

CHAPTER 1

INTRODUCTION

1.1 Research Background

Business with a franchise concept is a business concept that is in high demand by new entrepreneurs, especially young entrepreneurs. In Indonesia, the franchise system became known in the 1950s. There are various types of franchises in Indonesia, currently franchises from the food industry have the most outlets and companies compared to other types of industries. It can be seen from the rise of Fast Food food franchises that are present in the surrounding community. Franchises can be divided into two large groups namely Foreign Franchises and Local Franchises. Foreign franchise franchises come from foreign countries and brands that tend to be liked have been accepted in various parts of the world. Meanwhile, Local Franchises are an investment option for people who want to quickly become entrepreneurs but do not have enough knowledge about the start and continuation of the business provided by the franchisor.

The Ministry of Industry noted, throughout 2018, the food and beverage industry could grow 7,91% or exceed the national economic growth of 5,17% (Food and Beverage Industry Becomes the Champion Sector, 2019). This is supported by the existence of a new small company that sells fast food, for example Hisana Fried Chicken and Sabana Fried Chicken whose stores are very widely spread in big cities in Indonesia. The rise of food stalls in Indonesia because many are interested in franchising and there are also those who invite cooperation so that franchise brands are widespread in regions in Indonesia.

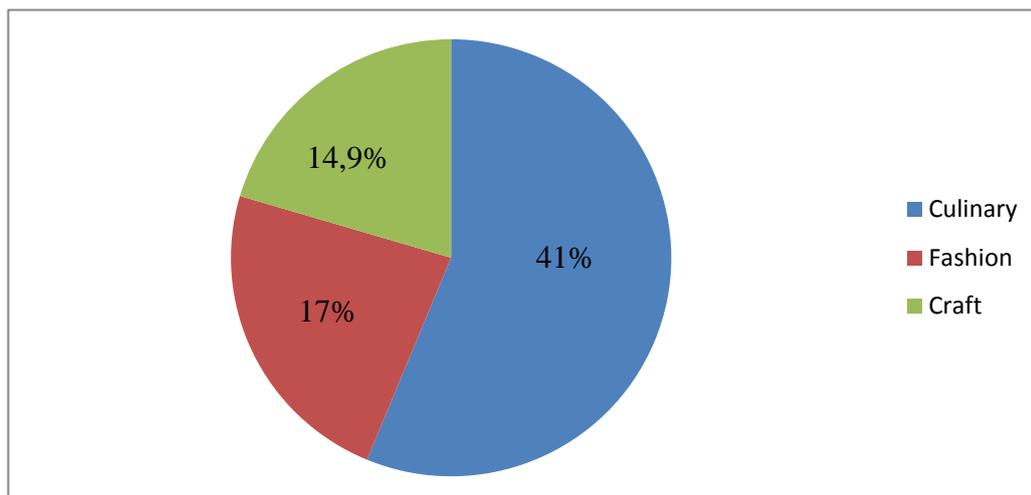


Figure 1.1 Sub Sectors That Make Dominant Contributions Towards Indonesia's 2020 Gross Domestic Product (GDP)

Source : Kompas.Com

The following is Figure 1.1 about the contribution of 3 sub-sectors from 15 sectors that made the dominant contribution to Indonesia's Gross Domestic Product (GDP) in 2020.

Indonesia's Gross Domestic Product (GDP) in 2020 until now is still dominated by the sector in the culinary sector with a contribution of 41%, then followed by the sector in the fashion sector with a contribution of 17%, and the last sector in the craft sector with a percentage by 14,9%

In Indonesia, people's food consumption towards food needs is very high, fast food needs. This can be seen from the average per capita public release per month, where fast food is higher than raw food. The same is true in the city of Surabaya, which means that people are spending more on fast food than is needed in the following table :

Table 1.1 Average Expenditure Capita a Month According to the Goods Group (rupiah) in 2019

