Strategy of Increasing Repeat Purchase in Restaurant Companies: Study in Bandung City, Indonesia

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ABSTRACT

Bandung city has culinary tourism varying and scattering in various locations. The growth of restaurants in this city increases every year, thereby causing tight competition in restaurant business. Therefore, the decrease in repeat purchase is one of the effects of tight competition. This study aims to identify and examine the strategy of increasing repeat purchase by using SWOT and PEST analyses in restaurant companies in Bandung to assess the change of environment and make a new strategy of increasing repeat purchase. This study used qualitative method, as well as primary and secondary data. Primary data sources were obtained through non-participant observations and interviews of restaurant staff and customers in Bandung. Secondary data sources were obtained on the basis of previous research results, journals and books related to the study topic. Results show that restaurant companies in Bandung can apply certain strategies, especially the quality control and optimisation of technology. Strategies that can increase repeat purchase are word-of-mouth strategy, optimisation information technology and customer relationship strategy.

Keywords: repeat purchase, restaurant, strategy, Bandung City

1.   INTRODUCTION

Although Bandung's tourism ranking is fifth in Asia Pacific and 21st in the world, it is one of the favourite tourist destinations in Indonesia (CNN Indonesia, 2015). The city can attract tourists because it is scattered in various locations. On the basis of the data from the Association of Indonesian Hotels and Restaurants (2017), the number of restaurants in Bandung has reached 310. Thus, Bandung has great potential and opportunity to increase economic contribution, labour and export results.

Modernity with technological advances can lead to intense competition in gaining and retaining customers. Utami and Jatra (2015) found a phenomenon that occurs in restaurants, that is, the presence of customer complaints, such as long wait for food service, poor responsiveness of employees and misinformation about operational hours. According to Restofocus.com (2014), the most frequent complaints are long wait for orders, wrong orders, foreign objects in dishes served, inappropriate tastes and unfriendly employees.

Customer retention reflects the low number of customers who leave products from a

company. Damiri (2018) found a strong correlation on CRM and service quality to customer retention in the culinary subsector of the culinary industry. However, the study obtained repeat purchase, which is a dimension in customer retention and has the lowest score with an average of 3.31 respondents.

In view of the aforementioned results, analysing external and internal factors is necessary. The current study is expected to assist companies in developing their products based on their knowledge, thereby understanding customer needs and desires to increase repeat purchase.

2.   LITERATURE REVIEW

'Strategy' is a key word for all companies to compete with similar companies on the basis of internal performance or external companies (Raharja, 2017). Strategy is a tool for achieving long-term goals. Business strategies may include geographic expansion, diversification, acquisition, product development, market penetration, business reduction, divestiture, liquidation and joint venture. Strategies are potential actions that require top management decisions and several enterprise resources. Moreover, strategies affect the long-term prosperity of companies, especially for five years, as well as orientation for the future (Rivani, 2017).

Dharmmesta and Handoko (2000) defined repeat purchase as purchases made on the same product or service that are reordered for the second or third time. Cleland and Bruno (in Bilson, 2003) found that consumers consider two factors in repeat purchase, namely, price and non-price factors. Product factors are the attributes directly related to products, such as brand, durability, attractive design, prestigious product and selection of product according to need. By contrast, non-product factors refer to product supplies that are available and easily obtained. When customers consider repeat purchase on non-price factors, companies must conduct an external analysis.

2.1   PEST Analysis

Gupta (2013) stated, 'The underlying thinking of the PEST analysis is that the enterprise has to react to changes in its external environment. This reflects the idea that strategy requires a fit between capabilities and the external environment and so it is necessary for an enterprise to react to changes'. Jones (2001, cited by Raharja, 2017) defined organisational environment as 'the set of forces surrounding an organisation that has the potential to affect the way it operates and its access to scare resources'.

According to CIMA (2007), PEST analysis is the scanning of the external macro environment in organisations' place. The analysis can be used to evaluate the growth of the market, as well as the position and direction of businesses. The PEST factors according to Gupta (2013) are as follows.

2.1.1   Politics

Gupta (2013) stated, 'The political sector of the environment presents actual and potential restrictions on the way an organisation operates. These restrictions can take the form of laws which require or prohibit certain actions, regulations which interpret and detail laws, or avenues for reporting relationships and oversight functions'. Thus, the political sector finds that

regulations can be used in policies and public administration in a country, including policy-related economic or organisational behaviour. Such regulations must be adhered to by all companies. Government legislation can prevent distortion types and encourage companies to create environment business. In CIMA (2007), political factors include government regulations, such as labour laws, environmental regulations and policy-related taxes.

2.1.2   Economy

Gupta (2013) further stated, 'Local conditions can moderate or deepen the effects of national economic trends'. Such statements indicate that changes in every economy sector affect the overall economy rate. Economic trends remain stable and strong during financial turmoil and global economic slowdown; thus, such trends may be the key to economic success. Capital cost and purchasing power of organisations may also be affected (CIMA, 2007).

