

CHAPTER 1

INTRODUCTION

1.1. Background of the Research

The global coffee industry has experienced rapid growth in recent decades. Coffeeshops are not only places to enjoy coffee, but also a place to study, meeting and work. In Indonesia, this phenomenon is clearly visible with the proliferation of coffee shops in various large and small cities. As a coffee producing country, Indonesia has a wealth of diverse types of coffee, which is a special attraction for local and international consumers.

The development of coffee shops in Indonesia cannot be separated from changes in people's lifestyles. Drinking coffee is now not just a morning routine, but has become part of the lifestyle of some people who prioritize coffee as a lifestyle. Modern coffee shops offer more than just coffee drinks, they provide a space to work, relax and socialize. The rise in coffee shops offering Wi-Fi, appealing interiors, and a wide selection of menu items is indicative of this trend. In the midst of increasingly fierce competition, coffee shops must be able to offer something different attract customers with product quality and price being the two main factors that consumers often consider when choosing a coffee shop. Serving the best quality coffee requires good raw materials, trained baristas, and adequate equipment. Meanwhile, setting the right price is also important to attract various market segments without sacrificing profits. In the term of product quality, it can also relate to the quality of the many components that comprise the product; a product is deemed high quality if it has added value, and providing valuable

components with added value may not always be easy. Observing the standard or accepted size. When it comes to high-value items, customer satisfaction levels rise as product quality does.

Along with the wide variety of menu, the beverage sector has experienced recent growth in terms of diversity, many of these have gone viral and are appealing to a wide range of consumers. In today's urban settings, the phenomenon of drinking coffee at coffee shops has grown ingrained. More people congregate at coffee shops, such as those in Jakarta, Bandung, Semarang, and Surabaya, to socialize or hold meetings.

Coffee shops are becoming more plentiful in Indonesia, and this trend will continue as the nation's population grows. However, Central Java has gained popularity not just in Indonesia's capital city but also across the nation, as seen by the abundance of coffee shops in the region, especially in Semarang. Semarang City has supplied figures indicating that the population of the city in 2024 will be 2,103,571.

Because there are so many coffee shops in Semarang, customers find it difficult to choose one due to the variety of options available. For businesses to compete, a superior plan is therefore required. It requires a range of marketing initiatives that need to be created in the future. Businesses must develop methods that enable them to contend with local rivals. To ensure that the business can rule both the existing and new markets, this strategy needs to be developed to achieve a durable competitive advantage.

For people nowadays, coffee shops have become a way of life. Attending the

coffee shop appears to provide access to a number of complimentary amenities, including wifi. In the current phenomenon, a lot of people visit the coffee shop for more than simply a cup of coffee, they also come to enjoy the amenities. It turns out that many of the people who come into this coffee shop choose to purchase other drinks instead of coffee, such matcha, chocolate, cookie n cream, red velvet, iced tea, or other beverages.

Businesses from a range of sectors fight with each other to improve the quality of their products to protect their clients. This is due to the need for high-quality items. When making purchases, consumers consider quality, value, and price, which leads to the development of distinctive features that set products apart from one another. As a result, a company's competitive advantage stems from the value it adds to its customers.

Table 1.1 Rating Coffee Shop In Semarang 2024

Coffeshop	Rating	Address
Antarakata	4,7	Jl. Majapahit
Kopi Nako	4,7	Jl. Jangli
Lingkar	4,6	Jl. MH. Thamrin
Semasa	4,5	Jl. Diponegoro
Anak Panah	4,5	Jl. Gajah Mada

Source: Google Review (2024)

Competitors who are present with the same business in the city of Semarang based on the ranking on Google and have a rating above Lingkar Coffee, namely Antarakata with a rating of 4.7, Kopi Nako with a rating of 4.7, then Lingkar Coffee is at level 3 with a rating of 4.6 and is ranked next is Semasa Coffee 4.5, and next is Anak Panah with a rating of 4.5.

Although the number of visitors to Lingkar Coffee decreased, there were still some shortcomings and there were many competitors with the same business. Therefore, Lingkar Coffee management needs to improve in order to influence consumer purchasing decisions.

If clients keep making purchases that live up to their expectations. Customers are more likely to purchase a product than those of rivals if they believe it to be of greater quality (Kotler, 2002). The amount of money charged for a good or service is the amount of value that customers exchange for the advantage of owning or utilizing the good or service, according to Kotler and Armstrong (2001). Price is also very important factor because pricing considers the quality or quantity provided. Price greatly affect sales in the field of Food & Beverages. High and low prices will affect the level of sales. In addition, prices also indirectly affect costs, because pricing considers the quality or quantity provided.

Product quality can also be said to be of poor quality in terms of good quality, if it does not comply with existing and established standards, if it does not succeed in providing additional value to the components that make up the product, the product is easily damaged. So it is very likely that a consumer will feel disappointed and be reluctant to buy again, as a result the level of loyalty that will occur will also be low.

Apart from product quality, there is a factor, namely price. Price can also be interpreted as the nominal amount that consumers have to spend on the products offered. It will be simple for manufacturers to entice customers to make purchases,

even in big quantities, if a price tends to be low, that is, commensurate with the advantages of the product and competitive. In addition to the sheer volume of stores opening, there are additional factors contributing to this revenue reduction, such as the fact that some customers are unhappy with the prices and quality of the offerings, as seen by the following customer reviews:

Quality of a product is getting better in consumer satisfaction and will increase and there will be an opportunity to repurchase so that consumer satisfaction with a product will also have a high value. On the other hand, a product will be said to have low quality when it does not meet the set quality standards as a result of which it will certainly not provide added value to the components that make up the apart from product quality, there is a factor, namely price. Price can also be interpreted as the nominal amount that consumers have to spend on the products offered. It will be simple for manufacturers to entice customers to make purchases, even in big quantities, if a price tends to be low, that is, commensurate with the advantages of the product and competitive. In addition to the sheer volume of stores opening, there are additional factors contributing to this revenue reduction, such as the fact that some customers are unhappy with the prices and quality of the offerings, as seen by the following customer reviews:

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product and are prone to damage, which can result in consumer disappointment and the consumer does not want to repurchase. So, this will reduce the value of consumer satisfaction with a product.

