

CHAPTER 1

INTRODUCTION

1.1 Background

Service industry development in Indonesia has a significant effect in Indonesia's Gross Domestic Product (GDP). GDP from services in Indonesia is IDR 46,530.70 billion in the second quarter of 2018, increases from IDR 45,012.80 billion in the first quarter of 2018 (Trading Economics, 2018). Food and beverage industry are one of the service industries that has a big impact to Indonesia's GDP.

Adhi Lukman, chairman of the Indonesian Food and Beverage Association or can be called GAPMMI says that he is optimistic that the investment target in the food and beverages industry from Indonesia's Industry Ministry will be reached in 2018, where the target is increasing up to 6.7 percent compared to last year. The optimism of Lukman is caused by the high consumption of Indonesia's citizen with the increasing of GDP per capita. Government deregulate some production base to make sure the industry can get raw material supplies easier than before. Another factor that can support the statement is also related to politics which Indonesia has many events held to support the election in 2018 (Indonesia Investments, 2018).

Indonesia's direct investment is gotten from domestic and foreign investor. Indonesia Investment Coordinating Board (BKPM) shows the data that 40 percent of total Indonesia's direct investment is owned by foreign investors. There are many foreign companies that interested to invest in Indonesia although Indonesia has a strict regulation. Most foreign investors only set up one production line in Indonesia because the facilities are part of their international production chain (Indonesia Investments, 2018).

One of the famous foreign food restaurants in Indonesia is fast-food restaurant. The development of fast-food restaurant in Indonesia is rapidly increasing because of its simple and fast ready food to consume. The biggest target markets of fast-food restaurant in Indonesia are Jakarta, Bandung, Surabaya, Bali, etc. Based on the survey that conducted by Jajak Pendapat (2016) with the total respondent of 1,109 people in 2016, the most consumed fast-food restaurant is KFC,

McDonald's, and also Pizza Hut. Most of the respondents often visit the restaurant to order the fast-food (78.95%).

One of the favorite restaurants by Indonesia's citizen is Pizza Hut. Pizza Hut started its business as a simple and small pizza stall and become the biggest food chain restaurant in the world with the total of 5,600 restaurants in 97 countries. The first Pizza Hut restaurant in Indonesia located at Djakarta Theatre in 1984. Pizza Hut now has more than 200 restaurants all over Indonesia (PT. Sarimelati Kencana, 2018) and Pizza Hut's development in Surabaya is rapidly growing, which can be noticed on the total of Pizza Hut's outlets in Surabaya. This is because Pizza Hut wants the customers easier to reach it whether in mall outlets or in the restaurants. Surabaya has 15 outlets and restaurants of Pizza Hut.

Pizza Hut's value is "We create food we're proud to serve and deliver it fast, with a smile". There are four based values that the Pizza Hut used, first is integrity which means being professional and trustworthy to their partners, customers, and suppliers, second is excellence which is facing the problems to achieve the highest standard, next is company's growth by being the best casual dining restaurant, and the last is benefits for the shareholder by oversee the increasing sales (PT. Sarimelati Kencana, 2018).

In recent years, company is aiming to gain the customers' satisfaction. When the customers feel satisfied with the company's goods or services, the satisfaction itself will lead them to the decision of repurchase intention. This expectation has a big impact on the company sales, the development of goods and services, and also the employee's behavior towards customer. Interaction between the employee and the customers is important because it can gain the customer's trust to the company which is also used by Pizza Hut. Based on Alex and Thomas's study in 2011, the customer experience in restaurants can be measured by three dimensions: the food products, the customer's services, and the experience sold by the company in the restaurant. Good experience of the customers in the restaurant will create a positive value for them.

While buying goods or services, customers also feel they supposed to get a justice from the company. The justice itself started when they look and want to

purchase that product. There are three main types of justice, which are distribution justice, procedural justice, and interactional justice. The first fairness that has been studied is distributional justice and Adams (1965) state that the equity and equality rules have an impact on the distributional justice. All people have the same chance to have outcome equally and have the same opportunity to benefit.

