, however, rather than other generation they are often swayed by friends and celebrity endorsements and tend to switch brands more quickly (Jang et al., 2011). Along with their tendencies for switching brands, millennials have been identified as spontaneous customers who

often engage in impulse buying and unplanned purchases (Gilboa & Vilnai-Yavetz, 2010). While numerous recent studies in the food service industry have considered millennials preferences and behavioral intentions related to dining out experiences.

The 76 million Millennials have enormous spending power, about \$600 billion per year (Kennedy, 2001). They have more flexibility in their brand choices and are more likely to try a new brand or product (Lipke, 2000). However, their purchase decisions are often highly affected by prevailing social norms and the perceptions of their peers (Noble, Haytko, & Phillips, 2009). Among the most important characteristics of the Millennial cohort is their desire to be connected to the Internet while dining (Brooks, 2005). Millennials eat out an average of 3.39 times per week, compared to Generation X (2.54), Boomers (2.34) and the Silent Generation(1.93). Millennial Generation are the largest consumer group as of 2015.

Based on the background described above, the researcher was interested in conducting the research entitled: "**The Influence of Ful Service Restaurant Attributes and Millennials Satisfaction Towards Revisit Intention of Traditional Padang Restaurant**"

## 1.2 Research Questions

Based on the backgorund described above, the problem statements are built as follows :

1. How does the attributes of full service restaurant significantly influence customer dining satisfaction
2. How does the attributes of full service restaurant significantly influence customer revisit intention



3. How does the dining satisfaction of full service restaurant significantly influences customer revisit intention

### 1.3 Research Objectives

Based on the problem statement above, the objectives of this study are to obtain data and information that is appropriate for analyzing the data that is particularly :

1. To analyze how does attributes of full service restaurants significantly influence costumers dining satisfaction.
2. To analyze how does attributes of full service restaurants significantly influence costumers revisit intentions
3. To analyze how does the dining satisfaction of full service restaurant significantly influences their revisit intentions

### 1.4 Research Contributions

1. Academic contribution

The results of this research are expected to be a reference for other researchers who are interested in investigating the same topic and be able to add more information in the field of marketing management.

2. Practical contribution

The researcher expects that this research can provide knowledge of marketing management, especially in terms of exploring factors on customers restaurant choice.

3. Contribution for companies

The results of this research will provide information for companies regarding the factors that influence customers satisfaction and revisit intention. The result on the factor that has significant influence can be a reference for companies to determine their strategy to face the competition in the future.

### **1.5 Research Scope**

The scope of this research comprises exploring factors on customers Traditional Padang Restaurant choice. The object of this research includes the millennials costumer of Traditional Padang Restaurant in Andalas University.

### **1.6 Research Outline**

In order to make this research easily understood and become well-organized, the reseacher divides the explanation into five chapters, namely:

#### **CHAPTER I: INTRODUCTION**

This chapter contains research background, problem statements, research objectives, research contribution, research scope and research outline.

#### **CHAPTER II: LITERATURE REVIEW**

This chapter comprises theoretical variables, previous studies, theoretical framework, and hypotheses development.

#### **CHAPTER III: RESEARCH METHODOLOGY**

This chapter covers research design, population and sample, data and data collection, variables and measurement, operational definition of variables, and analyses of data.

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

This chapter explains the results of data analyses regarding the influence of restaurant attributes in millennials satisfaction towards revisit intention of Traditional Padang Restaurant.

#### **CHAPTER V: CLOSING**

This is the last chapter. It explains conclusions, suggestions, limitation of the research and recommendation for further research.

