

CHAPTER I

INTRODUCTION

1.1 Background

Globalization has brought about significant changes to the rapidly growing industrial world. This is due to the expanding scope of globalization, which is increasingly accessible to businesspeople. The emergence of fierce competition forces businesses to compete in order to stay ahead and gain a competitive advantage. To navigate this era of intense industry competition, a solid marketing strategy is essential for running a company effectively and efficiently. Companies must understand consumer behavior in the market and target their offerings by providing quality products and excellent service to their customers. Understanding consumer behavior helps businesses comprehend how consumers make purchasing decisions regarding goods or services.

The development of the culinary business today is growing rapidly, diversifying in response to the increasingly complex needs of people's lifestyles. Culinary entrepreneurs are offering a wide variety of concepts, forms, and flavors to satisfy both the eyes and the taste buds of food enthusiasts. Numerous types of food, drinks, and snacks are available at a wide range of prices, depending on the target market.

Every business entity must be able to compete and capture the hearts of consumers to ensure its continued growth and success. To address this, businesses must develop strategies that influence consumer purchasing decisions. There are many strategies companies can employ to advance and grow their business, such as

improving service quality, enhancing internal operations, expanding marketing reach, and more. Additionally, one of the most important factors companies must consider in fostering progress and growth is creating a product that can attract many consumers. Companies must also capitalize on existing opportunities and gaps, as more competitors will continue to emerge. The role of business owners goes beyond focusing on the products offered; they must also prioritize the needs and desires of the consumers.

In the face of increasingly fierce business competition, companies must have a strategy to boost consumer buying interest. This is crucial because, when consumer interest in purchasing grows, it encourages consumers to make purchases, which will automatically increase the company's sales turnover. Conversely, if consumer buying interest is low, the company will experience losses, as it will directly affect a decrease in revenue from sales volume or turnover.

Therefore, business owners must have certain advantages over their competitors to attract consumers to try their products and eventually make a purchase decision. Consumer decisions to buy products are influenced by factors such as product quality and price. Consumers are also highly concerned about the quality of the products they buy, considering whether the product is of good quality, safe to consume, and free from harmful chemicals or additives.

Product quality refers to the overall characteristics of a good or service that affect its ability to satisfy both stated and implied needs. This definition is customer-centric, as customers have specific needs and expectations. A seller can be considered qualified if their products and services meet or exceed customer

expectations. Companies that can satisfy most consumer or customer needs are considered quality companies (Thamrin Abdullah, 2013).

Quality must be measured from the consumer's perspective, as their preferences play a significant role. Therefore, managing product quality must align with the intended use and expectations of consumers. It is crucial to maintain the consistency of the product's output at the quality level desired and expected by consumers. Product quality refers to a product's ability to perform its intended functions. This includes factors such as durability, reliability, precision, ease of operation and repair, as well as the overall value of the product.

In addition to quality, price is also a key consideration for consumers when purchasing an item. Price is the amount of money that customers must pay to acquire a product (Kotler and Armstrong, 2010). It is also the amount of money (plus, if applicable, multiple products) required to obtain a combination of products and services. Price plays a central role in the buying and selling process, which involves transferring property rights or goods to another party through the exchange of money.

The price of a product reflects the level of satisfaction a person expects from the product they buy. A person is willing to pay a high price for a product if it exceeds their expectations, meaning they perceive a high level of satisfaction with the product. Conversely, if a person rates their satisfaction with a product as low, they will not be willing to pay a high price for it. Historically, the price was determined through a bargaining process between buyers and sellers, resulting in an agreement on a certain price (Indriyo Gito S, 2014).

A purchasing decision is also a problem-solving process that involves analyzing or identifying needs and wants, searching for information, evaluating sources of purchase alternatives, making the purchasing decision, and engaging in post-purchase behavior. A purchasing decision can also be described as a person's buying behavior in selecting a product to achieve satisfaction (Kotler and Armstrong, 2008).

The beverage (drink) business is highly profitable. This is because drinks are a basic need that must be fulfilled by every human being. As long as people continue to need drinks, business opportunities in the beverage sector remain wide open. Additionally, changes in lifestyle have led some people to prefer buying drinks outside rather than making them at home. On average, a person needs about two liters of liquid per day, which translates to at least seven to eight glasses daily. This gives an estimate of how many servings are needed by many people. Therefore, a business in this field can be a promising choice.

Semarang is one of Indonesia's major cities, known for its rich culture. However, some businesses have struggled and even closed. Despite this, Semarang has a strong market for various types of drinks, driven by its growing GDP, large population, and stable income levels. Because of these factors, Semarang is an ideal location for the food and beverage business, with examples like Arrow Coffee, General Coffee, and others.

One of the fast-growing franchises in Semarang is Minum. This company started its business in 2019. Currently, Minum has around 26 branches, with one of the branches located at Jl. Ngesrep Tim. V No. 51, Sumurboto, Kec. Banyumanik,

Semarang, Central Java. All of these branches owe their success to the effective marketing strategies implemented by Minum, which has allowed the business to survive and thrive until today.

According to Benz, the owner of Minum, the increasing number of Minum outlets has led to heightened competition between shops, resulting in a decline in the number of loyal customers. Based on interviews with thirty Minum customers, 43.3% expressed doubts about the portion size of the drinks compared to their expectations, meaning the portions served were smaller than anticipated. Additionally, 53.3% of customers stated that Minum's drinks were not at the right level of sweetness and tended to be too sweet. In terms of pricing, 56.7% of customers mentioned that Minum's prices were less affordable for all income levels. Furthermore, 83.4% of Minum's customers indicated that the company does not offer discounts for bulk purchases, causing them to consider looking for alternative drinks at lower prices.

