

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The rapid growth of the cafe industry encourages increased competition among businessmen, which encourages customers to be more selective in their decisions to satisfy their needs and lifestyle.

Various images are presented by cafes to the public so that customers have a variety of options leads to competition. Brand reputation can be rated on the service quality, food quality, the facility, cafe design, or other factors that can influence the customer's review after visiting the cafe. Another factor that consumers judge a cafe's price and the image is based on public needs.

Customers can come from a variety of profiles, such as students, housewives, entrepreneurs, or artists. Because incomes are different, prices have a big impact on customers' choice of the cafe. Consumers tend to decide which coffee shop to shop for based on their lifestyle and events, whether it's an office meeting, meeting up with friends, or celebrating a party.

Blue Diamond Cafe is located at Merdeka Street number 221, Pematang Siantar City. Blue Diamond Cafe business started as a birthday cake business with the same name. The owner of this cafe named Cynthia

Vennyka Wijaya was inspired by her mother's cake business and with the desire to expand her business by following trends that are in accordance with the lifestyle of young people today so that Blue Diamond Cafe is not only an icon for a cake shop but also an attractive cafe. Blue Diamond Café makes dessert, hot pot, and cake into their mainstay menu. The operation hour of the café is 9 AM until 9:30 PM every day.

Many factors influence the buyer's decision when selecting a brand, considering the brand reputation as well as the price offered. When a buyer recognizes a problem or a need, the buying process begins. These requirements can be triggered by either internal or external stimuli. Consumers form brand preferences among the various options. Consumers can also form a desire to purchase the most preferred brand.

In certain conditions psychologically, consumers try to fight against certain situations and pressures and decide to take important actions as consumers in suppressing negative psychological impacts. Marketers, on the other hand, must research consumer behavior. It is also critical for them to understand consumers as individuals or groups who select, purchase, or use products and services. Similarly, how they can share their experiences in an attempt to satisfy their wants or needs Hutaaruk (2020).

Marketing is a social and managerial process in which individuals and groups obtain what they need and want by producing, offering, and negotiating quality products with others according to Kotler and Armstrong (2002) as cited in Pratiwi (2019). Based on research conducted by Gustian

(2021) states that brand reputation affects buyer decisions. The statement is also supported by one of the research variables conducted by Audina (2019), which stated that brand reputation has a significant effect on a customer purchasing decision.

In addition to brand reputation, price is also an aspect that greatly influences consumer buying interest. A price is a marketing tool used by an organization as a factor that can influence the purchase decision of a product offered in the public sector as mentioned by Nandan and Togi (2017) as cited in Patrikha (2021). According to Nurdiansyah (2017) as cited in Arianto (2020) price is one of the cues used by consumers in the perceptual process, where the price can be affected consumers' judgments about the price of a product to be purchased.

Pricing by the company itself must be adapted to the environment and flexible. One of the strategies that entrepreneurs can do in providing prices to consumers by providing lower prices compared to other competitors, however, it's giving a different characteristic from other entrepreneurs, because in Indonesia the price is a sensitive issue when customers decide to purchase. Café in nowadays is part of lifestyle of young people to conduct their activity. Some of them put café as a favorite place to catch up with their special people, doing their business, or as a place to go when trying to escape from the boring schedule.

In this globalization era, entrepreneurs are expected to follow the existing trends as well as participate in using the facilities and features

available on the internet so that they can be easily reached by the public. At Blue Diamond Café Pematang Siantar City, entrepreneurs always adapt to trends and come with innovation and provide opportunities.

To make it easier for the public to reach, Blue Diamond Cafe registers a business with Google where in a Google search it features business information such as addresses, operating times, menus, and reviews from visitors. Visitors can come from various age groups, professions, or statuses.

Customer satisfaction is the goal of every company to keep running their business. Moreover, increasing the customer satisfaction also has a good impact on a hotel, it also can create a good image of the Café benefit. This statement can be proven by Tjiptono (2011) as cited in Irwansyah (2020) stated that The creation of customer satisfaction can provide several benefits, including a harmonious relationship between the company and customers, providing a good basis for repeat purchases, and creating customer loyalty, and forming a word of mouth recommendation that is beneficial for the company.

Based on the review on Google, below are the 4 most relevant comments from the visitors about Blue Diamond Café.

Table 1. 1 Comments from the customer about Blue Diamond Café Pematang Siantar City

No.	Comments	Main Issue
1	“The price is a bit higher than the other but the taste is delicious”	Higher Price
2	“The price too expensive and not suitable with the taste ”	Higher price
3	“café giving additional charge of credit card payment by 3% to customer”	Bad reputation

4	“ it’s delicious. But the staff is lacking in service which when a staff go to the back the other will also follow and there’s nobody standby”	Bad reputation
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Source: Prepared by the Writer (2022)

The data above can be compared with its competitor, namely Jerapah cafe. Here are some reviews are given by customers.