One of the most important things that the coffee shop needs to focus on is the quality of the product it sells, as this will undoubtedly draw customers and increase customer satisfaction with the establishment.

Coffee is a type of global drink that is loved by most of humanity and indeed has become part of the lifestyle. To find this dark-colored drink is not difficult, starting from the roadside, cafes, luxury restaurants, and star hotels, they certainly provide coffee with a variety of types and different prices. The popularity of coffee also has an impact on business development, as a result, now more and more coffee shops are mushrooming in the city of Semarang.

One of the most popular coffee shops in Semarang is Lingkar Coffee. Due to its prime location, cozy ambiance, and sufficient amenities, Lingkar is a popular coffeehouse among many demographics, particularly students. This makes Lingkar famous among other coffee places so that many people are willing to queue to buy here. Lingkar has 2 branches in Semarang, namely on Jalan MH. Thamrin and Sirojudin. Both branches are always busy with visitors, especially on weekends. Many visitors come to chat, study and even have meetings.

Lingkar is also known as a coffee shop that has a middle to high price range for the price category of drinks and food provided by coffee shops in general. The price set at Lingkar has also become a topic of discussion because many competitors sell their products at cheaper prices but with the same quality as that provided by

Lingkar. The following is a list of food and drink prices in Lingkar.

Table 1.2 Price of the Menu at Lingkar Coffee

No	Menu	Price	No	Menu	Price
1	Katanya Kopi susu	22.000	34	Chamomile Dream	32.000
2	Kayanya Kopi Susu Strawberry	27.000	35	Mojitrum	30.000
3	Kayanya Kopi Susu Pisang	25.000	36	Manggol Milk	30.000
4	Katanya Spanish Latte	25.000	37	Peach Snaps	40.000
5	Americano	23.000	38	Berry Sparkle	38.000
6	Cappucino	30.000	39	Iced Shaken Coffee	35.000
7	Cinnamon Latte	28.000	40	Tropic City	25.000
8	Mocca	30.000	41	Gulai Crispy Chicken	35.000
9	Flat White	25.000	42	Nasi Goreng Kari	43.000
10	Café Latte	35.000	43	Nasi Goreng Lombok Idjo	40.000
11	Romantic Latte	40.000	44	Yakimeshi	42.000
12	Caramel Latte	40.000	45	Nasi Goreng Kari Sapi	50.000
13	Vanilla Latte	40.000	46	Gulai Crispy Dori	32.000
14	Almond Latte	40.000	47	Butter Rice With Grilled Chicken	42.000
15	Piccolo	25.000	48	Chicken Karaage Salad	33.000
16	Strawberry Shaken Tea	29.000	49	Thai Beef Salad	45.000
17	Lychee Shaken Tea	27.000	50	Chicken Caesar Salad	35.000
18	Peach Shaken Tea	27.000	51	Homemade French Toast	35.000
19	Lemon Tea	18.000	52	Creamy French Toas	35.000
20	Chamomile Tea	18.000	53	Creamy Chicken Sandwich	38.000
21	Black Tea	15.000	54	Beef Mushroom Sandwich	35.000
22	Thai Tea	22.000	55	Cheese Chicken Sandwich	39.000
23	Lingkar Happines	39.000	56	Chicken Baked Rice	40.000
24	Cookies Cream Cheese	39.000	57	Chicken Katsu Teriyaki	32.000
25	Nutella Choco Jelly	40.000	58	Beef Teriyaki	42.000
26	Greentea Cream Cheese	35.000	59	Dori Crispy Teriyaki	32.000
27	Velvet Cream Cheese	35.000	60	Crispy Chicken Sambal Limau	33.000
28	Ice Creamy Latte	32.000	61	Beef Sambal Limau	43.000
29	Lychee Yakult	35.000	62	Chicken Katsu Blackpepper	32.000
30	Tropical Pine	35.000	63	Beef Blackpepper	42.000
31	Ichigo	27.000	64	Chicken Katsu Mushroom	32.000
32	Dragonest	30.000	65	Pasta Carbonara	38.000

No	Menu	Price	No	Menu	Price
33	Dragon Banana	25.000	66	Pasta Aglio Olio	34.000

Source: Gojek (Gofood)

Indirectly, the significance of price and product quality in purchasing decisions forces businesses to establish uniformity in both areas in order to fulfill their objective of turning a profit on purchases. For example, utilizing high-quality materials to ensure that the products are presented in line with consumer expectations and adjusting prices in accordance with the products offered to ensure that customers select these products and are happy or satisfied with their purchases.

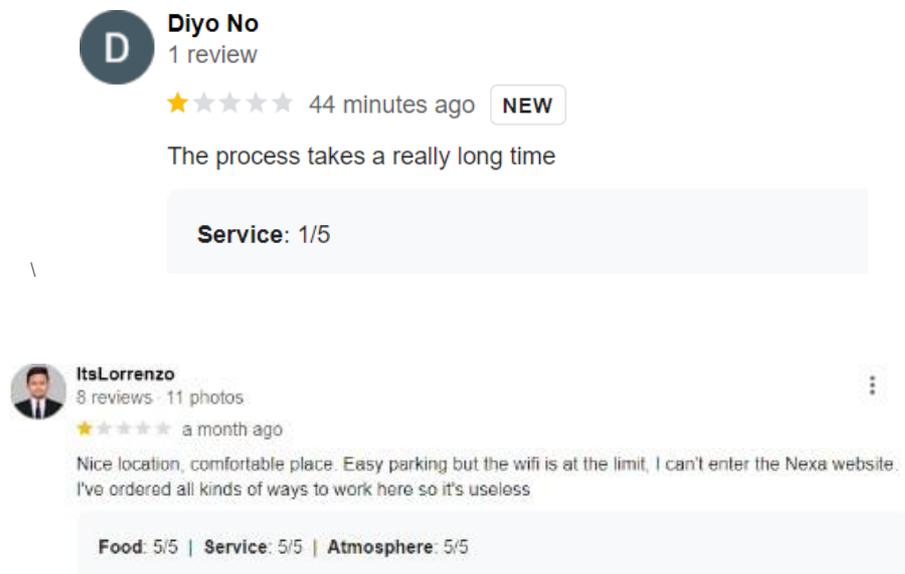


Figure 1.1 Customer Review

Source: Google Review (2024)

