

CHAPTER 1

INTRODUCTION

1.1 Background of the Research

Food is one of crucial thing in human life. Human need to consume food to get energy in their daily activities. Entering era of 20th there are many fast food restaurants, as we know that in this era of globalization, there are many people selling the food or open restaurant from other countries. According to previous research Health Education Authority, tell that the big number of customer of fast food come from age 15 until 34 years. Eventhough Indonesia do not have sufficient data on that matters, but the condition tell that most of people in those ages come from student and young worker , Silvina (2007).

In this era of globalization, there are many franchise restaurants come from other countries. Restaurants are becoming an important part in an industry system, providing services to people away from home in the form of foods. We can find many type of food when we go to central food market or mall. Nowadays the people can eat many food, including international food in Indonesia. Having a tight activity as a student, employee, and others, it make they need to find the fast food to consume.

This condition makes people need to find the fast food restaurant to order their food in limited time. In Indonesia we have several company that sell fast food , some of them are CFC, KFC, McDonald, Pizza Hut , etc. The people often choose the fast food that have a good services, brand, facility, and recomendation from their friends. Each company has different product and service that they offer

to consumer. McD and KFC almost offer similar product to customer. But they have their own characteristic in selling their product.

Those kind of thing are one of the reason for customers in choosing the brand. Buying processes in choosing a brand involves many factors relating to the final decision of the consumers and those aspects influence consumer perceived value and their buying behavior on deciding the type of product they would buy.

Understanding Consumer's Perceived Values, place important part in winning customers over a product/service and became the major motive in choosing the product. To develop and improve a product, companies have to know what are the factors that consumers think as important to dig up information on how they think and perceive variables over a product before considering in purchasing . Therefore, customer perceived value has been accepted as one of the key concept to understand consumer purchasing behavior in service industry (Jensen,1996 ; Ostrom & Iacoucci,1995) .

There are many factor can influences customer in purchasing decision. Dodds and Monroe (1985) proposed that the relationship model of price, quality and perceived value and mentioned that perceived value is an important factor in consumers' purchasing decision process, and consumers will buy a product with high perceived value. It make perceived value as an important in buying decision. Customers have much consideration in making decision and also they analys every product they used in term of advantage and also disadvantage of it. Dodds and Monroe (1985) and Zeithaml (1988) contended that consumers will evaluate what they give and what they get in their subjective perception when they are buying a product/service.

In general, consumers have a brand preference toward an established brand during the firm's long presence in the market (Dinlersoz & Pereira, 2007) and they tend to show little brand preference toward a particular brand when they are exposed to a new or unfamiliar product category. There are several factors that will influence a customer in making a decision, which are perceived price value, perceived quality value, perceived emotional value, and perceived social value.

From the consumer's perspective, price is what is given up or sacrificed to obtain the product. This definition is congruent with arguments including monetary price as a lower level attribute in multiattribute models because price is a "give" component of the model, rather than a "get" component (Ahtola's; 1984).

Talking about perceived price, the consumer always considers how much price they would pay for buying the product. The use of the price concept as an integral element of the marketing mix (Kotler, 1997). Simon (1989) defined price as the amount of monetary units that customers have to pay to obtain one unit of the product.

Sometimes customers have a wrong decision, they are often using emotions when they engage in commercial transactions. The act of consumption is not an act of detachment but an experience filled with emotions, some positive and some negative. Moreover, each situation elicits different emotions, depending on what the experience means to the consumer. Emotions are even part of product/service branding, and they are the basic motivators for action (Barlow, Janelle, & Maul, Dianna; 2000).

According to Utility Theory, the probability of purchase intention will increase, when consumers acquire more benefits than they pay for a product (Dickson & Sawyer, 1990). And it considered that perceived value is an important antecedent to influenced consumer purchase intention because it is the composition of transaction utility and acquisition utility (Thaler 1985). However the customer will have much consideration to buy the product for their needed.