Table 1. 2 Comments from the customer about Cafe Jerapah Pematang Siantar

No.	Comments	Main Issue
1	The food is delicious, the drinks too. In terms of price, I think the price is standard. Anyway, it doesn't disappoint.	Standard price
2	No wifi and dirty bathroom	Bad facility
3	Cafe with menu creations that are quite tasty, but need to increase the number of waiters so that all customers can be served quickly, you can try to visit.	Long waited
4	The order menu that came was not appropriate, even though it had been a long wait and was starving. very disappointed...!	The dish served is not suitable

Source : Prepared by the Writer (2022)

From the points above, it can be stated that there are still many things that must be considered to improve the customer experience in order to provide a positive review of the company. One of the interesting factors is that the prices offered are sometimes not in accordance with the expectations of visitors as well as the quality of service of the employees and some cafe conditions that cause negative emotions from visitors.

Table 1. 3 Price Comparison between Blue Diamond Cafe and Jerapah Cafe

No	Menu	Blue Diamond Cafe	Jerapah Cafe menu
1	Anchovy Fried Rice	Rp. 22.000	Rp. 15.000
2	Sausage Fried Rice	Rp. 22.000	Rp. 15.000
3	French Fries	Rp. 15.000	Rp. 11.000
4	Orange Juice	Rp. 12.000	Rp. 10.000

Source : Prepared by the Writer (2022)

Based on the table above, it can be defined that Blue Diamond café has higher prices than Café Jerapah The brand reputation also is not better

than Café Jerapah. By comparing the price, Blue Diamond café has more expensive price than Cafe Jerapah menu.

By considering the curiosity of the problem, the author aims to do some research about how the brand reputation and price impact to consumer consideration to deciding which café they choose. As the result, the author chooses “The Influence of Brand reputation and Price Toward Customer Purchase Decision at Blue Diamond Cafe, Pematang Siantar City” as the final paper title. By doing this research, the author hopes the company can attract more customers to visit their cafe.

1.2 Problem Limitation

As the dependent variable of the research, a purchase decision is selecting two or more possible alternative purchase decision selections, which means that if someone can make a choice, there must be several choices available. The decision to buy can lead to how the process of making that decision is carried out by Yang, et al. (2016) on research conducted by Launtu (2021). Furthermore, Fombrun & Van Riel (2004) as cited in Gunawan (2018) formulated six dimensions of brand reputation. They are Emotional Appeal, Products and Services, Financial Performance, Vision and Leadership, Work Environment and Social and Environmental Responsibility.

Theory of Lupiyoadi (2016) as cited in Tulim (2022) there are five price indicators, that is price affordability, price variations, price

compatibility with product quality, price competitiveness price compatibility with benefits. Price matches with product benefits about customer preference, the limitation of this research is the analyze of customer purchase decision as the dependent variables and limited to the independent variable which is “Brand reputation and Price”. The research also limited to the sample with the subject of Pematang Siantar citizens as the target of this research with age range between 17-45 years old that live in Pematang Siantar city.

1.3 Problem Formulation

Based on the title “The Influence of Brand reputation and Price Toward Customer Purchase Decision at Blue Diamond Cafe, Pematang Siantar City”.

With the background of study, the writer sorts some questions related with the topic which are:

1. Does brand reputation partially influence the customer purchase decision at Blue Diamond Café?
2. Does price partially influence the customer purchase decision at Blue Diamond Cafe?
3. Do brand reputation and price simultaneously influence the customer purchase decision at Blue Diamond Cafe?

1.4 Objective of the Research

By the observation done by the author about The Influence of Brand reputation and Price Toward Customer Satisfaction in Blue Diamond Cafe Pematang Siantar City lead up to solve the question below:

1. To know whether brand reputation partially influence on customer purchase decision at Blue Diamond Café Pematang Siantar City.
2. To know whether price partially influence on customer purchase decision at Blue Diamond Café Pematang Siantar City.
3. To know whether brand reputation and price simultaneously influence purchase decision at Blue Diamond Cafe Pematang Siantar City.

1.5 Benefit of the research

The aim of this research prepared by the author has two benefit that is elaborated as below.

1.5.1 Theoretical Benefit

The research conduct by the writer has purpose to give an understanding of the trend happened in this business field to the readers. Readers must gain much information about how's the influence of brand reputation and price towards customer purchase decision at Blue Diamond Café Pematang Siantar City. This research may be a reference in the study of Hospitality management major for the future research that related to brand reputation, price, and customer purchase decision.

1.5.2 Practical Benefits

The research by the author aims to give Practical benefits:

1. For the researcher

This research hopefully will be so meaningful for other researchers who are interested using the same topic that can give some inspiration for them.

2. For the company

By give the analysis result can help the company to come with innovation and strategies in running their business also solution in facing the trends and have the ability to compete with other competitors. Also, can assist the owner in deciding what action to take in the future.

3. For writer

By doing this research the writer also hope she can finish her final project.