As a coffee shop in Semarang, Lingkar Coffee also faces several issues, such as the quality of products and price in purchasing decisions. Therefore, the researcher is interested in looking thoroughly into those issues. Lingkar Coffee is a new cafe that was established on 2019. It is located on Jalan MH Thamrin No.12,

Semarang. Lingkar Coffee offers a comfortable place and has a visual aesthetic value in the layout of the space provided. In addition, Lingkar Coffee provides premium food and drink items at comparatively moderate costs. But over the past few months, Lingkar Coffee's sales have decreased, which has the researcher curious about the cause. The investigator seeks to ascertain whether the decline in sales is associated with the caliber or cost of the product.

Table 1.3 Sales Turnover Data from Lingkar Coffee Semarang 2019 - 2023

Year	Sales Turnover	Changes in Sales	Target Achieve (%)
2019	Rp800.000.000	Rp1.470.260.200	46%
2020	Rp1.000.000.000	Rp1.080.484.200	(+) 7%
2021	Rp1.200.000.000	Rp1.100.960.800	(-) 9%
2022	Rp1.500.000.000	Rp1.224.827.740	(-) 22%
2023	Rp1.700.000.000	Rp1.000.325.765	(-) 70%

Source: Internal Data from Lingkar Coffee (2023)

Decrease in revenue from 2020 - 2021 Due to the city of Semarang being hit by the Corona Virus which resulted in a drop in existing profits. This restriction caused a significant decline, in 2020 Lingkar Coffee's revenue reached IDR 1,080,484,200. With approximately 13 employees, and in mid-2020 Lingkar Coffee had to let go of around 6 employees. After going through the Covid era, Lingkar Coffee began to rise again until now with a new spirit and much greater hopes to achieve the revenue target of IDR 1,200,000 and also had a dream to continue to grow in the FnB world. Although it continues to decline, the spirit to develop is not forgotten by Lingkar Coffee that the circumstances that made it what it is today. The increasingly tight competitive conditions make every business need to increase the strengths in its company by bringing out the differences or uniqueness that the company has compared to competitors in order to attract consumer buying interest.

The decision to make a purchase is an important part of consumer behavior. In any business, the thing that must be taken into account is how the company can encourage purchasing decisions.

Based on various background problems, researchers are interested in researching more about product quality and prices and their effects on purchasing decisions in Lingkar Coffee Semarang, so this research is entitled " **THE INFLUENCE OF PRODUCT QUALITY AND PRICE ON PURCHASING DECISIONS ON LINGKAR COFFEE** "

1.2 Problem Formulation

Based on the background that has been described previously, the formulation are:

- a. Does product quality affect purchasing decisions for the Lingkar Coffee Idea Semarang?
- b. Does price affect the decision to purchase the Lingkar Coffee Idea Semarang?
- c. Does product quality and price affect the decision to purchase the Lingkar Coffee Idea Semarang?

1.3 Purpose

Based on the formulation of the problem described above, the objectives to be achieved from this research are:

- a. To determine the effect of Product Quality on purchasing decisions
- b. To determine the effect of price on purchasing decisions
- c. To determine the quality of products and prices on purchasing decisions.

1.4 Research Benefits

It is hoped that the results of this research will provide benefits, both directly and indirectly, for various parties, namely:

a. Academic Benefits

The potential for this research to provide fresh contributions to the field of marketing particularly in the area of consumer behavior studies makes it beneficial for academic purposes. Studies examining how pricing and product quality affect consumers decisions to buy can broaden scholarly understanding of the variables influencing this behavior. When the research's conclusions are known, they will have a significant impact on the theory and comprehension of marketing, particularly as it relates to consumer behavior studies, and they will also advance knowledge in the field already in existence.

b. Benefits for Researchers

Through this research, researchers can develop research competencies, including developing relevant research questions, collecting and analyzing data, and interpreting research results. This will improve researchers skills in producing quality research. Researchers will gain experience in conducting research that involves collecting data in the field and interacting with respondents, this experience will provide practical insight into conducting research and the communication process with stakeholders.

c. Benefits of Other Parties

This research can provide a better understanding of purchasing decision

behavior at Lingkar Coffee. The findings of this study will eventually be able to assist businesses in creating more successful marketing plans, increasing the number of celebrity endorsements, and utilizing social media marketing to influence more consumer decisions. Apart from that, this research will also be useful for consumers so that they can better understand how factors such as celebrity endorsers, social media marketing, and emotional desires can influence their purchasing decisions. This can certainly help consumers manage their finances and make wiser purchasing decisions.

1.5 Theoretical Framework

1.5.1 Consumer Behavior

Building and maintaining customers is one of the company's objectives when conducting business. Kotler and Keller (2008) define consumer behavior as the study of how people, groups, and organizations choose, purchase, utilize, and ensure that goods, services, concepts, or experiences meet their needs and desires. Consumer behavior, according to Schiffman and Kanuk (2008), is the process by which people decide how best to use the resources at their disposal in order to purchase consumption-related commodities. Does not cause disappointment in the marketer The meaning of consumer behavior is basically "what consumers do and what consumers do". Kanuk (2008) suggests that the study of consumer behavior is a study of how an individual makes decisions to allocate available resources (time, money, effort and energy).

Because consumers encompass a wide range of people with different ages,

cultural origins, levels of education, and other socioeconomic circumstances, they offer a selection of dances to study. Consequently, it is essential to research customer behavior and the variables that affect these circumstances.