Item Group: Food						
No	Type	Amount	No	Type	Amount	Total
1	Cereals	77.945	8	Fruits	25.889	
2	Tubers	5.432	9	Oils & Coconut	16.985	
3	Fish	67.859	10	Beverage Ingredients	15.171	
4	Meat	21.743	11	Other Consumption	6.196	
5	Eggs and	32.924	12	Food and	170.625	

	Milk			Beverage		
6	Vegetables	41.229	13	Tobacco	77.553	
7	Nuts	7.606				
	Amount	254.738			312.419	
	Total Food					567.157

Source : BPS, 2019

Table 1 is the average yield capita expenditure by group of goods in Indonesia. This survey was made by the Central Statistics Agency through the National Socio-Economic Survey (Susenas). Based on the above table, published by the public on food and beverages is 170.625, or higher than raw food.

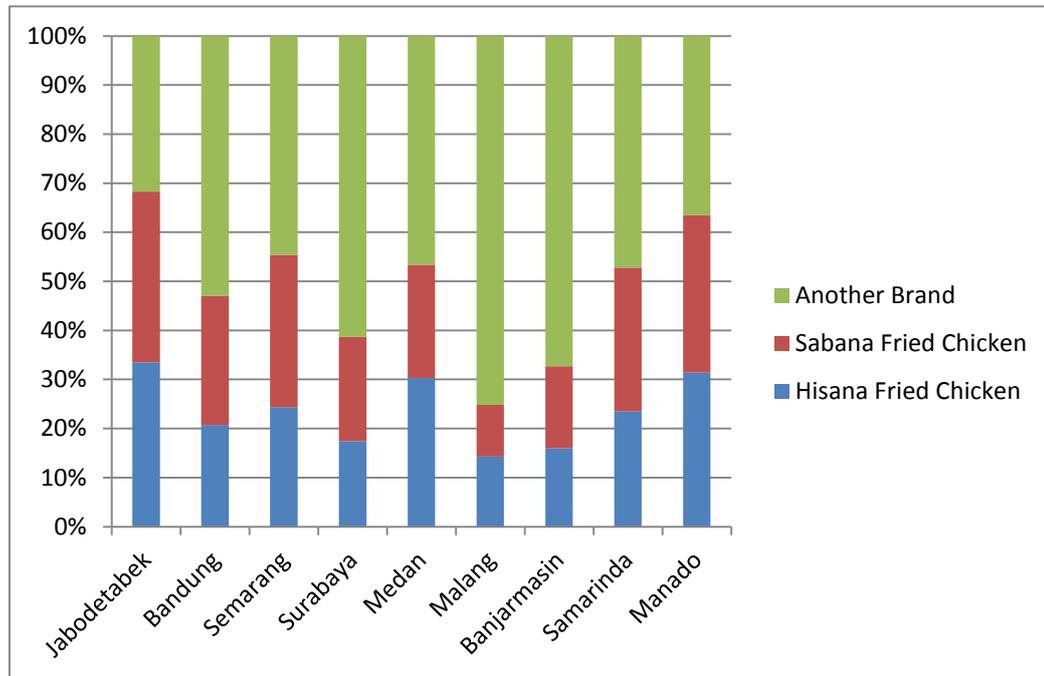
The consumption of ready-to-eat food and beverages makes many companies compete to meet these needs. This is shown in 2017, the growth of the food and beverage industry was 9,23% or higher than the same period in 2016 which reached 8,46%. Aimed as the food and beverage industry is a very strategic sector and contributes to the non-oil and gas industry by 34,33% (Finance.detik.com, accessed 2020).

One of the causes of the increase in consumption of fast food is a change in lifestyle, where current lifestyles require individuals to do more activities outside the home. This makes the people do not have much time to cook their own food. Lifestyle changes generally occur saved by the layers of society who are already married and not yet.