The procedural justice has three kinds based on Rawls (1999:74) on *A Theory of Justice*. Three kinds of procedural justice are: perfect, imperfect, and pure procedural justice. Perfect procedural justice explains that the criteria of fair division defined separately and devise to give desired outcome. Imperfect procedural justice stated that the desired outcome is the defendant. The last, pure procedural justice is a gambling, which the condition that the right result does not have any independent criteria. Interactional justice is defined as the degree that the decisions which affected people's treatment by dignity and respect (Uhl-Bien, Schermerhorn, and Richard, 2014:107).

The observation of this research is to analyse Pizza Hut as one of the fast-food restaurants that has many customers all around Indonesia. Pizza Hut is chosen as an object in this study because its popularity and interactions between the customer and employee which is important when the customers feel that there is any mistake made by Pizza Hut. This study aims to analyse the impact on distributional justice, procedural justice, interactional justice and customer satisfaction in the customer decision to repurchase, with additional the customer satisfaction as a mediator.

1.2 Research Questions

This research wants to analyze about:

1. Does distributional justice have positive and significant effect on customer satisfaction?
2. Does procedural justice have positive and significant effect on customer satisfaction?
3. Does interactional justice have positive and significant effect on customer satisfaction?

4. Does customer satisfaction have positive and significant effect on repurchase intention?
5. Does customer satisfaction mediate the effect of distributional justice on repurchase intention?
6. Does customer satisfaction mediate the effect of procedural justice on repurchase intention?
7. Does customer satisfaction mediate the effect of interactional justice on repurchase intention?

1.3 Research Objectives

The research objectives of this study are to explore:

1. The influence of distributional justice on customer satisfaction.
2. The influence of procedural justice on customer satisfaction.
3. The influence of interactional justice on customer satisfaction.
4. The influence of customer satisfaction on repurchase intention.
5. The role of customer satisfaction as mediator towards the influence of distributional justice on repurchase intention.
6. The role of customer satisfaction as mediator towards the influence of procedural justice on repurchase intention.
7. The role of customer satisfaction as mediator towards the influence of interactional justice on repurchase intention.

1.4 Significance of the Study

1.4.1 Theoretical Significance

This research study hopefully can give benefits:

1. To enrich the knowledge about the customer's behavior towards the perceived justice, customer satisfaction, and repurchase intention.
2. To provide the further study of the influence of perceived justice and customer satisfaction on repurchase intention.

1.4.2 Practical Significance

This research study hopefully can give benefits:

1. To provide information and suggestion for Pizza Hut Indonesia, especially Surabaya about the strategies needed for increasing repurchase intention of the customer.
2. To provide information and suggestion for other similar company about the importance of employee's interaction and company services with the customer according to the perceived justice.

1.5 Writing Systematic

The systematic of this research is mentioned below:

CHAPTER 1. INTRODUCTION

Chapter 1 explains about the background of the study, the research questions, research objectives, significance of the study in academic and practical benefit, and the writing systematic. This chapter aims to explain the problem in the previous research and issues in the recent conditions.

CHAPTER 2. LITERATURE REVIEW

Chapter 2 consists of the theoretical background, previous studies, relationship among variables, hypothesis, and research framework. The variable that will be explained is perceived justice (distributional, procedural, and interactional), customer satisfaction, and repurchase intention.

CHAPTER 3. RESEARCH METHOD

Chapter 3 includes the process of examining the data. This chapter will explain the research design, identification, operational definition and measurement of variables, type and source of data, data collection method, population, sample, and sampling technique, and data analysis.

CHAPTER 4. DATA ANALYSIS AND DISCUSSION

Chapter 4 is the result of the data collected based on the method used. This chapter will explain the respondent characteristics, the research data description, the data analysis, and the discussion based on the hypotheses.

CHAPTER 5. CONCLUSION AND SUGGESTION

Chapter 5 explains the conclusion of the study and the suggestion for further research that can be helpful for customers and researchers that interested in doing the further research.