In understanding consumer behaviour there are several things that must be considered and studied, such as 5w and 1h question. Consumer-oriented companies must know the behaviour of consumers. Information on consumer behaviour can provide an overview of consumer needs and desires so that companies are able to fulfill them. Meanwhile, as a field of study, consumer behavior focuses on the consumption process experienced by consumers in order to fulfill their needs and wants, as well as the process of using and transforming goods, services or ideas into value. According to Tjiptono (2015) consumer behavior with regard to understanding a number of decisions, namely regarding whether, what, why, when, where, how, how much, how often and how long consumers will buy, use, or stop using specific products.

- a. Whether to buy, when consumers get additional money, for example, they will decide whether to spend the money or save it. The decision is influenced by several factors, including personal goals, perceptions of financial security, purchase urgency, and so on.
- b. What to buy. What is purchased can be a comparison between product categories and between brands.
- c. Why, The reasons consumers buy specific products can be varied, such as meeting needs, values, or personal goals.
- d. How to buy, use or dispose of products. How consumers obtain products can

be classified into eight categories: buying, trading, renting or leasing, bartering, finding, stealing, and sharing.

- e. When to buy, Timing of consumer behavior depends on several factors, such as perceptions of time and attitudes toward time.
- f. Where to buy, Consumers have many choices for shopping.
- g. How much, how often, how long to buy. This decision really depends on each individual and between cultures. In principle, sales of a product can increase when consumers use the product more, more frequently or use it for a longer period.

Consumer behaviour is something that underlies consumers to make decisions in a purchase. Consumer behaviour is studied to understand what consumers want and do. Firmansyah (2018) claims that consumer behavior is a process that is straight tied to the existence of a purchase process, during which customers engage in tasks including looking for, analyzing, and assessing goods and services. Kotler and Keller (2016) define consumer behavior as the study of how people, groups, and organizations choose, acquire, use, and discard products, services, concepts, or experiences in order to fulfill their needs and desires.

According to Kotler (2008), consumer behavior in this instance refers to the study of how people, groups, and organizations select, purchase, utilize, and arrange products, services, concepts, or experiences in order to satisfy their needs and desires. Consumer behavior, as defined by Kanuk (2008) and Kotler (2008), is everything that motivates a consumer's conduct before to obtaining, utilizing, or eating a product as well as following the aforementioned actions or activities'

evaluation.

Consumer Purchasing Decisions are influenced by consumer behaviour. Companies are expected to be able to meet consumer need which will have an impact on loyalty. According to Kotler and Armstrong (2008) there are several roles for consumers in purchasing.

1. The individual who initially recommended purchasing a specific good or service is known as the initiator.
2. Influencer buyers, namely people whose views or advice buy the final decision- making weight.
3. The individual who makes all or a portion of the decisions on what to buy, when to buy it, how to buy it, and where to buy it is known as the decider.
4. Buyer, namely people who make real purchases.
5. Consumers, namely people who consume or use products or services.

1.5.2 Purchase Decision

Consumer behavior is closely related to the products that consumers choose to buy. The corporation needs to understand consumer choose to buy. The corporation needs to understand consumer behavior in order to effectively promote a product because, in essence, it has no idea what's going through a consumer's mind prior to, during, or after the purchase.

Purchasing decisions are decisions made based on thinking where an individual or group evaluates various options and decides which option they will choose. According to Tjiptono (2012) asserts that making purchases is a process in

which customers identify a problem, look for information about a certain good or service, carefully consider all of their options, and then decide which to buy. Kotler and Armstrong (2012) divide the stages of the consumer decision making process into five stage, namely:



Figure 1.2 The five models of the buying process stages

Source: Kotler and Armstrong (2008)

a. Recognition of the needs

During the purchasing process, the buyer becomes aware of a discrepancy between the desired state and the real situation after identifying a need or problem. This urge could originate from either internal or external impulses for the buyer. For instance, basic human needs such as hunger and thirst increase until they cross a threshold of excitability, at which point they become drives based on prior experiences.

b. Information of search

Perhaps clients don't actively seek out information that is pertinent to their need. A person's level of information searching is determined by a number of variables, such as their level of need drive, the quantity of knowledge they currently have, and how simple it is to get new information, any additions, and the satisfaction they derive from their efforts. In general, consumers engage in more information seeking activities when they are

faced with a limited number of options rather than a decision.

c. Evaluation of alternatives

Prospective purchasers use the information they seek to gain a better understanding of their options and how appealing each is. Manufacturers need to make an effort to comprehend how consumers get information, create opinions about particular brands of goods, and make purchasing decisions.

d. Buying decision

Manufacturers need to recognize that customers handle information differently, limiting the options that need to be considered or chosen in order to make a purchase decision.

e. Behavior after purchase

Buyers would adopt a bad attitude towards the brand of goods if they do not receive the desired satisfaction from it. They may even decide to reject the goods from the list of options. On the other hand, if buyers are satisfied with the products they purchase, they are more likely to want to purchase the brand of those products. Manufacturers must use people-directed communication to assist customers in finding information that supports their choices in order to lessen feelings of resentment or unfavorable feelings about a product. those who just purchased the item. According to Kotler (2009), indicators in purchasing decisionsis:

f. The stability of a product

1. This brand is an alternative choice
2. Make suggestions for other people
3. Make repeat purchases of products

1.5.2 Marketing

According to Kotler and Armstrong (2014), marketing is a set of procedures used by businesses to produce, deliver, and communicate superior company value in order to add value for consumers. In contrast, marketing is defined by Venkatesh and Penaloza in Tjiptono (2011) as a series of steps taken by companies to ensure that products are delivered and sold to customers and to generate demand for their products and services. Given what has been discussed so far, marketing may be summed up as the process or activity of creating, advertising, providing, and exchanging anything of quality with the aim to fulfill the objectives and requirements of businesses and clientele. Firms must be able to satisfy their clients in order to get a favorable response from them and keep accountability for the goods or services they provide. Therefore, the goal of every business action must be to satisfy customers, as this will ultimately help the business turn a profit.