With many similar drink options available in Semarang, some consumers compare Minum's prices with those of competitors and feel that they get a better deal elsewhere, offering superior quality and taste. As a result, sales at these Minum outlets have decreased by 4-10% each year. This decline in turnover can be seen in the table below:

Table 1. 1 Minum's Income from 2019-2023

Years	Income
2019	Rp74.904.475
2020	Rp58.519.121
2021	Rp65.021.246
2022	Rp.61.924.996
2023	Rp.59.372.000

Source: Primary Data on Minum's Income

From Table 1.1, revenue decreased from Rp 74.904.475 in 2019 to Rp 58.519.121 in 2020, then increased to Rp 65.021.246 in 2021. However, it dropped again in 2022 to Rp 61.924.996 and further declined to Rp 59.372.000 in 2023. This fluctuation indicates instability in income, which can pose a challenge for long-term financial planning. When income is inconsistent, it becomes difficult to create an accurate budget and plan investments or expenditures effectively. Based on the background described, this research is titled “The Influence of Product Quality and Price on Purchase Decisions at Minum.”

1.2 Problem Statement

Based on this background, there are several problems that the author will examine, namely as follows:

1. Does product quality affect purchasing decisions for the minum?
2. Does price affect purchasing decisions for the minum?
3. Does Product quality and price affect purchasing decisions for the minum?

1.3 Research Objectives

Based on the presentation of the background and the formulation of the problem above, the research objectives can be outlined as follows:

1. To determine the effect of Product Quality toward purchasing decisions.

2. To determine the effect of price toward purchasing decisions.
3. To determine the quality of products and prices toward purchasing decisions.

1.4 Research Contribution

There are three benefits that researchers want to provide in research, namely:

1. Theoretical Benefits

It is hoped that the results of this research will add value and provide information or an overview of the importance of Product Quality and Price in influencing purchasing decisions on the Minum in Semarang City.

2. Practical Benefits

It is hoped that the results of this research can help Minum understand how important product quality and price are in influencing purchasing decisions for their products.

3. Social Benefits

It is hoped that the results of this research will provide information and insight into how product quality and price influence purchasing decisions. Additionally, it is expected that the findings can serve as a reference for future research with similar variables.

1.5 Theoretical Framework

1.5.1 Purchasing Decision

- a. **Understanding Purchasing Decisions**

The decision-making process is often complex and involves multiple decisions. Each decision requires choosing between two or more

alternative courses of action, with the need to select from different behaviors.

According to Kotler (2005), consumer decisions in purchasing a product involve an evaluation stage, during which consumers compile a ranked list of goods based on their preferences. This evaluation stage generates a desire to purchase, leading consumers to buy the items they prefer most. This purchase desire, in turn, influences consumer behavior.

Based on the opinions above, it can be concluded that consumer decisions are the actions taken by consumers when choosing the products they prefer most. Consumer decision-making is the process of selecting a course of action from two or more alternatives to resolve a specific problem. Since the focus of this research is on consumer behavior, the author will provide several definitions of consumer behavior to maintain a clearer focus throughout the study.

According to Lamb et al. (2001), consumer behavior is the process by which a customer makes a purchase decision, as well as uses and disposes of the goods and services acquired. It also includes the factors that influence purchasing decisions and product usage.

Keep in mind that there are various factors that can explain why someone buys a product. In addition to the type of product, demographic, economic, and psychological factors can also influence a person's purchase decision.

Consumers make numerous purchasing decisions every day. Nearly all companies analyze consumer purchasing decisions in detail to understand what consumers buy, where they buy it, how and how much they purchase, when they buy it, and why they make these purchases.

Based on the opinions of the experts above, it can be concluded that consumer behavior is a dynamic interaction carried out by individuals, groups, or organizations in the decision-making process of acquiring and using economic goods or services, which can be influenced by the environment.

b. Factors Influencing Purchasing Decisions

According to Kotler and Keller (2008), the process of making purchasing decisions involves several stages, which include:

1) Identify needs

This is the first step in the purchasing process, which begins when customers recognize their needs. These needs can be triggered by both internal and external stimuli. For example, someone might feel hungry simply by walking past a restaurant and smelling the food being prepared inside. At this stage, marketers must identify the circumstances that lead to the creation of customer needs. By studying consumers, marketers can pinpoint the stimuli that typically capture their interest in a product.

2) Information searching

When a consumer's demands are met, they are likely to seek additional information online. Consumers typically learn about a product from commercial sources, which are controlled by marketers. However, the most successful information often comes from close relationships with friends, neighbors, family, and acquaintances. While every commercial source serves as an information provider, personal sources play an evaluative or legitimizing role. Consumers can decide which brand to purchase by learning about competing brands and the characteristics of each through information-gathering activities.

3) Assessing the Options

The data collected will serve as a reference for decision-making. Customers will evaluate the costs or risks associated with purchasing a product, as well as the rewards, such as the reliability of the brand.

4) Take Action and Decide

Consumers will make decisions through a thoughtful process of evaluation and consideration.

5) Assessment Upon Acquisition

Consumers will evaluate their purchasing decisions and actions after making a purchase. They will be satisfied if the product or service performs as expected, and dissatisfied if it does not.

c. Stages of the Purchasing Decision Process

According to Kotler and Keller (2009), the decision-making process includes the following:

1) Problem Recognition

Problem recognition is the first stage of the purchasing decision process, where consumers identify a problem or need. The buyer perceives a discrepancy between their current situation and a desired state. The need is triggered by an internal stimulus when one of the basic needs increases to a level high enough to prompt action.

2) Information Search

Information search is a stage in the buyer's decision-making process where consumers are motivated to seek additional information. Consumers may either increase their attention or actively search for information. They can obtain information from various sources, including personal sources (family, friends, neighbors, co-workers), commercial sources (advertising, sellers, retailers, packaging, websites), and experiential sources (handling, researching, or using products). The more information they gather, the greater their awareness of the brand and its features will become.