In Indonesia, there are several franchises offering ready-to-use fried chicken products, but at a high enough price. Such as in Indonesia there are MCD and KFC. This price cannot be reached by the middle to lower class. This led to the birth of local franchise brands that also offer similar products, but at relatively affordable prices. Local fried chicken franchises are also easy to find and have a location that is suitable to where consumers live so that the community will be more efficient if you want to buy.

At present many local fried chicken franchises have sprung up. This brings a fairly tight competition between franchises with similar products. Hisana Fried Chicken (HFC) is the first local fried chicken franchise in Indonesia that was established in 2006. Hisana Fried Chicken's market share is currently able to be rivaled by Sabana's Fried Chicken. This can be seen from the market share of Hisana and Sabana in several major cities in Indonesia as follows:

Figure 1.2 Market Share of Hisana and Sabana in Several Major Cities in Indonesia



Source : Franchiseindonesia.or.id/news

In Figure 2 above, from several major cities in Indonesia, Sabana Fried Chicken is able to compete with Hisana Fried Chicken most in every city. This shows that Sabana Fried Chicken is able to compete very tightly with Hisana. As for the city of Bandung, the percentage determines the Sabana Fried Chicken market is able to control 26.3% premises the number of outlets as many as 42 units. The percentage is higher compared to Hisana Fried Chicken which is only able to reach the market by 20.7% with a total of 30 units of outlets. Hisana Fried Chicken Fried Market by Sabana Fried Chicken.

With the current role of technology, it is very helpful in providing information to prospective buyers and increasing brand equity. Social media has now become an important part of doing business in the digital age. Opportunities to participate in social media can also have an influence and help achieve business and marketing goals. Using social media will make it easier to promote these food products. So customers will get to know the brands and products of the franchise. Eventually competition arises between franchise brands. They compete by using their strategy by advertising their products to achieve good brand equity so that customers will be attracted. By researching brand equity on Hisana Fried Chicken

see how much influence brand equity has on social media brand communication so that want to buy Hisana Fried Chicken products and find out what factors have the most influence from the dimension of brand equity, see them beat competitors with product differentiation that continues to be launched, also see why their products are still in demand even though many new brands have emerged, and can also see business actors in building long-term relationships with their consumers in order to increase the brand equity of the product owned.

In this study, the basic theory used in this research is marketing communication, which is related to the decision-making process and also has a relationship in the marketing mix, namely promotion and product. Marketing communication in this case is social media. The authors will use several variables, namely social media brand communication, brand equity, and repurchase intention. And also see e-WOM through social media which can provide reviews of products that have been purchased or used, also provide recommendations to consumers on experiences that have been obtained and can provide information about new products that other people don't know. And the existence of social media is a tools for business people to see the development of their products because social media is the widest place for word-of-mouth because many consumers are active on social media so that they contribute to their products. The theory that underlies repeated purchases due to seeing the experience of the customer towards purchasing the product so that it will disseminate information that the product is good for consumption. So that social media is used as a more efficient dissemination of information at a much lower cost..

Based on the results of previous research, Brand Awareness as a tool used to promote or market a product or service that is owned can be seen how much consumers know the product they have. The right advertising and marketing strategy is a step you can take to create brand awareness. In creating brand awareness, many companies are utilizing digital marketing with social media as a platform that is currently becoming a consumer attraction. Perceived quality is defined as customer satisfaction with the products and services provided to consumers, an assessment of what is important to the customer involved. After recognizing and remembering the brand name, a successful strategy should be

able to make customers or consumers interested in using a product and repurchasing or reusing it. When consumers feel comfortable with a product or service from a brand, they will have the loyalty to always buy products or services from that brand. Brand Association is all that has to do with the memory of the brand. The brand experience felt by consumers can shape one's behavior towards the brand and will also be easy to remember because it is attached to consumers.