According to Kotler and Keller (2012), The corporation uses a set of marketing techniques called the marketing mix to continuously meet its marketing objectives. Product, price, place, and promotions make up the marketing mix, which is the mixture of these four factors that the company uses to carry out marketing activities and is highly helpful in developing the marketing strategy. Kotler and Keller (2012) describe the marketing mix or marketing mix, including:

1. Product

A product a thing that can be advertised to draw attention and convince customers to purchase, use, or consume it, filling their need or desire.

2. Price

Price is a sum of value clients are willing to give up in exchange for the advantages of owning or using a good or service, the worth of which has been determined by the seller and is charged to each customer equally.

3. Place

Location is associated with a distribution channel aimed at reaching target consumers. This distribution system includes location, transportation, warehousing and others.

4. Promotion

Promotion uses promotion as a means of reaching out to customers and closing deals on goods.

1.5.3 Product Quality

According to Mullins and Walker (2005) defines a product is anything that fulfils a want or need through use, consumption, or acquisition. Mullins (2005) also added thatto maintain a competitive advantage in the market, companies must understand aspectsof product quality dimensions, namely reliability, suitability, durability, design, service, and perceived quality. According to Orville, Larreche, and Boyd (2005) thereare seven indicators of product quality, namely:

1. Performance

Performance involves the essential functional aspects of the primary product that was purchased. operational features include speed, ease of

use, and comfort, among others.

2. Additional Facilities (Features)

Additional facilities are complementary facilities including facilities outside the main product facilities.

3. Reliability

Reliability, namely the belief that the product will satisfy and is less likely to be damaged even if it is not used for a long time.

4. Compliance with specifications (Conformance with specifications)

Conformity specifications whether the design and operational characteristics have been met in accordance with the standards view.

5. Durability

Durability is the length of time the product can be used properly, comfortably, and safely.

6. Aesthetics

Aesthetics, namely the attractiveness of the product through the advantages that can be captured by the five senses.

7. Perceived quality

Using indirect measurements creates an image of quality because it's possible that clients are unaware of or lack knowledge about the goods in question.

1.5.4 Price

One of the key elements in defining market demand is price. These days, an

increasing number of new companies are operating in the exact same sector, thus it is necessary for businesses to be able to accurately calculate the pricing of the good or service they offer. Pricing competition has a big impact on whether a business survives or fails in the face of its rivals.

According to Kotler and Armstrong (2008), 4 indicators characterize prices, namely: price affordability, price conformity with product quality, price competitiveness, and price suitability with benefits. According to Andi (2015), Price is the main factor that can influence a buyer's choice, price is influential in determining consumer purchases, for that before setting a price, the company should look at some reference prices for a product that is considered rather high in sales. According to Rahman (2010), the marketing strategy through price is divided into 6 strategies, namely as follows:

1. Penetration Price

Penetration price is a marketing tactic known as penetration pricing sets a selling price that is lower than the going rate in order to hasten the acceptance of the provided products on the market. Price Skimming The skimming price, as opposed to the penetration price, fixes the price at a high level for a predetermined period of time. This tactic makes the assumption that some customers will pay a premium for the goods and services because they view the product as having a high status.

2. Follow the Leader Price

Adhere to the Leader Market leaders define price as a pricing strategy that involves modeling rivals' prices for goods and services.

3. Variable Price

A business unit establishes a variable pricing strategy to offer price concessions to certain consumers. In some business units, many companies set a price list in two parts, namely the standard price and the price with allowances for certain buyers.

4. Flexible Price

This tactic provides a pricing-based marketing technique to account for fluctuations in consumer demand.

5. Price Lining

Pricing lining is an advertising method that involves establishing many points of sale for goods.

1.6 Correlation Between Relationship Variables

1.6.1 The Effect of Product Quality on Purchasing Decisions

When consumers will make a purchase decision, product quality is one of the most important considerations, because the product is the main goal for consumers to meet their needs. If consumers feel they are suitable for a product and the product can meet their needs, then consumers will decide to buy the product continuously (Nabban and Kresnaini, 2005). So do not be surprised if before someone chooses to pay for a product, the buyer will try to find information about the product to be purchased. Many experts claim that the first law of quality is to do everything right from the start. Consumer interest will be realized when this is achieved, and interested consumers will make further purchases.

1.6.2 The Effect of Price on Purchasing Decisions

According to Kotler & Armstrong (2012), Price is the sum of money that must be paid for a good or service, or the value that customers exchange for the advantages of owning or utilizing the good or service in question. When a customer evaluates and evaluates the price of a product, it will be greatly influenced by the behavior of the customer (Sumarwan, 2004). Prices cause various interpretations in the eyes of consumers. Depending on personal characteristics, background, and environmental influences, consumers will have different interpretations and perceptions.

Someone's company must observe and evaluate the prices established by rivals to ensure that its own pricing are reasonable or, conversely, that the prices given will entice clients to make purchases.

1.6.3 The Effect of Product Quality and Price on Purchasing Decisions

In making a purchase, consumers will expect that the prices set by the company can be affordable and according to their wishes. As a result, price plays two key roles in affecting a consumer's decision about getting a product: (Tjiptono, 2000).

1. The role of the allocation of prices

That is how price serves to assist clients decide how to get the most expected utility or benefits in relation to their purchasing power.

2. The informational role of price

Specifically, how valuing affects consumers' perceptions of product attributes like quality. This is especially helpful when consumers find it difficult to evaluate the features or benefits of a product objectively. The majority of those think that things that cost more are of higher quality. When a product's utility value is acquired by customers after they make cost sacrifices, which subsequently influence their purchase decisions, a product's competitive value will increase with the appropriate pricing strategy. The choice that plenty of consumers to first select and then purchase a certain product is greatly influenced by the product's quality. Companies can benefit from increased product promotion through improved product quality. Manufacturers need to create high-quality goods to satisfy consumers so they will keep buying from them. Customers will, at the absolute least, choose products that satisfy their needs, regardless of how they feel about the quality of the goods.