3) Alternative Evaluation

Evaluating alternatives is a stage in the buyer's decision process where consumers use gathered information to assess alternative brands within a set of options. Consumer attitudes toward a set of brands are shaped through various evaluation methods. How consumers begin evaluating purchasing alternatives depends on the individual and the specific buying situation. In some cases, consumers use careful analysis

and logical thinking. In other cases, consumers may do little or no evaluation, instead making impulsive purchases or relying on intuition.

4) Purchasing Decision

The purchasing decision is the stage of the decision process where consumers actually make a product purchase. In general, a consumer's purchase decision is to buy their preferred brand, but two factors can influence the decision between purchase intention and the actual purchase. The first factor is the attitude of others, and the second is the influence of unexpected situations. Consumers may form purchasing tendencies based on expected income, but unforeseen circumstances can alter these tendencies.

5) Behaviour

Post-purchase behavior is the stage of the buyer's decision process where consumers take further action based on their satisfaction or dissatisfaction with the purchase.

d. Purchase Decision Indicators

The buying process begins long before the actual purchase and continues well after. Therefore, marketers need to focus on the entire decision-making process, not just the buying process. According to Kotler and Keller (2009, p. 200), the indicators of purchasing decisions are as follows:

1) Featured Products

A preferred product is the result of a purchase decision, encompassing everything whether profitable or not that a person acquires through an exchange.

2) Brand

Brand choice is a key tool used by marketers to differentiate their products from others. A brand is a name, symbol, or design that identifies a seller's product and distinguishes it from competitors' offerings.

3) Determination

The determination of the timing of purchase is the final decision made after evaluating the available alternatives (options) for the purchase.

4) Situation

When a buyer faces multiple decisions in making a purchase, one of the options is direct repurchase. Direct repurchase occurs when a department orders from the "list of approved suppliers." These suppliers work to maintain the quality of their goods and services and often propose an automatic reorder system, allowing agents or purchasing officers to save time on reordering. Off-list suppliers, on the other hand, attempt to offer something new or capitalize on the satisfaction of current suppliers. They typically start by securing small orders and then aim to expand their market share over time.

In the purchase of goods, the decisions made are not always sequential. In situations like extensive problem-solving, sales decisions play a key role, as salespeople can help highlight differences between product forms and brands. They can also influence decisions about timing and quantity early in the process. Importantly, sellers need to structure their overall approach to the buying decision process in a way that supports consumers in making informed choices about their purchases.

1.5.2 Product Quality

a. Product Quality

In the beginning, humans were individual beings who were content with the materials provided by nature, and at that time, they didn't prioritize the importance of quality. However, over time, humans (consumers) have become more aware of the quality of the goods and products they use, becoming increasingly critical when purchasing the products offered.

According to Kotler and Keller (2009), "Quality is the totality of features and characteristics of a product or service that depend on its ability to satisfy stated or implied needs." Similarly, Kotler (2005) states, "Product quality is a characteristic of a product or service that depends on its ability to satisfy stated or implied customer needs."

According to Prawirosentono (2004), "The quality of a product is the physical state, function, and nature of the product that can meet the tastes

and needs of consumers satisfactorily, in line with the value of money spent."

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b. The Importance of Product Quality

The term "quality" is very important for an organization or company. As stated by Soekartawi (2005), there are several reasons why quality is essential for an organization or company, including improving the company's reputation, reducing costs, increasing market share, ensuring product accountability, having an international impact, enhancing the appearance of products or services, and improving perceived quality.

1) Improve Company Reputation

Companies or organizations that produce quality products or services earn the reputation of being quality-focused. As a result, the company or organization becomes more recognized by the public and gains greater value in the eyes of consumers.

2) Cost Reduction

To produce quality products or services, companies or organizations do not need to incur high costs. This is because they focus on customer satisfaction, ensuring that the type, variety, timing, and quantity of products produced align with customer needs and

expectations. As a result, there is no unnecessary waste that the company or organization must bear at a high cost.

3) Increased

Quality increases when cost minimization is achieved, as the organization or company can lower prices while maintaining high quality. These factors encourage consumers to repurchase the product or service, leading to an increase in market share.

4) Liability

As competition for product or service quality increases, organizations or companies will be required to take greater responsibility for the design, process, and distribution of products to meet customer needs and expectations.

5) International Impact

If a company is able to offer quality products or services, they will not only be recognized in the local market but also gain recognition and acceptance in the international market. This will create a positive impression of the company or organization that produces these quality products or offers quality services.

6) Apperance

Quality will help make the product or service well-known, which in turn will increase the recognition and trust in the company or organization that produces the product or offers the service. As a result, the level of customer trust and societal regard will generally rise, and

the organization or company will be more highly valued. This can lead to a certain level of loyalty or fanaticism from consumers toward any product offered by the company or organization.

7) Perceived Quality

The quality provided is not only the quality of the product itself but also encompasses overall quality (total quality). Total Quality is a business approach aimed at maximizing organizational competitiveness through comprehensive improvements in quality, products, services, processes, and the environment.

c. Factors Affecting Product Quality

According to Prawirosentono (2004), the quality of a good or service can be viewed from two perspectives: the consumer's side and the producer's side (the maker of goods and services). The factors that influence quality are as follows:

1) Quality and Form (Design)

Products come in various types, and their quality can be influenced by their design. For example, in cars, the shape of the vehicle affects its performance. A car with a basic, blunt shape will face more air resistance, which reduces speed and increases fuel consumption. In contrast, a car with a streamlined shape (pointed front) experiences less air resistance, resulting in smoother speed and better fuel efficiency. This means that a streamlined car is more efficient than one with a blunt

design. The same principle applies to the design of aircraft, ships, and other vehicles.

