

## CHAPTER 1

### INTRODUCTION

#### 1.1. Research Background

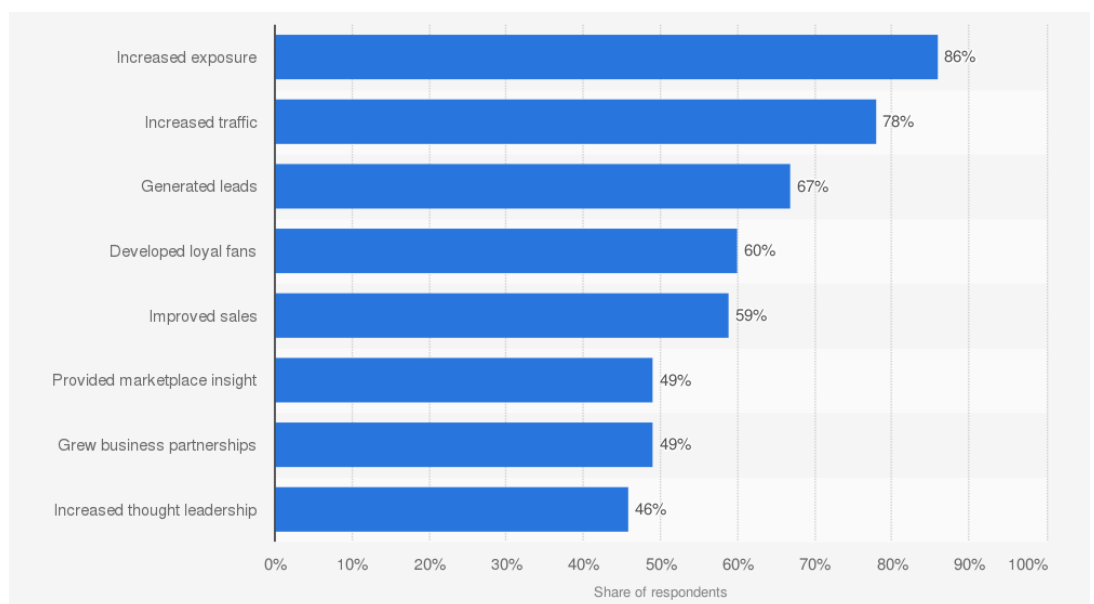
Historically speaking, new and emerging technologies – from steam engine to World Wide Web, has always find itself in the forefront of big companies as they were able to give them some edge to gain competitive advantage. Yet, ever since the web technologies (social networking, collaborative content creation and other web-based environment technologies), their development has always been firmly dictated by market demands and trends of society. Especially, personal use of technology instead of business use (Creese, 2007). Since the invention of the internet and World Wide Web (www) corporate dan businesses had tried to harness its capability as means of communication, collaboration and collection instead of just online information storage & sharing platform. This phenomenon created a new term dubbed “*Web 2.0*” first coined by Jupiter Media (2007) which they defined as “*A second generation of world wide web ... focused on the ability for people to collaborate and share information online ... with an emphasis on web-based communities of users*”. This means companies are shifting its focus when communicating online toward their customers and communities instead of themselves as. Which laid the foundation of social media: Connection, Flexibility & Communication (Creese, 2007; O’Reilly, 2005)

Social Media is arguably the “*evolution*” of Web 2.0. It is arguable that social media is a platform built upon the web 2.0 concepts & technologies with the purpose to create a dynamic space where user-generated content could be further explored without boundaries (Kaplan & Haenlein, 2010). Thus, social media and Web 2.0 together shifted the role of user who was a mere consumer to user as participant – allowing multiple creator and interactive engagement, making social media as an Ideal platform to foster relationship amongst its user (Obar & Wildman, 2016)

Since its first appearance in Indonesia – back in 2008, social media has gained massive foothold among Indonesian internet users. According to a recent Hootsuite survey published in January 2020, 160 million people – 59% of total population, accessed their social media account with an average of 3 hours 26 minutes daily screen time. (Hootsuite, 2020). The data shows that social media has immersed itself into the life of society and played an integral part of modern society. Due to its massive impact and its ability to reach any part of society, businesses started to see social media's potential as a marketing vehicle to promote their products and services. A survey conducted by Statista®, published recently in July 2020, shows 59% of respondents agreed that social media marketing could improve sales in terms of either increased sales volume or improved pricing schemes. Figure below provides further detail of the survey.