Table 1.3 Previous Research

Researcher Name & Research Title	Method	Conclusion
Fadli et al., (2022). The Influence of Price and Product Quality on Purchase Decisions at Meimei Plaza Marelan	Variable : Price (x), Product Quality (x2), Purchasing Decisions (y) Sample : 100 respondents Data Analysis : multiple linear regression to determine the dependence or attachment of the dependent variable to one	The price and quality of the product on the purchasing decision have a close and positive contribution

Researcher Name & Research Title	Method	Conclusion
	or more of the independent variables	
Diko et al., (2022) Pengaruh Kualitas Produk dan Harga Terhadap Keputusan Pembelian pada Ratu Meubel di Kecamatan Limboto Kabupaten Gorontalo	Variable : Product Quality (x), Price (x2), Purchasing Decisions (y) Sample : 65 Respondents Data Analysis : multiple linear regression techniques and the help of the IBM SPSS statistics program version 21.0	product quality variable has no effect on purchasing decisions price variables affect the purchase decision product quality and price variables influence purchasing decisions
Safitri Malik (2021) The influence of price and product quality on purchase decisions on thrift clothes at shabira store, tulang bawang regency	Variable : Price (x), Product Quality (x2), Purchase Decisions (y) Sample : 66 respondents Data Analysis : Validity Test, Reliability Test, and Hypothesis Test	Price and Product Quality has significant effect on the purchasing decision.
Aswar et al., (2020) Product Quality and Price on the Purchase Deision of Hawaii Bakery Agents Merauke Products	Variable : Product Quality (x), Price (x2), Purchasing Decisions (y) Measurements : Quality Product (x): Appearance, servings, shape, texture, aroma, taste. Price (x2) : Price set, Affordability of prices, price match with quality, price competitiveness Purchasing Decisions (y) : The habit of buying products, give recommendations to others, repurchase as a support Sample : 94 respondents Data Analysis : Multiple regression analysis with SPSS V.20.0	product quality and price variables have a positive and significant influence on purchasing decisions
Syariah (2020) The Effect of Price and Product Quality on	Variable : Price (x), Product Quality (x2), Purchasing Decisions (y)	Price variables (x) and product quality (x2)

Researcher Name & Research Title	Method	Conclusion
Purchasing Decisions of Fried Chicken in Rocket Chicken Bandar Kediri City	Sample: 100 respondents Data Analysis : Hypothesis Test with SPSS program	simultaneously influence on purchasing decisions (y)
Muliasari (2019). The effect of product price and product quality on purchasing decisions for Samsung brand handpones Among STIE AAS Surakarta students	Variables : Product Price (x), Product Quality (x2), Purchasing Decisions (y) Sample : 100 respondent Data Analysis : Validity Test, Reliability Test, and Hypothesis Test	The price variable had a significant influence on purchasing decisions.

Certain variables, such as price variables, product quality, and purchase decisions, are similar to the research undertaken and have been studied before. A number of earlier studies have come to the conclusion that decisions about what to buy are influenced by both product quality and pricing.

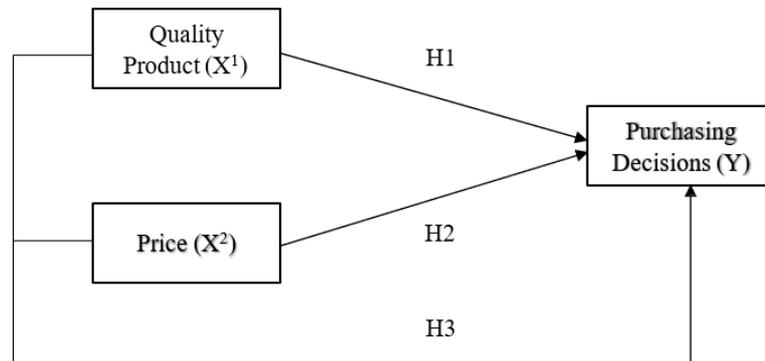
1.8 Hypothesis

A hypothesis is a formulation or temporary answer to the formulation of the problem in a study. The hypothesis in this research are as follows:

H1: Product Quality (X1) has a significant effect on the Purchase Decision.

H2: Price (X2) has a significant effect on the Purchase Decision.

H3: Product Quality (X1) and Price (X2) have a significant effect on purchasing Decision.



1.9 Conceptual Definition

In a study that discusses a problem, identification is needed for each variable that will be used. This aims to ensure that the research conducted can run clearly and in a directed manner. The definition of the concept provides defines the research variable, which is explained in the following definition:

1.9.1 Product Quality (X1)

This study also uses the theory of Garvin (1984). This article discussed the way product quality is frequently used as a benchmark for evaluating other kinds of goods. In this variable also shows a product that can meet or satisfy consumer needs. The product sought must also have a good appearance to attract the attraction of visitors, a product that has the right taste also with sufficient portions and also has a tempting aroma.

1.9.2 Price (X2)

Kotler and Armstrong (2016), Price is the amount of money that must be spent by consumers to obtain the desired goods or services. Price also shows a value that will be exchanged by consumers for the benefits that will be obtained after

consuming the product. The price must also be affordable to attract consumer interest in buying with the suitability of the price with the quality of the existing product with the price competitiveness of a product.

1.9.3 Purchasing Decisions (Y)

Purchasing decisions is the action taken by consumes, whether individual groups, or organizations, in selecting buying, using, and fulfilling their desires and needs for products, services, ideas, or experiences (Kotler & Armstrong, 2016).