2) Quality and Raw Materials Used

The quality of an item is greatly influenced by the raw materials used in its production. For example, silk fabric is considered high quality if it is made entirely from 100% silk thread from silkworm cocoons. However, if the fabric is made from a mix of silk and other types of yarn, the quality of the silk fabric will be lower.

3) Quality and Production Process

The manufacturing process of a product significantly affects its quality. For example, high-quality coffee beans are selected to make coffee powder. However, if the grinding machine is not properly maintained (such as having unadjustable temperature or dull blades), the resulting coffee powder will not be of good quality. Properly phasing the production process is essential to ensure the goods produced meet quality standards. Therefore, at least two factors must be considered: if the raw materials are of good quality and the production process is well-managed, the final product will be of high quality. However, good-quality raw materials alone do not guarantee high-quality finished goods, as the manufacturing process also plays a crucial role in determining the final product's quality.

4) Transportation and Packaging

The mode of transportation, as well as the method of distribution and packaging, affects the quality of the product. If goods arrive at the retailer level damaged, it may be due to poor distribution or inadequate packaging methods. Therefore, the way goods are transported and the quality of their packaging significantly influence the final quality of the product.

d. Purpose of Product Quality

According to Hendra and Idris (2013), product quality aims to meet consumer desires in a sustainable manner for the price they have paid. The quality of each product produced is a crucial element that must receive serious attention from the company if it wants to succeed in business competition.

Demands for product quality have become a necessity that companies must meet, or else they risk losing existing customers to competing products that are perceived to offer better quality. Consumers expect the products they buy to align with their preferences or be of high quality. The higher the quality of a product, the greater the likelihood that consumers will decide to make a purchase.

e. Product Quality Indicators

According to Prawirosentono (2004), the distinctive nature of the quality of a "reliable" product must include multiple indicators, as it must provide satisfaction and significant value benefits for consumers in various

ways. Prawirosentono (2004) also states that there are six product quality indicators, including:

1) Performance

The performance of a product should be clearly indicated on its label, including details such as content, weight, viscosity, composition, durability, and expected lifespan.

2) Types of Features

Quality products have unique features that set them apart from other products.

3) Reliability and Durability

A quality product is one that consistently performs well within the bounds of normal care.

4) Maintainability and Serviceability

Quality products must also be easy to repair and maintain, ensuring that the item continues to operate properly.

5) Sensory Characteristic

For some types of products, their shape, sound, or taste can easily be recognized, creating a distinct image of the product's quality.

6) Appearance and Image

Another dimension of product quality is the consumer's perception of the product.

1.5.3 Price

a. Price

As we know, human needs are unlimited, while the supply of natural resources is limited. This situation has not only existed in the current economic period but has been present since the beginning of human society, which was once known for the exchange of goods (barter). During this early economic period, there was no standard medium of exchange to determine the exchange rate or value of goods.

Ultimately, as a result of the development of human mindsets and diverse needs, people began to seek a means of exchange that could serve as a measure of value accepted by society, which became known as commodity money.

To meet these needs, one must go to the market. The market, as we know, is a venue for potential exchanges, serving as a gathering place for sellers and buyers. It facilitates trade by fulfilling the requirements of consumer interest, perception, and purchasing power.

Most companies, in marketing their products, set prices based on a combination of physical goods, additional services, and satisfactory profits. Experts define price in various ways. Narrowly, price is the amount paid by the buyer. The following are the opinions of several experts regarding price. According to Cannon et al. (2009), price is something that the customer must provide in exchange for the value offered by the company's marketing mix.

Price is one element of the marketing mix that generates both revenue and costs, and is the most easily adjusted to communicate the company's

intended value position in the market regarding its products and brands (Hendra and Idris, 2013). Price is also defined as a unit of money or other measures (including goods and services) exchanged to obtain ownership rights or the use of a good or service (Tjiptono, 2008).

From the description above, it is clear that price refers to the amount of money required, billed, or exchanged to obtain the benefits of a product or service, as set by marketers for specific products or combinations of goods and services. Therefore, when determining the selling price, companies must always consider the cost of goods produced. If the selling price is set below the cost price, the company will incur losses. On the other hand, if the selling price is set too high above the cost price, it may be difficult for customers to afford, which can hinder the company's ability to achieve profits.

b. Pricing Objectives

When establishing a company, it is essential to first determine its goals. Once the company has set its objectives, it becomes easier to focus its efforts and work towards achieving those goals.

- 1) According to classical economic theory, it is assumed that every firm always chooses a price that maximizes its profits. This goal is referred to as profit maximization.
- 2) In addition to profit-oriented goals, some companies set their prices based on volume-oriented goals, commonly referred to as volume pricing objectives.

- 3) Image-Oriented Goals: A company's image can be shaped through its pricing strategies. By setting high prices, companies can create or maintain a prestigious image.
- 4) In a market where consumers are highly price-sensitive, if a firm lowers its price, its competitors are likely to follow suit and lower their prices as well.
- 5) Prices may also be set to prevent competitor entry, maintain customer loyalty, support resales, or avoid government intervention.

1.5.4 Relationship Between Variables

a. Relation Between Product Quality and Purchase Decision

According to Kotler and Keller (2009), quality is the totality of features and characteristics of a product or service that depend on its ability to satisfy stated or implied needs. Prawirosentono (2004) stated that the quality of a product refers to its physical state, function, and nature, which should meet the tastes and needs of consumers satisfactorily, in relation to the value of money spent. Additionally, consumer behavior is the process through which a customer makes a purchase decision, as well as how they use and dispose of goods and services. This process also includes factors that influence purchasing decisions and product usage (Lamb, 2001).