Figure 1.1. Leading Benefits of Social Media Marketing

Source: Statista® (2020)



This claim is backed by numbers of studies that had previously elaborated why social media has tremendously changed how companies and their brands interact with their customers and even shaped trends of how business is digitally conducted. (Obar & Wildman, 2016). With higher level

of interaction allowed in social media, customer - in this case social media user that act as a participant, could take part in generating additional values by creating their own “*content*” namely: becoming brand advocates, as well as influencing other customers purchase behavior through electronic word-of-mouth. (Bruhn et al., 2012; Godey et al., 2016) Thus, transferring the power of shapes colors and images of brands to customers’ connections and contents.

During the covid-19 pandemic that started earlier this year, food & beverage restaurant has taken a huge toll since. The Jakarta post reported among more than a dozen cities affected, Surabaya in East Java and Bali were the two cities with the biggest fall in daily earnings. In some days restaurants in Surabaya lost as much as 26% of their daily earnings during the pandemic. This number also includes premium restaurants, since most of their buyer chose to stay at home instead of dining out due to strict health and safety measures imposed by local government. (The Jakarta Post, 2020).

Domicile’s Kitchen & Lounge is one of Surabaya’s Top premium restaurant, located in Gubeng Vicinity, Central Surabaya. It is even listed in CNN travel’s top 10 premium restaurant in Surabaya back in 2018. As premium restaurant Domicile’s Kitchen & Lounge serves broad varieties of delicacies from entrée, desserts, and snacks, mainly in western or European style. It charges IDR 50,000 to IDR 110,000 for snacks and sandwiches, IDR 350,000 to IDR 1,200,000 for meat-based grill and IDR 65,000 to IDR 325,000 beverages. Average person in 2019 spent about IDR 350,000 to 550,000 in single dining (TripAdvisor, 2020). According to Atmodjo (2005) and Soekresno (2000), a premium restaurant is indicated by average customer spending of more than IDR 400,000 in a single dining. Thus, Domicile’s Kitchen & Lounge is considered as premium restaurant.

