CHAPTER I
INTRODUCTION

1.1 Background

In this globalization era, food service industry business such as restaurant that provide the basic human need for food has been well developed. The development of food industry has given a huge contribution to the social and environment aspects (Franceschelli et al., 2018). Global Agricultural Network (2019) assessed the total contribution of food service to Gross Domestic Product (GDP) had reached $22.1 billion or 2.18 percent of the GDP in 2017. The growth record was about 6.9 percent, which was dominated by the sector of casual restaurants, food stalls and the vendors of street-food restaurant.

The middle-income society and millennials are the major customers of the food service industry in Indonesia (indonesiainvestments.com). Moreover, good branding has become an important part to the success of restaurants (Erkmen & Hancer, 2018). Therefore, Executives of casual dining restaurant and expert have been relied on brand image and customer loyalty to manage reputable brand and bring success for the restaurant (Espinosa et al., 2018).

Based on study period of 2016 – 2024 that was conducted by The Mordor Intelligence (mordorintelligence.com), the significant increase in compound annual growth rate (CAGR) of food service market was expected to be 7.06% during the forecast period from 2020 to 2025. The expected growth can be shown through the diagram bar below.
Pekkio is a Singaporean-chinese cuisine restaurant which was established on the first of May 2018. Located on 2M floor, Little Tokyo, Surabaya. Pekkio restaurant is well-known with the tag line of “The best chicken salted egg in the town” as as a restaurant specializes on the salted egg sauce. Most of the menu is targeted for millennials and their family.

The owner of Pekkio, Ms. Angel believes that good service and food quality determine customer satisfaction. Customer satisfaction is the primary concern of Pekkio that differentiate their food service restaurant from the competitors. Therefore, Pekkio always maintain its performance to enhance the repeat customers.
Since Pekkio has planned to open a new branch, the owner wants to know the impact of brand image that has been built by the restaurant towards customer satisfaction. However, Pekkio believes there are other factors that influence customer satisfaction such as food quality, service quality, and the interior design of the restaurant. In order to improve Pekkio performance, this research was conducted to contribute feedbacks which can be used to create new strategy.

According to Erkmen & Hancer (2018), image is important in building customer trust. The perceived image of the brand can either increase or decrease customer intention to buy the product. Best brands require commitment to present unique features, benefit and a set of service which would determine the long-term success. Therefore, trademarks and brand management is important to support the sustainability of the success of restaurants (Isoraite, 2018). Moreover, a good brand image will give better impression and determine the likelihood of repurchasing the brand (Espinosa, 2018).

The researcher conducted the pre survey in order to know the opinion of customers towards several factors such as food quality, service quality, ambience, other customers or crowd and others that influence the customer satisfaction at Pekkio Restaurant. There are 30 respondents that contribute to the result of the
The data represents the important factors that determine customer satisfaction level and customer expectation. As shown from figure 1.2, food quality and service quality are on top level as the influential factors. From 30 respondents, 30 people choose service quality and food quality, followed by atmospherics that have been voted by 26 people and other respondents choose other factors such as customer reference, price promotion, special price, and special packages.

In the context of restaurant, quality is important from many aspects. The quality of food and service quality as well as the atmosphere and ambience influence customer judgement. Customers will have a better image of restaurant when the restaurant provides a clean environment, hospitable service, and good

![Figure 1.2 Some dominance factors towards customer satisfaction at Pekkio Restaurant Source: Pre-Survey Result at Pekkio Restaurant (2020)](image-url)
quality of food (Shahzadi et al., 2018). The findings of Erkmen & Hancer (2019) stated that atmospherics, food quality, and service quality significantly influence customer satisfaction while other customer attitude and behaviour influence the emotional and experience of customers.

The researcher wants to ensure whether those factors play a significant role on the satisfaction of Pekkio customers. The interesting result of the pre-survey encouraged the researcher to have a deeper understanding and the knowledge on the influence of brand image, food quality, service quality and atmosphere towards Customer Satisfaction of Pekkio Restaurant.

1.2 Problem Formulation

Based on the previous background, the problem formulation of this research are:

1. Does brand image influence customer satisfaction of Pekkio restaurant?
2. Does food quality influence customer satisfaction of Pekkio restaurant?
3. Does service quality influence customer satisfaction of Pekkio restaurant?
4. Does atmospherics influence customer satisfaction of Pekkio restaurant?

1.3 Research Objectives

Based on the research formulation, the purpose of the research are:

1. To determine the influence of brand image towards customer satisfaction of Pekkio restaurant.
2. To determine the influence of food quality towards customer satisfaction of Pekkio restaurant.
3. To determine the influence of service quality towards customer satisfaction of Pekkio restaurant.

4. To determine the influence of atmosphere or ambience towards customer satisfaction of Pekkio restaurant.

1.4 Research Benefits

1.4.1 Theoretical Benefit

This study is expected to enrich the knowledge about brand image, food quality, service quality, and atmospherics. Moreover, the research can be used as reference for future studies related to the influence of brand image and restaurant attributes towards customer satisfaction.

1.4.2 Practical Benefit

The practical benefit of this research is how the research may provide useful information as reference in creating new strategy and develop the food service industry in terms of having a better comprehension about the influence of brand image, food quality, service quality, and atmosphere towards customer satisfaction in the food industry.

1.5 Research Scope

This research aims to give a better understanding about the factors that influence customer satisfaction of Pekkio restaurant which was conducted from January to April of 2020. The research scope is focused on brand image, food
quality, service quality and atmosphere influence as the factors of customer satisfaction in restaurant business.