Swait and Sweeney (2000) used logic models to analyze the influence of customer perceived value on consumer purchase intention in retailing industry and found that different perceived value customers have different purchase behavior. In fact, many researchers considered perceived value as an important factor for marketing companies (Chen and Quester, 2006; Cornin et al., 2000; Pura, 2005). It because perceived value can be a differentiation and competitiveness to a company. (Treacy & Wiersema, 1993; Heskett et al., 1994; Ravald & Gronroos, 1996).

Customers have many consideration in choosing the brand, such as the price, quality, needed, social, emotional value of customer. Brand preference as one reason for customers to decide their choice. Individuals are more likely to buy brands whose personalities intimately match their own self images (Schiffman & Kanuk, 2000) and self expression (Jamal & Goode, 2001). Moreover, consumers express themselves by selecting brands whose personalities are consistent with their own personalities (Aaker, 1999).

Personal life styles have effect to choose the product, because they prefer choose the product that match with their personality. According to Mehta (1999) self image or self expression affects consumers' product preferences and their

purchase intentions. In other words, 'individuals prefer brands that have images compatible with their perceptions of self'(Jamal &Goode 2001: 483).

This self image consistency strengthens positive attitude toward products and brands (Sirgy, *et al.*1997). Purchase intention is able to measure the possibility of a consumers to buy a product, and the higher the purchase intention is, the higher a consumers willingness is to buy a product (Dodds, et al., 1991; Schiffman & Kanuk, 2000). Purchase intention indicated that consumers will follow their experience, preference and external environment to collect information, evaluate alternatives, and make purchase decision (Zeithaml, 1988; Dodds et al., 1991; Schiffman & Kanuk, 2000; Yang, 2009).

Entering the 20th century, fast food restaurants appears in several countries. According to result of the research by Health Education Authority, most of fast food consumers come from age 15-34 years. Although there is no accurate data in Indonesia, it said that the most of consumer come from student until young worker (Silvina,2007). Nowadays there are a lot of food business in Indonesia, start from traditional until international food such as fast food. Fast food is the term given to food that can be prepared and served very quickly. Fast food outlets are *take-away* or *take-out* providers, often with a "drive-through" service which allows customers to order and pick up food from their cars; but it also have a seating area in which customers can eat the food on the premises.

In Padang there are several restaurant offer fast food, which are McDonalds, KFC, Texas Fried Chicken and CFC. Most of company offering the chicken as a the main product. Based on previous research it found that McDonalds have a different main product with KFC, Texas Fried Chicken and

CFC. McDonalds offering a burger with different taste which are beef, fish and also chicken. Meanwhile KFC , Texas Chicken and CFC focusing to sell the chicken as a main product . That's causes McDonalds could not compare with KFC, Texas Chicken, and CFC (Firdauzi, 2007).

These are list of several product that offering by McDonalds, KFC, Texas Chicken, and also CFC .

Table 1.1 Modern Fast Food Restaurants in Padang, 2013.

No	Company	Main Product
1	McDonald's	Burger
2	KFC (Kentucky Fried Chicken)	Fried Chicken
3	Texas Fried Chicken	Fried Chicken
4	California Fried Chicken	Fried Chicken

**Product details in attachment*

Based on the table above , there are four fast food companies, which are Mcdonalds, KFC, Texas Chicken and CFC. Most of them offer the same product which are chicken, rice, drink with soda, french fries and burger, but they offer the product with different package and different taste.

Talking about the competition of the fastfood company, KFC establish in 1978 known as the oldest fast food company in Indonesia. This is make KFC have a time to build their brand and expand their market in Indonesia. After that CFC in 1983, and Texas Chicken in 1984. Year by year those company growing and having their customer eventhough they offer the same product. In 1991 McDonalds coming as the new company were bring a different product.

People in Padang have big intention to consume the product from fast food , according to them, consuming the fast food will help them to spend a short times to breakfast, dinner or just for hang out with their friends, rather than waiting for ordering the food in restaurant were will take much time. The fast food industry focuses heavily on rapid consumer turnover, speed of service, take-out sales, and less expensive price compare to table service restaurant meals. Most of customer come from child, teenager, and adult. Perceived value on brand preference and purchase intention have effect in choosing the product, customer may have many consideration and many comparison to buy the product. Based on previous table, we could see that McDonalds as one of the company that selling the burger as their main product.