<div> <div>KITCHEN LOUNGE</div> <div><b>DOMICILE</b></div> </div>			
• SALADS & SANDWICHES •		<div> <div>OUR CHEFS GRILL</div> <div> <div>250 Gr Half Chicken</div> <div>120</div> </div> </div>	
Caesar Salad Classic	55	160 Gr Deep Sea Seabass	350
*Additional Chicken	30	200 Gr Norwegian Salmon	220
*Salmon	45	300 Gr Lamb Chop	260
*Prawns	45	250 Gr Beef Rib Eye	320
Tuna "Niçoise"	75	200 Gr Black Angus Tenderloin	320
Poached Beans and Potato, Anchovies, Cherry Tomato, Black Olive, Capers, Crisp Lettuce, Garlic Croutons		250 Gr Sirloin Wagyu	350
Liberico Salad	90	Premium US T-Bone	100/100gr
Iberico Shaved, Caramelized Pineapple, Mesclun & Kale, Cranberry & Walnut Salad		Seafood Mixed Grill	600
Smoked Cured Norwegian Salmon	80	Meat Mixed Grill	800
Capers, Cucumber, Melon, Tomato, Lemon Dressing, Dill Yogurt & Mesclun Salad		Jumbo Mixed Grill	1200
Parma Ham & Roasted Chicken	90		
Brioche, Chicken, Fried Egg, Parma Ham, Mayonnaise & Truffle Fries			
Smoked Salmon & Creme Fraiche	80		
Loaf Bread, Smoked Salmon, Cream Cheese, Quail & Fries			
Parma Chicken Marmalade	80		
Parma, Grilled Chicken, Saute Spinach, Sundried Tomato, Marmalade & Truffle Fries			
Salmon Poached Egg Braise	110		
Bread, Seared Salmon, Spinach, Poached Egg & Hollandaise			
Mediterranean Vegetarian Panini	80		
Panini, Saute Seasonal Vegetable, Tomato & Parmesan Cheese			
***** APPETIZERS *****		<div> <div>OVEN AND POTS</div> <div> <div>Puff Pastry Salmon</div> <div>165</div> </div> </div>	
Herbs Beef Carpaccio	90	Wagyu Cheese Burger	110 / 170
Shrimp, Balsamic Emulsion, Parmesan Chips		with Mushroom Cream and Bacon	(single/double)
Salmon & Spinach Souffle	95	Grilled Wagyu Beef & Gnocchi	185
Bernaise & Truffle Cream, Tomato Basil		Medium Seared Wagyu Sirloin, Butter Potato Gnocchi, Truffle Infused Saute Mushroom, Parmesan Butter	
Pan Seared Foie Gras	125	Braised Beef	135
Apples, Beurre Blanc, Toasted Brioche and Walnut Rustic Bread		with Mushroom Potato and Fine Herbs	
100gr of Jamon Iberico Bellota Ham	200	Duck Confit	110
Rock Melon, Tomato and Toast Focaccia Bread		with Rucola, Onion Garlic Rosemary Potato	
Cucumber Glazed Lentils Baked Salmon	90	Pan Roasted Snapper	150
Teriyaki Sauce, Kale & Carrot Oil		Potatoes Crust, Saffron Turned Potatoes, Chardonnay Lemon Cream Reduction, Edamame and Spinach	
Parma Ham	120	Stuffed Chicken	130
Rack Melt, Balsamic Reduction and Fresh Mesclun		with Ricotta, Baby Spinach and Almond Herb Crust, Roasted Potato and Saute Mushroom	
***** SOUPS *****		Baby Back Pork Ribs	220
Roasted Chicken with Tomato Basil	70	with Hickory BBQ, Pure Potatoes, Apple and Red Cabbage Celeriac	
White Truffle & Mixed Mushrooms Cream	70	Smoked Barbecue Short Ribs	120
Zuppa Puff	70	on Butter Parmesan & Mushroom Tomatoes	
Freshly Baked Sweetcorn Cream, Smoked Chicken & Puff Pastry		Homemade Abon Snapper XO Fried Rice	95
Tom Yam Goong	75	with Lemongrass Fish Scented Lard	
***** PASTA & RISOTTO *****		Domicile Signature Baby Back Pork Ribs	130
Aglio Olio	70	Homemade Black Ink & White Fettuccine, Seasonal Vegetables	
* Chicken, Sausages, Tuna	85	Braised Beef Ribs	240
* Salmon	95	Seasonal Vegetables, Roasted Celeriac and White Truffle Oil	
Spaghetti a la Carbonara de Saumon	95	Smoked Crackling Beef Ribs	215
at Petite Crevettes		Corn Marmalade, Mushroom Fondue, Alfalfa Sprouts	
Spaghetti Bolognese	85	Grilled Salmon & Snapper	175
Baby Back Pork Ribs Ravioli	85	Lemon Sole, Cucumber, Honey Yogurt, Carrot, Avocado, Corn Salads, Pasta Potato	
with Sage Brown Butter and Parmesan Cheese		Oatmeal King Prawns	140
Carbonara Tagliatelle	90	Sautéed Eggs, Curry Leaves, Bird Eye Chili, Capsicum, Lemon and Jasmine Rice	100
Lasagna Mushroom and Spinach	85	Chicken Piccata	95
Lasagna Bolognese	85	Parmesan Crusted Chicken and Garlic Lemon Butter, Potato Tent, Asparagus, Broccoli and Garlic Roasted Cauliflower	
Angel Hair with Mushroom and Beef Ribs	85	8 Hours Slow Braised Beef	
Black Ink Fettuccine Seafood White Cream	90	in house grade, Coconut Grated, Bird Eye Chili, Long Bean, and Grilled Rice	
Spaghetti Medium Seared Wagyu Sirloin in Rendang Gravy and Garlic	95		
Tortellini Mushroom	90		
White Truffle Cream and Parmesan Cheese			
Spaghetti Carbonara with Crisp Pork Belly	95		
Seafood Risotto	95		
Mushroom Risotto	95		
		<div> <div>PIZZA</div> <div> <div>Mozzarella &amp; Basil</div> <div>80</div> </div> </div>	
		<div> <div>FRITTERS &amp; BITES</div> <div> <div>Calamari</div> <div>50</div> </div> </div>	
		<div> <div>PASTRY</div> <div> <div>Baked Alaska</div> <div>90</div> </div> </div>	
		<div> <div>LUNCH EXPRESS</div> <div> <div>Pan Roasted Herbs Chicken</div> <div>75</div> </div> </div>	
		<div> <div> <div>Mushroom Gravy, Garlic &amp; Basil Butter Fragrant Rice</div> <div>75</div> </div> </div>	
		<div> <div> <div>Beef Yakimiku With Jasmine Rice</div> <div>75</div> </div> </div>	
		<div> <div> <div>Spicy Shrimp and Chicken Fried Rice</div> <div>75</div> </div> </div>	
		<div> <div> <div>Pad Thai, Shrimp, toasted nuts, carrot, leeks, bean sprout, rice noodle, shallot, palm sugar</div> <div>80</div> </div> </div>	
		<div> <div> <div>Beef Bulgogi Fried Rice</div> <div>85</div> </div> </div>	
		<div> <div> <div>Javanese Style Oxtail Soup</div> <div>85</div> </div> </div>	
		<div> <div> <div>Fried Half Duck</div> <div>75</div> </div> </div>	
		<div> <div> <div>Kungpao Chicken</div> <div>75</div> </div> </div>	
		<div> <div> <div>served on 11 am to 04 pm</div> </div> </div>	
		<div> <div> <div>All Price are in Rp.1.000</div> </div> </div>	
		<div> <div> <div>Price are subject to 3% service charge and 10% government tax</div> </div> </div>	