The relationship between product quality and purchase decision has been demonstrated by research conducted by Hengky (2022) in his study titled "The Influence of Product and Price on Purchase Decision." The research found that product quality positively and significantly influences

purchase decisions, meaning that the better the product quality provided by a beverage product, the higher the likelihood of increased purchase decisions by consumers.

b. Relation Between Price and Purchase Decision

According to Hendra and Idris (2013), price is one element of the marketing mix that generates both revenue and costs and is the most easily adjusted. It aims to communicate the company's intended value position in the market regarding its products. Additionally, consumer behavior is the process through which a customer makes a purchase decision, as well as how they use and dispose of the goods and services purchased. This process also includes the factors that influence purchasing decisions and product usage (Lamb, 2001).

The relationship between price and purchase decision has been demonstrated by research conducted by Carla (2022) in her study titled "The Influence of Brand Ambassador, Brand Awareness, Brand Image, and Price on Purchase Decision in Online Marketplaces." The research found that price positively and significantly influences purchase decisions, meaning that the higher the price of a beverage product, the greater the likelihood of an increased purchase decision by consumers.

c. Relation Between Product quality and Price through Purchase Decision

According to Kotler and Keller (2009), quality is the totality of features and characteristics of a product or service that depend on its ability

to satisfy stated or implied needs. Hendra and Idris (2013) state that price is one element of the marketing mix that generates both revenue and costs, and is the most easily adjusted. It aims to communicate the company's intended value position to the market regarding its products. Additionally, consumer behavior is the process through which a customer makes a purchase decision, as well as how they use and dispose of the goods and services purchased. This process also includes factors that influence purchasing decisions and product usage (Lamb, 2001).

The relationship between product quality, price, and purchase decision has been demonstrated by research conducted by Andina (2022) in her study titled “The Influence of Product Quality, Price, and Promotion on Purchase Decision of Cosmetic Products in Sidoarjo.” The research found that both product quality and price positively and significantly influence purchase decisions. This means that higher prices and better product quality offered by a beverage product lead to an increase in purchase decisions by consumers.

1.6 Previous Research

Previous research was used as a reference for researchers in conducting this research. There are several supporting studies conducted by previous researchers, which are as follows:

Table 1. 2 The Previous Research

No	Title/Author	Variable	Result
1.	The Influence of Product and price on Purchase Decisions / Oktavian R. F., Wahyudi H. (2022)	- Product Quality - Price - Purchase Decision	Product quality and price have a positive impact has a significant influence on consumer purchasing decisions at Mixue cafes. Although product quality is considered good, there are still several areas that need improvement, and prices are considered less affordable by some consumers.
2.	The Influence of Price, Product Quality, and Word of mouth on Purchase Decisions for Gayo Coffe Products / Septi Herawati, Evan Saktiendi, and Indah Setiyani (2023)	- Product Quality - Word of Mouth - Purchase Decisions	The study finds that price and word of mouth significantly affect purchasing decisions for Gayo coffee products, with no significant impact from product quality. The independent variables explain 61.3% of the variability in purchase decisions. Additionally, the study discusses marketing and pricing strategies in the coffee industry.
3.	The Influence of Brand Image, Brand Trust, Product Quality, and Price on Purchase Decisions of Kampoeng Roti Tropodo Waru Sido / Devan Kertarajasa, and Rita Ambarwati (2022)	- Product Brand Image - Brand Trust - Brand Quality - Price - Purchase Decisions	Positive brand image, trust, product quality, and fair pricing at Kampoeng Roti positively impact consumer purchasing decisions. In essence, when the brand is positive, trust is high, the product quality is good, and pricing is reasonable, consumers are more likely to choose Kampoeng Roti. Therefore, the company should uphold and enhance these factors to attract customer
4.	The Influence of Brand Ambassador, Brand Awareness,	- Brand Ambassador - Brand Image	In a series of research findings, it can be concluded that: 1) Brand ambassadors, brand awareness and brand image

No	Title/Author	Variable	Result
	Brand Image and Price on Purchase Decision on Online Marketplace / Carla Clarissa, and Innocentius Bernarto (2022)	- Price - Purchase Decisions	significantly influence purchasing decisions; 2) Positive perceptions of brand ambassadors, high levels of brand awareness, and good brand image contribute positively to purchasing decisions; 3) Prices that are appropriate to the product also have a significant influence on purchasing decisions.
5.	The Influence of Product Quality, Price and Promotion on Purchase Decisions of Cosmetic Products in Sidoarjo / Andina Saharani, and Lilik Indayani (2022)	- Product Quality - Price - Promotion - Purchase Decisions	Product Quality, Price and Promotion have a positive impact has a significant influence on consumer purchasing decisions ay Comestics products in Sidoarjo
6.	The Effect of Product Quality on Purchasing Decision of TSP Fertilizer: Consumer Knowledge and Reference Group as Mediating Variable	- Product Quality - Consumer Knowledge - Reference Group	1) The product quality had a significant effect on customer knowledge. 2) The product quality perception had an effect on the reference group. 3) The product quality had no effect on purchasing decision. 4) The customer knowledge affected on the purchasing decision.

1.7 Hypothesis

A hypothesis is a provisional answer that still needs to be proven true through practical evidence. The research hypothesis on the effect of product quality and

price on product purchase decisions in Minum, Semarang, is tested using Multiple Linear Regression. The hypothesis is as follows:

- H1 : Product quality has a positive and significant effect on the purchasing decisions of Minum products
- H2 : Price has a positive and significant effect on the purchasing decisions of Minum products
- H3 : Product quality and price have a positive and significant effect on the purchasing decisions of Minum products