McDonald's in Indonesia established at the first time by Bambang Rachmadi , located at Sarinah, Jakarta in February 20th 1991. After he made the franchise agreement with McDonald's, the business became very succesful and achieved the highest gross monthly income at that time. This restaurant growing year by year, and now McDonald became new comer in Padang since April 2012. In several month this company can attarct many customer to buy their product. This company offer the product with relative price, good service and will attarct

the people to buy their product. The customer need convenience place to spend their time with their friend, clien, or their family.

However the customer will have reference when they would choose the place to spend their time for eat or just having a meeting with partner, brand preference is one of the reason to make the customer choosing the product. The previous research indicated that self image/self expression affect consumers' product preferences and their purchase intention (Ericksen,1996; Mehta,1999).

The current research attempts to examine the effect of perceived values on the brand preference and purchase intention of Fast Food McDonald Padang. Because this company is the new comer in Padang food market. That's make the researcher have attention how the company can attract the customers in term of perceived value. Growing evidences support that repurchase intention is influenced by the perceived value, brand preference and purchase intention. Those significant variables (perceived value, brand preference and purchase intention) will assist food selling company to plan and execute marketing strategies that will maximize their customers' repurchase intention as well as the profit. In addition, if the purchases become successful, then the consumers express their preference for that particular brand's product over the other brands and they praise the organization or recommend it to others, eventually demonstrating that they are becoming bound to the organization (Zeithaml, Berry, and Parasuraman, 1996).

This research aim at complementing to previous research in journal entitle "Effect of Perceived Values on the Brand Preference and the Purchase Intention" case study in Pringles , Istanbul by Aybeniz Akdeniz AR,Phd.

1.2 Problem Statements

In today's competitive market, to attract customers and make them loyal by considering those significant variables (perceived value, brand preference and purchase intention) are termed to be very effective and crucial strategies.

Based on the background stated above, writer defines the problem as follow :

- a) How is the effect of perceived value on brand preference to the customer of McDonald's Padang ?
- b) How is the effect of perceived value on purchase intention for customer of McDonald's Padang ?
- c) How is the effect of brand preference to customer purchase intention of McDonald's Padang ?

1.3 Research Objective

The objective that writer wants to get from this research are :

1. To analyze the effect of perceive value on the brand preference
2. To analyze the effect of perceive value on purchase intention
3. To analyze the effect of brand preference to customer purchase intention

1.4 Research contributions

This study is expected to provide benefits as following:

1. This thesis will help company to understand the variables that effect perceive value on brand preference and purchase intention for customer.

2. Explain about influence of perceive value on selling the product
3. Contribution for the company to know about the factor of customer decision buying.
4. The result of this thesis aim to be used as consideration for the next research in the same company that relate to perceive value, brand preferance, and purchase intention on buying decision.

1.5 Research limitations

This research will be limited to perceive value, brand preferance, and purchase intention. The outcome of this research will help the company to know what is exactly effect the perceive value on their customer intention to choose their product. This research will be conducted in fast food restaurant, McDonald's Padang.

1.6 Research Outlines

This thesis is prepared using the following systematic:

CHAPTER I : INTRODUCTION

Contains background and formulation of the problem, the objectives to be achieved, the benefits of the research, and writing systematic thesis is used.

CHAPTER II : LITERATURE REVIEW

Contains theories include previous research, concept of experience ,service quality and patient satisfaction in reference supporting and related issues presented, review past research and the research hypothesis.

CHAPTER III : RESEARCH METHODOLOGY

The chapter raised about frame of mind, population, samples, and sampling, the operational definition of variables, sources and types of data and techniques of data collection, and data analysis techniques used. .

CHAPTER IV : RESULTS AND DISCUSSION

This chapter constraint about description of respondent's characteristic, description of items on each variable, validity testing, reliability testing and hypothesis testing.

CHAPTER V : CONCLUSION

Includes conclusion, limitation and recommendations, and then implication of the research.

REFERENCES

ATTACHMENT

APPENDIX