Figure 1.2: Domicile's Kitchen Price List (2019)

Source: <http://www.domicile-sby.com>

Compared to its rivals such as The Goods Dinner (TGD), and The Socialite (TSL), their main competitor in the industry Domicile's Kitchen & Lounge (DKL) has shown clear advantage by having more content posted and twice the followers. DKL has 1,338 content posts, while TSL and TGD has 1,310 and 102 posts respectively. In terms of followers, DKL has clear advantage by having around 16,400 accounts while TGD and TSL only has 8,211 and 5,597. Figure below summarize DKL advantage in SMMA.

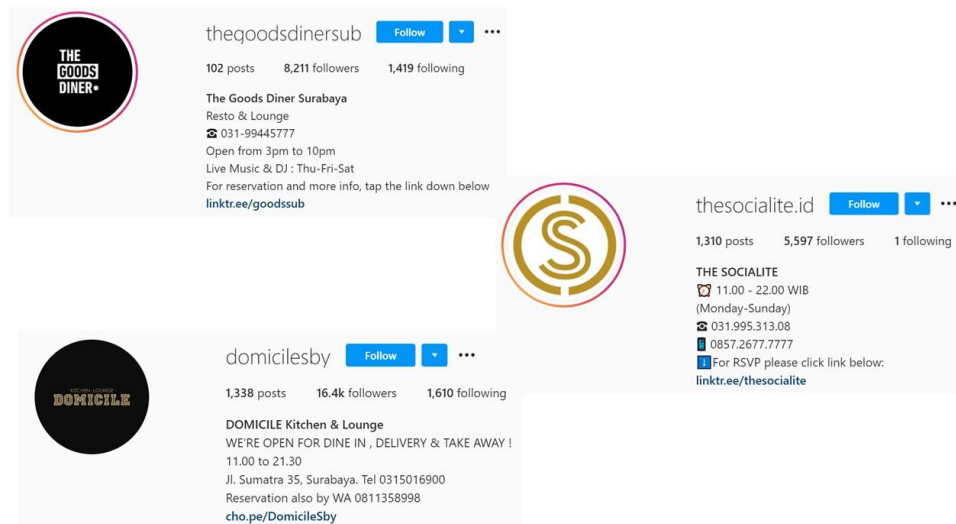


Figure 1.3: Social Media (Instagram) account comparison

Source: Instagram

As main player in delicacies and premium food it's not immune to economic turmoil caused by covid-19. To stay afloat in the times of crisis Domicile's Kitchen and Lounge relies on its ability to charge premium price for its menu. It is hard to not noticing that during crisis, Domicile's Kitchen & Lounge did not make any price cut as its survival strategy. Instead, they offer to add value to its product & services but charging relatively similar price. Around IDR 75,000 to IDR 350,000 per meal. This raises the question, where does this ability to charge higher prices come from? And why people are willing to pay such a price in times of crisis just to eat?