With the current role of technology, it is very helpful in providing information to prospective buyers and increasing brand awareness. There are several social media marketing tools used by Hisana Fried Chicken in promoting its products, such as through Instagram and Facebook. So customers will get to know the brands and products of the franchise. Eventually competition arises between franchised brands. They compete by using their strategy by advertising their products to achieve good brand equity so that customers will be interested.

Social media as a business competition is quite fast, social media also attracts a lot of attention from consumers so that it attracts attention to researchers to see such huge developments, especially seeing challenges as well as opportunities for brand equity that a company or business has in maintaining its business. Many consider that brand equity is valued by the money invested, but brand equity is defined as how a company communicates with its products or services by marketing the product by word of mouth using social media, because social media is a medium very much used by people to connect with each other.

By using social media, brand communication will spread very widely beyond the control of the company. It can be seen that the communication generated by users on social media is a form or way of communicating about the perceived brand, while brand communication carried out by the company is a form that companies do in building their own brands. The difference between these two is that there is control from the company to firm-created brand communications, while user-created brand communications are independent, cannot be controlled by the company. For example, user-created communications via the Instagram social media application, satisfied consumers will notify their relatives or colleagues of the products offered by a company, and the company cannot control this incident.

With good brand communication, strong brand equity can be created. Customers will choose products that contain attributes they believe are relevant to what they need and maybe because they have such experience with the brand that gained their trust to purchase products from one's brand, thus brand equity is very crucial. Strong brand equity means that the customers will put the brand in their mind at the first place, remember the brand positively and will have an improved perception of the quality of the brand because they feel satisfied with the past purchase and become loyal to the brand. Thus, the customers will most likely repeat the purchase.

1.2 Research Problem :

This research will analyze about:

1. Does Firm-Created Social Media Brand Communication have a significant influence on Brand Equity of Hisana Fried Chicken Surabaya?
2. Does User-Generated Social Media Brand Communication have a significant influence on Brand Equity of Hisana Fried Chicken Surabaya?
3. Does Brand Equity have a significant influence on Repurchase Intention of Hisana Fried Chicken Surabaya?

1.3 Research Objective

The objectives of this research are to investigate :

1. To analyze the effect of Firm-Created Social Media Brand Communication on Brand Equity of Hisana Fried Chicken Surabaya.
2. To analyze the effect of User-Generated Social Media Brand Communication on Brand Equity of Hisana Fried Chicken Surabaya.
3. To analyze the effect of Brand Equity on Repurchase Intention of Hisana Fried Chicken Surabaya.

1.4 Significance of the Study

The benefits in this study are as follows :

1.4.1 Theoretical Benefits

The benefits that can be obtained for writers and readers are about the knowledge of the influence of social media brand communication in building good and effective brand equity so that it makes customers will repurchase the product.

1.4.2 Practical Benefits

The benefit that can be received from this research is to help Hisana Fried Chicken understand social media brand communication materials on the aspects contained in brand equity and purchase intention so that companies can improve and implement field practices and will get more effective benefits in product marketing.

1.5 Systematic of Writing

Systematic of this research is mentioned below:

CHAPTER 1 : INTRODUCTION

This chapter discusses of research background, research problems, research objectives, benefits of the study, and systematic of writing.

CHAPTER 2 : LITERATURE REVIEW

This chapter discusses literature review, namely theoretical foundation, previous research, hypothesis development between variables, and research framework.

CHAPTER 3 : RESEARCH METHOD

This chapter describes the research methods used in conducting research, which contains several aspects, namely research design, variable identification, operational definition, variable measurement, type and sources of data, tools and data collection methods, population, sample, and sampling techniques. , and also data analysis.

CHAPTER 4 : DATA ANALYSIS AND DISCUSSION

This chapter describes the results of the data obtained, some of the data that have been tested, hypothesis testing, and discussion of the results of the research.

CHAPTER 5 : CONCLUSION AND SUGGESTION

This chapter describes the conclusions obtained from the data that has been researched and provides suggestions for future research.