2.1.3   Social

Social factors have an important effect on market development. Gupta (2013) stated, 'The impact of the social sector is felt in changing needs, tastes and preferences of consumers, in relation with employees and in the expectations of society about how an organisation should fulfil its citizenship role'. Therefore, changes in the social sector require companies to make changes according to the expectations and needs of the current society. Social factors include population growth, age demographics and attitudes towards health (CIMA, 2007).

2.1.4 Technology

Technology cannot be separated, even one part of its process, in company activities. Gupta (2013) said, 'Technology refers to the means chosen to do useful work'. Thus, technology is related to a tool, which is a science knowledge used to support and improve company performance. Technology can reduce companies' operational costs, and the output can be further increased. Technology can facilitate enterprise management to interconnect and communicate. Meals served can be in accordance with company standards.

On the basis of these four aspects, restaurant companies must analyse the overall external changes to adapt to their changes. Mashhadi and Ijaz-Ur-Rehman (2012) conducted a study on the fast food industry and found that economic, social and technological factors have significant values. Thus, PEST factors can develop and retain long-term potential customers as the key to the survival and growth of restaurant companies.

2.2   SWOT Analysis

Companies who want to maintain business continuity should balance internal and external strategies. SWOT analysis is a preliminary decision-making tool that sets the stage for this work (Gretzky, 2010). Thus, before determining strategies, the first step is to determine companies using SWOT analysis. Gretzky (2010) defined this analysis as 'an examination of an organisation's internal strengths and weaknesses, its opportunities for growth and improvement and the threats external environment presents to its survival'. SWOT is an approach to assess internal and external factors of companies that affect their deterioration.

Corporate strategic decisions must consider internal factors, such as strengths and weaknesses, and external factors, such as opportunities and threats (Rangkuti, 2004). Fahmi (2013) required

the following factors to further analyse SWOT.

2.2.1 External Factors

These factors are related to the conditions that occur outside companies and affect corporate decisions. Moreover, such factors involve the industry and macro business environment, as well as economy, politics, law, technology, population and sociocultural factors.

2.2.2 Internal Factors

These factors relate to company conditions that affect corporate decisions, functional management, marketers, finance, operations, HR, R&D, management information systems and corporate culture.

Ferrel and Harline (2005) found that the function of SWOT analysis is to obtain information and separate it to internal and external issues. The main issues that must be considered in conducting SWOT analysis according to Ferrel and Harline (2005) are the following.

a.   Internal Potential Strength

Strength tends to resources and abilities that can be used as a basis for developing competitive strategies. Internal strengths can be in the possession of familiar names, patent processes, low prices, brand image, marketing skills, product quality, alliances, good distribution and committed employees.

b.   Internal Weakness Potential

Weakness is associated with conditions and shortcomings that must be improved according to customer needs. Internal weaknesses may include lack of strategic arrangements, limited financial resources and limited distribution.

c.   External Potential Opportunities

Companies should know the opportunities for external changes to help them determine their goals and objectives. External opportunities include opening of overseas marketing, new products and technologies, improved economies and demographic shifts.

d.   External Potential Threats

This problem is related to inhibit factors or threatens the existence of company continuity. These potential threats include foreign competitors, substitutions using new products and diminished consumer confidence.

3.   METHOD

The study method was descriptive analysis with qualitative approach. Data analysis techniques used were PEST and SWOT analyses. Gupta (2013) stated, 'PEST analysis is the most common approach for considering the external business environment. PEST analysis stands for political, economic, social and technological analysis and describes a framework of macro-environmental factors used in the environmental scanning component of strategic management'. This approach can help companies improve their SWOT analysis and determine decision making on selected strategies. Suryatama (2014) argued that SWOT analysis is a method for evaluating strengths, weaknesses, opportunities and threats in a project or business speculation and identifies

internal and external factors that can either support or fail.

The study sample used was medium restaurant companies in Bandung City. Primary and secondary data were also used. Primary data sources were obtained through non-participant observations and interviews of restaurant staff and customers in Bandung. Customers must have made a purchase transaction for at least two times for them to be selected as informants. Secondary data sources were obtained on the basis of previous research results, journals and books related to the study topic.

4.   RESULT AND DISCUSSION

This study analyses internal and external factors to formulate a strategy to increase repeat purchase. The author initially performs an external analysis using PEST. The following are the results of PEST analysis in restaurant companies.

1.   Politics

One of the political factors in restaurant companies is related to government regulations. The number of culinary franchises in Indonesia increased; thus, further technical arrangements regarding restaurants were regulated in the Regulations of the Minister of Trade of the Republic of Indonesia or Peraturan Menteri Perdagangan, Republik Indonesia, particularly, Number 7 of 2013 concerning Development of Partnership in Franchise for Food and Beverage Business Type and Regulations of Minister of Trade of Republic Indonesia Number: 68 of 2012 on Franchising (Adam, 2013). Restrictions made to restaurants include the following. 1) Maximum cafe and restaurant ownership was 250 outlets and retail of up to 150 stores. 2) Establishments exceeding the maximum limit must be franchised or partnered with the equity participation pattern of 30%–40%. This regulation showed governments' alignment to micro, small and medium enterprises and in accordance with the principles of economic democracy (Adam, 2013). Although competition became tight, foreign franchise restrictions were made to encourage the progress of local companies.