Social Media Marketing Activities (SMMA) is defined as all marketing activities that utilises or related to social media platforms (Kim & Ko, 2012) and generally divided into 2 groups – *Paid* and *Organic*. *Paid* SMMA is when marketers have to pay some amount to be able to achieve their objective such as advertising and endorsement. While *Organic* SMMA is when marketers have to do all the work by themselves (Casey, 2017). This study is aimed to analyse *Organic* SMMA. Social media itself has continuously growing popularity. Globally speaking, social media screen time has constantly growing from 90 minutes daily in 2012 to 153 minutes daily in 2019 (BroadbandSearch.net, 2020). A massive 70% growth or 1

hour 3 minutes increase of screen time between 7 years of time. Making social media an ideal platform for marketing activities especially for gaining social exposures without direct physical Contact. Thus, making Social Media Marketing Activities crucial in surviving COVID-19 pandemic where people are highly restricted to make physical contact. Especially for a premium restaurant such as Domicile's Kitchen & Lounge.

Brand Image is defined as an embedded physical structure within one's mind related to certain establishment (Kapferer, 2008). In luxury products, brand image plays an important role especially in shaping customer perception on company's reputation, service offering capability, and product solution (Anselmsson et al., 2014; Bondesson, 2012). Therefore, brand image is inherently aligned with Domicile's Kitchen & Lounge nature as premium restaurant in conveying messages or positioning themselves in customer's mind.

Based on that case, the author decided to conduct a study analysing Domicile's Kitchen & Lounge ability to charge premium price towards its customer. The author argues that the ability to charge premium price comes to Domicile's superior Social Media Marketing Activities (SMMA) which allows it to communicate effectively towards its customers and audience. Therefore, boosting its Brand Image which influence its customer willingness to pay premium price. This study is created to analyse how SMMA influence Domicile's Kitchen & Lounge customer willingness to pay Premium Price which mediated by Brand Image.

## **1.2. Research Questions**

- a. Does Social Media Marketing Activities significantly affects Domicile's Kitchen Brand Image?
- b. Does Social Media Marketing Activities significantly affects Domicile's Kitchen Price Premiums?
- c. Does Brand Image significantly affects Domicile's Kitchen Price Premium?

- d. Does Brand Image Mediates Social Media Marketing Activities relationship with Price Premiums

### **1.3. Research Objectives**

- a. To analyse the effect of Social Media Marketing Activities towards Domicile's Kitchen Brand Image
- b. To analyse the effect Social Media Marketing Activities towards Domicile's Kitchen Price premiums
- c. To analyse the effect Brand Image significantly towards Domicile's Kitchen Price premiums
- d. To analyse the mediation effect of Brand Image towards Social Media Marketing Activities (SMMA) and Price premiums on Domicile's Kitchen

### **1.4. Research Significance**

#### **1.4.1. Academic Significance**

This study aims to contribute in the academic world in form of giving better pictures and hopefully harder evidence on how social media marketing dynamics influence customer willingness to pay premium price.

#### **1.4.2. Practical Significance**

The author believe that his study will benefit:

- 1. Particularly for Domicile's Kitchen management and other High-end restaurants to create a better social media marketing to reach their customer, especially those who are willing to pay premium price
- 2. Other culinary industries, especially for those who wants to enhance their brand image through social media marketing.

### **1.5. Writing Systematics**

This study is written based on Widya Mandala's standards of writing systematics which further elaborated below:

#### **CHAPTER 1: INTRODUCTION**

This part of the study is discussing the general outline of the study which includes: Research background, research questions, research objectives, significance of the study, and the writing systematic.

#### **CHAPTER 2: LITERATURE REVIEW**

This chapter will discuss the underlining theories and other supporting literature that shape the author framework in conducting the study. Which are previous researches, and relationships between variables, and research framework.

#### **CHAPTER 3: RESEARCH METHOD**

This chapter will discuss the technical aspects in carrying out the research activities which includes research design, identification of variables, operational definitions, types and sources of data, data collection methods, population, sample, sampling technique, data analysis technique, and hypothesis testing procedure.

#### **CHAPTER 4: ANALYSIS & DISCUSSION**

This part mainly discussing about what are the results of this study and generally talks about data display obtained from the results of research, analysis and discussion, testing hypothesis and discussion of research results.

#### **CHAPTER 5: CONCLUSION & SUGGESTION**

This chapter contains conclusions from the descriptions as a whole by including the suggestions considered need.