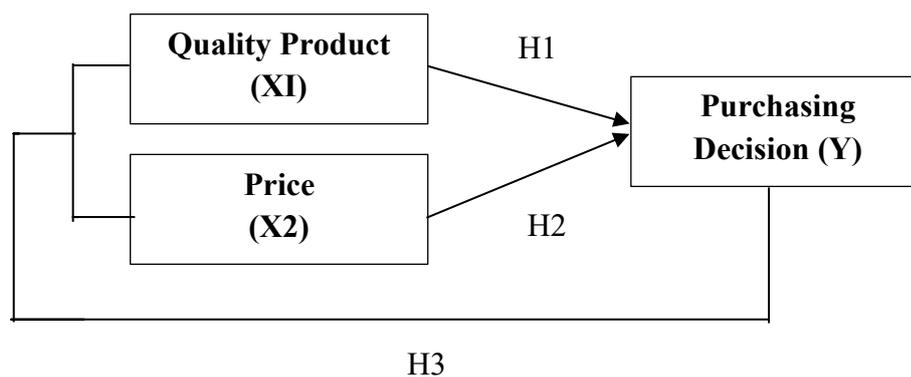


Figure 1. 1 Variable Model

1.8 Concept Definition

1.8.1 Purchase Decision

The consumer decision-making process does not occur in isolation; several factors influence it, including social culture, individual characteristics, psychology, motivation, and perception. Additionally, product quality plays a significant role in the purchase decision process for consumers. For companies, understanding these factors and offering high-quality products can lead to meaningful market progress and success.

1.8.2 Product Quality

The quality of each product produced is a critical element that must receive serious attention from the company if it wants to succeed in a competitive market. Meeting the demands for high product quality has become a necessity for companies; otherwise, they risk losing customers to competing products perceived as having superior quality. Consumers expect the products they purchase to meet their preferences and be of high quality. The higher the product quality, the more likely consumers are to make a purchase. This relationship has been demonstrated in previous research examining the link between product quality and purchasing decisions.

1.8.3 Price

Price is the amount of money agreed upon by prospective buyers and sellers in exchange for goods or services during normal business transactions. It is a variable that can be controlled and plays a key role in determining whether or not a product is accepted by consumers. Companies must monitor the prices set by competitors to ensure that their own prices are neither too high nor too low, thus encouraging consumer interest and purchase intent. The relationship between price and purchase decisions is strong and has been demonstrated in several previous studies.

1.9 Operational Definition

1.9.1 Purchasing Decision

According to Kotler & Keller (2016), purchasing decisions are the process in which consumers choose products or services to buy, influenced

by a series of external and internal factors, such as needs, preferences, and the information obtained. Kotler and Keller (2016) explain that in the purchasing decision-making process, factors such as product features, brand, determination, and situation are important elements that influence consumer choices. They emphasize how consumers evaluate products based on features and product quality, as well as the strong influence of the brand on purchasing decisions.

1.9.2 Product Quality

Product quality, according to David A. Garvin, can be explained based on the eight dimensions of product quality he proposed in his article titled "Competing on the Eight Dimensions of Quality" (1984). Garvin defines product quality as the extent to which a product meets the expectations or needs of consumers, which is assessed based on various technical and perceptual aspects.

1.9.3 Price

According to Kotler and Keller (2016) in their book *Marketing Management*, price is a key element of the marketing mix that significantly influences consumers' purchasing decisions. They define price as the amount of money consumers pay to acquire a product or service. In their book *Marketing Management*, Kotler and Keller discuss how pricing decisions involve several factors, including the alignment of the price with the product's quality and its affordability for consumers. They also emphasize the importance of price competitiveness in responding to market competition,

as well as the alignment of price with benefits, which influences consumer perception of the product's value.

In this research, the variables are measured using the following indicators:

Table 1. 3 Operational Definition

Variable	Indicator	Question
Purchasing Decision	Product Features	I bought the "Minum" product because I was convinced of the good quality of the product
	Brand	"Minum" is my main drink of choice
		I bought the "Minum" product out of necessity
	Determination	I prefer to buy "Minum" products rather than other similar products
		I am willing to recommend "Minum" products to my friends or family
Situation	I am used to buying "Minum" regularly / repeatedly	
Product Quality	Performance	I will buy "Minum" when there is a new menu
	Types of Features	"Minum" products are served in portions that meet consumer expectations
		The " Minum " product has various drink variants
	Reliability and Durability	The "Minum" product is superior to competing products in the area
		"Minum" products are safe for consumption
Maintanability and Serviceability	"Minum" packaging has good packaging durability and is not easily damaged	
Sensory Characteristic	"Minum" products have guaranteed cleanliness quality	
		"Minum" products have a delicious taste to enjoy

Variable	Indicator	Question
Price		The “Minum” product has the right level of sweetness
	Appearance and Image	The “Minum” product has an attractive packaging appearance
	Price Affordability	"Minum " products have affordable prices for all groups
	Price Match with Product Quality	The price of “Minum” is in accordance with the quality of the product provided
	Price Competitiveness	The price of " Minum " can compete with similar products
	Price Match with Benefit	“Minum” often provides discounts to customers at certain moments “Minum” often gives customers discounts if they buy in large quantities

Source: Previous Research, 2024

1.10 Research Methods

1.10.1 Type of Research

The type of research to be used is explanatory research, which aims to explain the relationship between variables and how one variable influences another, as well as to test the hypotheses that have been formulated previously.