1.10 Operational Definition

This definition also establishes the meaning for an existing variable such as the variables use below, namely Product Quality, Price and Purchase Decision. A more thorough description of the indicators pertaining to the research variables may be found in the operational definition, including:

1.10.1 Product Quality (X1)

The product is a set of attributes of the Lingkar Coffee service received byconsumers. Product variables can be measured with the following indicators from Garvin (1984):

- a. Performance
- b. Features
- c. Reliability
- d. Conformance
- e. Durability
- f. Serviceability
- g. Aesthetics
- h. Perceived Quality

1.10.3 Price (X2)

Price is a set amount of money that clients of Lingkar Coffee reimburse for the use of services or trade in exchange for advantages. The following indicators can be used to measure price variables from Kotler and Armstrong (2016):

- a. Affordability of the price of Lingkar Coffee
- b. Match the price of beverage products with the quality of the products offered
- c. Suitability of food product prices with the quality of the products offered
- d. The price of Lingkar Coffee products with the benefits consumers receive after making a purchase is appropriate
- e. Price compatibility with service
- f. Comparison with similar cafes

1.10.4 Purchasing Decisions (Y)

Purchasing decision is a consumer's decision to choose one or more service options offered by Lingkar Coffee. Purchasing decision variables can be measured by the following indicators from Kotler and Armstrong (2016),:

- a. I believe confident in making decisions when buying Lingkar Coffee product.
- b. I believe that Lingkar Coffee is a suitable brand compared to other coffee alternatives.
- c. I believe that Lingkar Coffee released its product at the right time according to my needs and desires.
- d. I believe that Lingkar Coffee has an effective and easy for transaction method.

1.11 Research Methods

According to Sugiyono (2013), The research approach is an organized, methodical approach to gathering data for specific purposes. An outline of the tools and procedures that researchers will employ can be found in research methodology. The population limitations, the sort of research that will be employed in this study, and selecting the sample of respondents are all included in the research procedure. It also describes the analytical techniques used and their instruments.

1.11.1 Type of Research

This study employs a quantitative method with an explanatory research design. If you want to know what causes something or why a specific circumstance

or condition arises, you employ explanatory research. In addition to describing the event as it happens, researchers have attempted to understand why it happens and what its consequences are. Stated differently, the goal of research is to elucidate the connection between two or more variables. As a preliminary assumption to explain the link between the variables under study, researchers must formulate a hypothesis.

1.11.2 Population and Sample

1.11.2.1 Population

A community is a generalization area made up of items or people handpicked by a researcher to be investigated in order to discover specific features and attributes from which inferences can be made (Sugiyono, 2013). Every aspect Lingkar Coffee customers in the city of Semarang made up the study's population. Since the size of this population is limitless, sampling is required.

1.11.2.2 Sample

The data set is representative of the population's size and character. (Sugiyono, 2013). If the population is large and it is impossible for the researcher to study everything in the population, for example, due to limited funds, manpower, and time, the researcher can use samples taken from this population (Sugiyono, 2013). Non-probability sampling was the method employed for sampling in this investigation. By using sample members who do not offer equal possibilities or chances for each element or member of the population to be picked as samples, this strategy is carried out (Sugiyono, 2013).

in the present inquiry, the determination of the sample was carried out through the accidental sampling method. Technique sampling means that in this sampling method, the sample members are buyers at Lingkar Coffee Semarang who happened to be met at the time of data collection, due to the unknown population size, the sample determination technique used was the sample determination technique proposed by Cooper & Emory. According to Cooper & Emory (1996) explains that the number of samples is directly determined by 100, so this is the fundamental method for calculating sample size for populations that are not characterized with precision. Thus, the number of samples in this study is 100 respondents who are representative enough to be studied. conditions as follows:

- a. The minimum age is 17 years
- b. Have come and bought a Semarang Coffee Circle product at least 1 time a month
- c. Willing to be interviewed and able to answer questions.

1.11.3 Data Types and Sources

1.11.3.1 Data Types

- a. Quantitative data

Quantitative data refers to information presented as numbers and amounts that may be categorized using different metrics, such as frequency, average deviation from the standard value, percentage of the maximum value, and others. quantitative information gleaned from the survey's responses.

- b. Data Sources

In this study all forms of data obtained were sourced from:

- Primary Data

Primary data includes the information that researchers directly acquire while making it available to the public. The author processed data that was collected by delivering questionnaires to samples of customers who had made purchases from Lingkar Coffee Idea Semarang regarding their decision to purchase the Lingkar Coffee brand. by giving out questionnaires to one hundred customers.

- Secondary Data

Secondary data is information gathered or acquired from pre-existing or previously processed sources by researchers. Secondary data from books, the internet, earlier study, etc., is utilized to support primary data information. The company profile and the mission and vision of the company were included in the research that used secondary sources.

c. Measuring Scale

When the measuring instrument is employed in a measurement, the measurement scale serves as a reference to establish the interval length, enabling the measuring instrument to generate quantitative data. This measuring scale makes it possible to express the values of the variables that are measured by certain devices as numbers, which improves accuracy, efficiency, and communication (Sugiyono, 2013). The Likert scale, which is used to gauge an individual's or a group's attitudes, views, and perceptions on social phenomena, was employed in this study.

(Sugiyono, 2009). The scores were given to measure consumer interest usea Likert Scale, as follows:

- a) For answers that are considered strongly agree are given a score of 5
- b) For answers that are considered agree are given a score of 4
- c) For answers that are considered neutral, they are given a score of 3
- d) For answers that are considered disagree are given a score of 2
- e) For answers that are considered strongly disagree are given a score of 1

Table 1.4 Likert Scale Measure

No	Answer	Score
1	Strongly Agree	5
2	Agree	4
3	Neutral	3
4	Disagree	2
5	Strongly Disagree	1

1.11.4 Data Collection Technique

The method of data collection used in this study are as follows : in collecting data or information needed in this study, the researchers used the following data collection techniques:

- a. Questionnaire Technique

This kind of data gathering method involves giving respondents a list of questions based on the guidelines provided for the research.

- b. Interview

The above technique of gathering data is executed by going straight to the source of the information that is required.