2.   Economy

Economic factors can be perceived from various aspects, and each country has a different economic growth. Based on the data from Central Statistics Agency (2017), the economic growth rate (EGR) of Bandung in 2012 experienced growth compared to the previous year. EGR of Bandung fluctuated in 2013–2016. Increasing EGR is not always positive; it can also be caused by the increasing number of residents in Bandung City. However, EGR value in Bandung can be higher than in West Java. Based on Jabarprov data (2017), EGR in West Java in 2016 reached 5.67% (yoy), increasing by 5.04% compared to 2015. Thus, Bandung has high economic contribution to West Java.

CSA Bandung (2017) recorded 742 restaurants in 2016. The growth of restaurants in Bandung fluctuated in 2011–2015 but increased significantly in 2016 by 58.21% from the previous 1.74%. These results indicated that the higher the restaurant growth in Bandung is, the tighter the business competition level in restaurant companies is. The results are in line to Deane's study (in Mashhadi and Ijaz-Ur-Rehman, 2012) that 'A positive correlation was found between income of consumers

and visit of customers to some types of restaurants. Consumers with higher income visit more and more consumers'.

3.   Social

Bandung has higher productive age than non-productive age. CSA Bandung data (2017) showed that 72.2% of the total population have productive age, and the rest (27.8%) have non-productive (under 15 and above 64 years old). This value indicated that most residents of Bandung city has an opportunity to improve society's prosperity if balanced with quality resources. Moreover, the productive age belonging to the millennial generation that perceive restaurant as a new lifestyle, a place to socialise, build relationship and actualise themselves.

4.   Technology

Technology development in the millennial era is growing rapidly. Keusgen (in APJII, 2016) stated that Southeast Asia can be the fourth largest Internet market. Indonesia is predicted to have 215 million Internet users in 2020. With such growth potential, online business in Indonesia can also increase. These developments can have negative and positive effects on the restaurant industry. Go-Jek application is a digital start-up that is rapidly growing along with the successful companies in Indonesia. The application has a 'Go-Food' feature intended for ordering food; however, certain culinary entrepreneurs only do online sales through this feature. Its positive effects can facilitate customers to order their desired food; thus, restaurant companies in Bandung can increase sales through the application.

The results of the SWOT analysis on restaurant companies in Bandung are presented in the matrix, as shown as follows:

Strengths	Weaknesses
• Have raw materials/dishes (quality and premium) • Have a strategic location; easy access to visit • Have a consistent restaurant concept • Have friendly and professional restaurant staff • Restaurant hygiene is constantly kept clean	• Have complaints concerning food taste (non-conformity) • Restaurants are in the middle category; thus, they are expensive for young customers, such as students
Opportunities	Threats
• Increased economic growth • Restaurants not only become a primary need but also a lifestyle • Young or millennial generation as opportunity target on technological literacy to attract and retain customers	• Each restaurant and cafe in Bandung City has distinctive features in attracting customers • Almost all restaurants and cafes set an affordable price standard

Source: Processed from Damiri (2018)

Based on the analysis result, strategies that can increase repeat purchase are as follows.

a. Quality Control

Problems that often occur in restaurants are related to customer complaint associated with food taste. This problem can be managed by the quality control in restaurants, thereby reducing customer complaints.

b. Word-of-Mouth (WOM) Strategy

Bandung has high productive age and almost all restaurant customers involved belong to millennial circles. Restaurant companies can improve their proximity with customers. Therefore, companies must make special promo offers for students, which can indirectly reduce the weaknesses associated with prices. WOM strategy can run simultaneously. Customers who had an enjoyable experience can recommend it to their peers.

c. Optimisation of Information Technology

The increasing number of Internet users in Indonesia provides opportunities for various companies. Restaurant companies can take advantage of this opportunity to maintain business continuity. Companies can endorse deals to food vloggers; such cooperation can contribute to attracting customers. Reviews can change the paradigm of customers to re-visit restaurants.

d. Customer Relationship Strategy

Special attention should be paid to customers in pre- and post-purchase transactions. Restaurant business actors can play as listeners, and customers as the main source. Thus, establishing relationships between them can be balanced and mutually beneficial.

5. CONCLUSION

Companies can execute various strategies to attract customers through WOM and customer relationship strategies. Quality control can also be applied in companies to optimise information technology. The study results are similar to those of Whitelock and Jobber's (2004) and Mashhadi and Ijaz-Ur-Rehman's (2012). Literature shows that the entry decision to any market is considerably affected by political, economic and social conditions.

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