CHAPTER 1
INTRODUCTION

1.1 Background

Nowadays the food and beverages sector has been the spotlight of businesses in Indonesia, including Surabaya. People needs food, it is a primary need, however the lifestyle that influences how people eat changes from time to time. And the behavior of the people also shifted. For example, people may change their behavior from cooking at home to eating outside, which is commonly associated with densely populated cities behavior. Food and beverages businesses have the opportunities and challenges and they need to compete with one another in order to be able to sustain and make profits. So, they must focus on getting more customers.

A restaurant business that wants to grow and have certain competitive advantage over its competitors must be able create and innovation which can result in a better customer's service towards its customers, which may increase the satisfaction of its customers. With the customers feeling satisfied with what they purchased, it will invite them to come back in the future.

To grow, restaurant businesses must be able to increase their revenue by making sure that their customers are coming back to order foods and drinks, which means repurchase intention must be increased. Customers satisfaction are often linked with repurchase intention, so customers satisfaction could be the way to improve the repurchase intention. And customers satisfaction may be influenced by service quality

and experiential marketing, which means ultimately service quality and experiential marketing may influence repurchase intention.

Hellier *et al*., (2003) defined repurchase intention as a customers' decision to purchase a product or service from the same company by considering the situation. Kotler and Keller (2009) defined customers satisfaction as the happiness or disappointment of the customers after they compare their perception or impression and their expectation with the actual result of the product. According to Kotler (2005) service is an action offered from one party to another without physical form and any interest exchanged. The quality must be started from the needs of customers and ends with the perception of the customers. According to Schmitt (1999) experiential marketing is the effort of a company to market and deliver product in order to offer emotional experience to the customers. Experiential marketing is a marketing effort done by companies in order to deliver their product, so it can give positive reaction towards the product.

Research relating to experiential marketing and relation between customers satisfaction and repurchase intention have been conducted previously. Razi and Lajevardi conducted their research in 2016 about Sense Marketing, Experiential Marketing, Customer Satisfaction and Repurchase Intention in Kaohsiung City, and the result is that sense experience had impacts on satisfaction and repurchase intention.

Research conducted by Gunarathne in 2014 about Relationship between Service Quality and Customer Satisfaction in Sri Lankan Hotel Industry had shown that out of 5 hypotheses about service quality which are measured by tangibility, reliability, responsiveness, assurance and

empathy have positive effect on customers satisfaction, only assurance that isn't supported by the research findings.

Susanti have conducted a research in 2014 about The antecedence of customer loyalty in traditional restaurants in East Java, Indonesia with the result is that product quality, service quality influence customers satisfaction.

This research will analyze the significance of experiential marketing and service quality, and their relationship with customers satisfaction and repurchase intention. These variables are researched because based on previous research, experiential marketing and service quality may influence repurchase intention which becomes the goal of many restaurants to improve, through customers satisfaction.

There are a lot of restaurant and cafes businesses opening up in Surabaya, and most of these new businesses are targeting younger segment of the market. One of them is Warunk Upnormal. Established in 2014, Warunk upnormal tries to fill the needs of cheaper but comfortable hangout place for students, especially university students. They boast their unique indomie instant noodles which they serve with different varieties of sauces, toppings, while being affordable to the customers. Warunk Upnormal is one of the objects that we can use to research about the impacts of service quality and experiential marketing, because they seem to not focus on mainstream way of attracting customers, instead of providing on the foods, they focus more on experience instead. They are relatively new and popular restaurant/cafe business, and they are definitely not offering mainstream foods, since their menu consists of indomie which they sell for about Rp20.000,00 there may be significant factors of service and environment

which help their popularity. So Warunk Upnormal is an excellent object to study about their service and experiential marketing.

1.2 Problem Statement

According to the background explained above we can conclude the following problem statement:

1. Does experiential marketing influence customers satisfaction on Warunk Upnormal in Surabaya?
2. Does service quality influence customers satisfaction on Warunk Upnormal in Surabaya?
3. Does customers satisfaction influence repurchase intention on Warunk Upnormal Surabaya?
4. Does experiential marketing influence repurchase intention through customer satisfaction on Warunk Upnormal Surabaya?
5. Does service quality influence repurchase intention through customer satisfaction on Warunk Upnormal Surabaya?

1.3 Research Objective

According to the background explained above we can conclude the following research objective to analyze the influence of:

1. Experiential marketing on customers satisfaction on Warunk Upnormal in Surabaya.
2. Service quality on customers satisfaction on Warunk Upnormal in Surabaya.
3. Customers satisfaction on repurchase intention on Warunk Upnormal in Surabaya.

4. Experiential marketing on repurchase intention through customer satisfaction on Warunk Upnormal Surabaya.

5. Service quality on repurchase intention through customer satisfaction on Warunk Upnormal Surabaya.

1.4 Significance of Study

The significance of this study should provide both theoretical benefit and practical benefit.

1. Theoretical Benefit

To provide information for further studies about the aspects of experiential marketing, service quality, customers' satisfaction, and customers repurchase intention. Through this research it is hoped that it can be used for further research.

2. Practical Benefit

As an input and or consideration for businesses in a similar field of Warunk Upnormal so they can apply experiential marketing as well as improving their service quality in order to sustain more customers for their business.

1.5 Writing Systems

In order to ease the process of writing in this research there are 5 chapter and they contains information as follows:

Chapter 1. Introduction

This chapter explains the background of the problem, problem statement, research objective, significance of study and writing systems.

Chapter 2. Literature Review

This chapter explains the previous study, theories about experiential marketing, service quality, customer satisfaction, repurchase intention, the relationship between those variables, as well as the research framework and hypothesis.

Chapter 3. Research Methodology

This chapter explains the research design, variable identification, operational definition, variable measurement, type and sources of data, data analysis technique, population, sample and sampling technique, and data analysis technique.

Chapter 4. Analysis and Discussion

This chapter explains the object of research, data description, data analysis and the discussion of the results.

Chapter 5. Conclusion

This chapter contains the result of this research, suggestion, and the problem solving which is expected to help academic purpose and the company.