1.11.5 Data Analysis Technique

The process of getting data or numbers by using a formula or specific technique is known as data processing.

thod.

a. Editing

The editing process to ensure that every question is answered truthfully. Editing is done to find meaningful answers in order to write adequate conclusions and provide accurate answers.

b. Coding

Process of code insertion into a large response form so that it can be categorized into similar groups as a means of improving the form's overall performance and final analysis.

c. Scoring

Process of calculating scores or value using a bot in a questionnaire answer.

d. Tabulating

the act of putting data into tabular form so that scholars may read and analyze it with less difficulty.

1.11.6 Research Instrument

Research instruments are also known as measuring tools in research. According to Sugiyono (2011), research instruments are tools used to assess an observed social phenomenon. In this research, researchers used a questionnaire

research instrument which was given to customers who purchased Lingkar Coffee products in the city of Semarang using offline and online Google form media.

1.11.7 Data Analysis Technique

Data analysis can be done using two different methods: qualitative analysis and quantitative analysis. Quantitative analysis of the data was used in this study. Data analysis by numerical computation and subsequent inference via correlation testing is known as quantitative analysis. SmartPLS statistical software will be utilized to process and analyze the collected data.

In this research, the SEM (Structural Equation Modeling) equation model was used use an approach that is in accordance with component-based structural equation modeling or variance which is commonly used in technical analysis with the PLS (Partial Least Square) technique.

PLS-SEM analysis in this research was carried out at two levels, namely First Order Confirmatory Factor analysis (Second-Order CFA). This was done because at the first level of analysis, there were indicators that were not construct valid. So these indicators must be removed from the model and then reanalyzed in second-orderCFA.

PLS- SEM was carried out to determine the correlation between latent variables. The PLS technique in this research uses SmartPLS. SmartPLS-SEM applies random multiplication or bootstrapping methods, so that the assumption of normality is not a problem. By applying bootstrapping, research that has a small sample size can use SmartPLS-SEM because SmartPLS-SEM itself does not need to determine the lowesttotal sample. This means that SmartPLS-SEM has two types

of test resistance, namely Outer Model (Evaluation of Measurement Model) and Inner Model (Evaluation of Structural Model).

1.11.7.1 PLS Model Specifications

According to Ghozali (2014) there are 2 steps in PLS-SEM testing. The first step is the Outer Model (measurement) which is carried out to find out the relationship between the latent variables and the indicators. The second step is the Inner Model (structural) which is carried out to determine the relationship between latent variables and each other.

- Outer Model (Evaluating of Measurement Model)

Outer Model (Evaluation of Measurement Model) is a measurement model used to prove the relationship between the latent variable and each indicator. In this measurement model, PLS-SEM has two testers, namely reliability testing and validity testing. The reliability test is carried out by looking at Composite Reliability or Cronbach's alpha. Meanwhile, the assessment of the measurement model in the validity test with factor analysis uses the MultiTrait-MultiMethod (MTMM) approach by looking at discriminant validity and convergent validity tests.

1. Reliability Test

Reliability tests are carried out to show the consistency, precision and accuracy of the instrument in calculating the construct. The

reliability of a construct can be assessed with reflexive indicators using Composite Reliability or Cronbach's alpha.

a. Composite Reliability

Composite Reliability is a measurement model to measure the true value of the reliability of a construct. whether a variable has good composite reliability or not. This is based on the Composite Reliability score, if the Composite Reliability score is > 0.7 then the construct value is considered to have a high reliability value.

b. Cronbach's alpha

Cronbach's alpha is a measurement model for measuring the lower limit of the reliability value of a construct, measuring whether a variable has good reliability or not is based on the Cronbach's alpha score. If the Cronbach's alpha score is > 70 , then the construct value is reliable.

2. Validity Test

Validity testing is a method used to evaluate the extent to which the measuring instruments used in a study can accurately measure what you want to measure and determine Convergent Validity and Discriminant Validity.

3. Convergent Validity

Convergent Validity is carried out to assess how big the relationship between constructs and latent variables is. It can be seen from the standardized loading factor and AVE (Average Variance Extracted) values. A reflective measure can be considered high if it has a correlation above 0.70 with the construct to be calculated. According to Ghazali (2014), in the development stage a loading scale of 0.50 to 0.60 is still acceptable.

4. Discriminant Validity

Discriminant validity can be observed in the cross loading between the construct and its indicators. If the correlation between the construct and the indicator is higher, then the latent construct predicts the indicators in the block better than other blocks. Discriminant Validity can also be observed by measuring the ratio of the square roots of AVE. The model is considered to have a good Discriminant Validity value if the AVE root for each construct exceeds the relationship with other constructs. Another observation to measure construct validity is by knowing the AVE score, if the score is above 0.50 the model will be considered good.

- Inner Model (Evaluation of Structural Model)

The measurement model is used to prove linear relationships and clause relationships between one latent variable and other latent variables. The inner model is based on substantive theory with evidence of power or

estimates between constructs and latent variables. The following are the steps for measuring the innermodel:

a. R-Square

R-Square is used to measure the model as a structural estimate. Tests on the structural model were carried out by obtaining an R-Square score which was used as a model goodness-fit test. Changes in R-Square scores can be used to explain the substantive influence between exogenous latent variables and endogenous variables. The conclusion from the R-Square score is that the model is strong with a score of 0.75, weak model with a score of 0.25, and moderate with a score of 0.50.

b. Estimate for Path Coefficients

Estimate for Path Coefficients is carried out to determine the significance of the influence between variables by knowing the parameter coefficient scores and significant T statistics using the bootstrapping method.

c. Predictive Relevance

Predictive Relevance is carried out to find out whether the construct of each variable in the research can be useful for measuring the research model.

- Descriptive Statistical Test

Descriptive statistical tests are carried out to provide a description of the object under study, which comes from population or sample data as is without carrying out analysis and concluding things that are considered general.

1.11.8.3 Indirect Effect Test

The indirect influence test applies the bootstrapping method using SmartPLS. This test is carried out to find out how big the indirect influence score is between variables. Satisfaction is considered to be able to mediate the influence of the independent (exogenous) variable and the dependent (endogenous) variable if the statistical T score exceeds the T table score and the P value is below the sig level used at 5%.