1.10.2 Population and Sample

a. Population

The population refers to all the objects to be studied (Arikunto, 2010). It can also be defined as a generalization area that contains objects in accordance with the criteria for the study (Sugiyono, 2016). According to Sugiarto (2017), the population consists of a group of individuals who share the same characteristics and serve as the research objects. In this study, the

population includes all consumers who purchase Minum products at the outlet located at Jl. Ngesrep Tim. V No.51, Sumurboto, Kec. Banyumanik, Semarang. There are approximately 100 buyers each day, meaning the total number of buyers at the Ngesrep branch can reach up to 3,000 buyers per month.

b. Sample

According to Sugiyono (2011), a sample is a portion of the population that is selected for study. To determine the required sample size, Cochran's formula is used (Sugiyono, 2017). Cochran's formula is expressed as:

$$n = \frac{Z^2 pq}{e^2}$$

Explanation:

n : Number of samples required

Z : The level of confidence required in the sample is 95%

p : 50% Chance of Correct

q : 50% Chance of Wrong

Moe : Margin of Error or maximum error level that can be tolerated

The confidence level used is 95% where the Z value is 1.96 and the maximum error rate is 10%. The total sample size in this study is as follows:

$$n = \frac{(1,96)^2 (0,5)(0,5)}{(0,1)^2}$$

$$n = 96,04$$

From the result above, 96.04 is a fraction, and according to Sugiyono (2019:143), when the calculation results in a fraction (with a decimal point), it should be rounded up. Therefore, the sample size in this study is 97 respondents.

c. Sampling Techniques

In this study, the sampling technique used is non-probability sampling. According to Sugiyono (2016), non-probability sampling is a technique in which not all members of the population have an equal chance of being selected as samples. In this case, non-probability sampling was carried out using a purposive sampling technique. Purposive sampling is a method in which samples are chosen based on specific criteria (Sugiyono, 2008). This technique is used to select participants based on particular considerations relevant to the study.

In this study, the criteria for selecting the sample were as follows:

1. Male or female respondents over the age of 18.
2. Respondents residing in the city of Semarang.
3. Respondents who have made at least one purchase of Minum products.
4. Respondents willing to complete a questionnaire related to the study.

These criteria ensure that the sample selected is relevant and appropriate for the research objectives.

1.10.3 Types and Sources of Data

a. Data Type

The type of data used in this research is quantitative data. Quantitative data is data that can be measured directly or can be calculated directly. Quantitative data is in the form of information expressed in numbers or in the form of numbers.

b. Data Source

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

1) Primary Data

Primary data is data obtained directly and collected by those who conduct research. The data processed by the author is data obtained through distributing questionnaires regarding the decision to purchase the Minum brand by samples that have purchased at Minum.

2) Secondary Data

Secondary data is data obtained or collected by people who conduct research from sources that already exist or that have been processed. Secondary data is used to support primary data information, secondary data obtained from books, the internet, previous research, etc. In the research included in the secondary data, namely the company profile and the company's vision and mission.

c. Measurement Scale

Before this research begins, it is necessary to determine the scale of measurement first. This measurement begins with describing the variables of product quality, price and purchasing decisions into indicators. Then

these indicators are used as a reference for breastfeeding questions in the questionnaire. The question items that have been arranged in the questionnaire are measured using a Likert scale. The Likert scale is used to measure the respondent's approval of the object of concern as well as to measure the respondent's agreement or disagreement for each question raised by the researcher (Sugiarto, 2017). So the Likert scale here measures consumer purchasing decisions for minum products. The answers for each item are given a scale with a score ranging from one to five. Determination of value on a Likert scale, namely:

Table 1.4 The Measurement Scale

Score	Likert Scale
Score 5	Strongly Agree
Score 4	Agree
Score 3	Netral
Score 2	Disagree
Score 1	Strongly Disagree

1.10.4 Data Collection Techniques

It is necessary to collect data to find out how the actual description in the field is with the questionnaire method, the questionnaire method is carried out by giving a number of written questions to a predetermined sample (Sugiyono, 2016). This data collection technique through a questionnaire made it possible to do it even without the presence of the researcher (Sugiarto, 2017). The questionnaire which will be carried out using the Google Form will then share the link and place it in large groups on social media. Besides that, the accuracy of this technique is quite high if the questionnaire filled out

by the respondent is directly received by the researcher (Sugiarto, 2017). Due to the large number of samples, this questionnaire distribution technique was considered efficient in getting answers from Minum.

1.10.5 Data Processing Techniques

The following steps will demonstrate how the necessary data has been collected. To ensure completeness, data processing is required, which includes:

a. Editing (Editing)

The data needs to be edited by the researcher as the initial stage. The researcher must ensure that all collected data is complete and accurately gathered. Editing also involves reviewing and correcting the data to ensure it aligns with the questionnaire, thus avoiding any errors.

b. Coding (Coding)

The data that has been checked is then followed by a grouping process, where answers are categorized into similar groups. These answers are then assigned specific codes corresponding to their respective categories. The codes can be in the form of signs or symbols.

c. Scoring (Scoring)

The answers that have been grouped and assigned specific codes require scoring to convert the data into quantitative form. Scores are given based on a Likert scale, ranging from 1 to 5, so that the data can be used for hypothesis testing.

d. Tabulating

The final process involves creating a table of the answers that have been grouped. Tabulations are made to facilitate the researchers in the data analysis process, allowing them to easily read, process, and present the research data.

1.10.6 Analysis Techniques

Research data analysis is a part of the data testing process after completing the stages of selecting and collecting research data (Indriantoro, Nur., & Supomo, 2016). Activities related to data analysis can be grouped by variables and types of respondents. Then, the presentation of the data for each variable is examined, followed by calculations to find answers to the formulated problems, taking into account the need to test the hypotheses that have been proposed. This analysis technique uses quantitative methods, employing numbers that can be measured and counted. Quantitative analysis utilizes a statistical tool (SPSS) to test hypotheses (Sugiarto, 2017).

a. Validity Test

The indicators that have been translated into a questionnaire require a validity test. This test is conducted to measure the validity of the questionnaire to be used. In this study, the indicators are derived from the variables of product quality, price, and purchasing decisions. If these variables can be measured, then the questionnaire can be considered valid. However, if the questionnaire is not valid, it will be difficult to measure what is intended to be measured. This validity test was carried

out using a one-tailed test with a significance level of 5%. According to Ghozali (2013), a questionnaire is valid if:

- 1) If the calculated correlation coefficient (r count) is greater than the critical value (r table), the questionnaire is considered valid
- 2) If the calculated correlation coefficient (r count) is smaller than the critical value (r table), then the questionnaire is considered invalid

b. Reliability Test

In addition to testing validity, the questionnaire also requires a reliability test to measure the indicators of the variables. This test is conducted to determine whether the questionnaire is reliable. If the respondents' answers are stable and consistent, the questionnaire can be considered reliable (Ghozali, 2013). The reliability of a questionnaire is measured using the Cronbach's Alpha statistical test. A value greater than 0.6 indicates that the questionnaire is reliable. The indicators of the variables to be tested in this study include brand image, quality, price, and purchasing decisions.

c. Correlation Coefficient Test

The correlation coefficient test serves to examine the relationship between variables and test a hypothesis. This relationship is shown in Table 1.5. The level of closeness between the brand image, quality, price, and purchasing decision variables in this study can be interpreted as follows:

Table 1. 5 Coefficient and Correlation

Coefficient Interval	Relationship Level
0,0-0,199	Very Low
0,20-0,399	Low
0,40-0,599	Enough
0,60-0,799	Strong
0,80-1,00	Very Strong

Source: Sugiyono (2008)

d. Regression Analysis

Regression analysis is a method used to determine the causal relationship between several independent variables and the dependent variable (Ghozali, 2013). There are two types of regression analysis: simple linear regression and multiple linear regression, which are differentiated based on the number of independent variables. The results obtained are in the form of coefficients for each independent variable, which can later be used to conclude whether there is an influence in this study.

1) Simple Liner Regression Analysis

Simple linear regression analysis is useful for analyzing the relationship between two variables in research. This relationship is partial, as it only examines the connection between one independent variable and one dependent variable (Sugiarto, 2017).

The following is the simple linear regression equation:

$$Y = a + bX$$

Where:

Y = Purchase Decision

X = quality/price

a = Constant, the value of Y if $X = 0$

b = Regression Coefficient

2) Multiple Liner Regression Analysis

Multiple linear regression is used to analyze the relationship or association of more than one independent variable with the dependent variable (Sugiarto, 2017). Therefore, multiple regression serves to determine how much influence the independent variables have together or simultaneously. The variables brand image, quality, and price are tested simultaneously on purchasing decisions. Below is the general equation for multiple regression:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$$

Where:

Y = Purchase Decision

X_1 = Product Quality

X_2 = Price

a = Constanta

β_1 = Reggretion of Coefficient on quality product variable

β_2 = Reggretion of Coefficient on price variable

e. Coefficient of Determination Test (R^2)

Measuring the ability of the independent variable to explain the variation in the dependent variable is the function of the coefficient of

determination (R^2) (Ghozali, 2013). The coefficient value ranges from 0 to 1. If the R^2 value obtained is close to 0, the quality and price variables cannot adequately explain the purchasing decision variable. Conversely, if R^2 is close to 1, quality and price can significantly explain the purchasing decision variable. Through the coefficient of determination test, researchers can determine what percentage of the variation in purchasing decisions is explained by quality and price. The formula used in this study is:

$$\mathbf{KD = R^2 \times 100\%}$$

KD = Coefficient of Determination

R^2 = Determination

1.10.7 Significance Test

a. t Test

The t-test is an individual test designed to determine whether the independent variable (X) partially influences the dependent variable (Y) in the study. In this research, the t-test is used to assess whether the product quality and price variables influence purchasing decisions. The following formula is used for measurement:

$$t = \frac{r\sqrt{n-2}}{1-r^2}$$

Where:

t = t-calculated value or t-test

r = correlation coefficient as a comparative value

n = sample size

The hypotheses used are as follows:

- a. H_0 , or the null hypothesis, is written as $H_0: b_1 = 0$, meaning there is no effect of the independent variables (product quality and price) on the dependent variable (purchasing decisions).
- b. H_a , or the alternative hypothesis, is written as $H_a: b_1 \neq 0$, meaning there is an effect of the independent variables (product quality and price) on the dependent variable (purchasing decisions).

There are several criteria for decision-making in the t-test, as follows:

- 1) If the significance value is less than 0.05 or t-calculated is greater than t-table, H_a is accepted and H_0 is rejected. This means that there is a significant partial effect of the independent variables (product quality and price) on the dependent variable (purchasing decisions).
- 2) If the significance value is greater than 0.05 or t-calculated is less than t-table, H_0 is accepted and H_a is rejected. This means that there is no significant partial effect of the independent variables (product quality and price) on the dependent variable (purchasing decisions).



Figure 1. 2 t Test Curve (One Tailed)

b. F Test

The F-Test fundamentally shows whether the independent variables (product quality and price) simultaneously have an influence on the

dependent variable (purchasing decisions). To perform the F-Test, the formula used is:

$$F = \frac{R^2 / k}{(1 - R^2) / (n - k - 1)}$$

Where:

- F = F-calculated value
- R^2 = multiple correlation coefficient
- k = number of independent variables
- n = sample size

The hypotheses formulated/used are as follows:

a. $H_0 : b_1, b_2 = 0$

This means that there is no significant simultaneous effect of the independent variables (product quality and price) on the dependent variable (purchasing decisions).

b. $H_a : b_1, b_2 \neq 0$

This means that there is a significant simultaneous effect of the independent variables (product quality and price) on the dependent variable (purchasing decisions).

The decision-making criteria for the F-Test are as follows:

- a. If the significance value is less than 0.05 or the F-test is greater than the F-table, then H_a is accepted and H_0 is rejected. This indicates that the independent variables (product quality and price) simultaneously affect the dependent variable (purchasing decisions).

- b. If the significance value is greater than 0.05 or the F-test is less than the F-table, then H_0 is accepted and H_a is rejected. This indicates that the independent variables do not simultaneously affect the dependent variable.