

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

The process of globalization which is marked by the development of technology, information, and communication has become increasingly fast in the world. Many positive and negative impacts have occurred as an effect of the globalization process. One of the impacts is related to the changes in people's lifestyles. Nowadays, people work hard to achieve their goals such as to be able to enjoy their life and they tend to have a high standard of lifestyle. Various activities such as going on vacation, shopping, and eating to spend time with family and friends have become a lifestyle that everyone wants to achieve and fulfill.

The eating habits of Indonesians have begun to change from those who like to eat heavy breakfasts such as porridge, fried rice, noodle, *nasi uduk*, *lontong*, *soto*, and many more in the morning to those who like to eat bread and cakes as the result of adopting the western cultural lifestyle. Some reasons people prefer to eat bread and cakes are it is more practical, easy to carry, save time, and have more variation. Hence, consuming bread and cakes for breakfast, especially during a busy morning, or as a snack has become a trend among Indonesians.

These changes have encouraged increasing in the demand for bread and cakes in society. Consequently, there are more and more people who are interested involved in the patisserie business, especially in Indonesia. The increase in the number of competitors leads to intense competition in this industry. The

phenomenon of this competitive situation makes businesses that operate in the same industry must have their competitive advantages. Therefore, every business owner must identify the right strategies to optimize performance and innovate consistently in order to survive. This competitive advantage can be achieved by providing excellent food quality, running effective promotions, and charging acceptable rates.

Customers always pay more attention to their needs and requirements before making a decision. Consequently, several variables must be considered by the company in order to influence customer purchase decision. Food quality is one of the most important factors for a patisserie industry that will be considered by customers before deciding to make purchases. According to Japariato and Fiani (2012), as cited in Milo (2021), food quality is the quality characteristics that make the food acceptable to be bought by the customers. In this modern era, consumers are getting very critical, especially about the quality of food offered. A decline in food quality can give an effect on the business such as the inability to compete with competitors. In the patisserie business, competition is getting tougher because many new businesses sell similar types of products. If the business owner has the right strategy to produce better quality product than competitors, it will help to impress the customer and influence their decision to buy a product.

Furthermore, price is another issue that will be considered by customers when deciding to purchase a product. Kotler and Armstrong (2016) as cited in Aeni (2020) define price as the value or amount of money that should be paid by the customers in order to use or own a product or service. The value of a product must be reasonable and commensurate with what will be received by the customers. The

company can also influence and attract more customers by holding promotions. Alexandrescu and Milandru (2018) explain that promotion is a technique used to market, communicate, provide information, attract the attention of potential buyers, and maintain their interest in a product or service. It focuses on the promotional mix and has a large scope that is not only in the form of advertising.

Based on Arrofu and Budiyanto (2019), purchase decision is the customer decision-making process to select the most preferred products among a wide variety of alternatives in order to decide on whether or not to make a purchase. Generally, consumers will consider a product and compare it with similar products before deciding which product to buy. Customer purchase decisions will always be on the best value product and based on customers' needs. The purchase decision can be said as the last stage in the buying process where customers will choose and decide which product to be bought out of several possible ones. Customer purchase decisions are very crucial for the development of a company because they can shape the company's future.

In order to gain trust of the customers, every business must be aware of customer needs and requirements. This thought will give benefit the business. Building customers' trust and encouraging them to make purchase relies on several crucial elements such as food quality, promotion, and price.

Louise is a boulangerie and patisserie, which sells a wide variety of artisan bread and croissants. Moreover, Louise also sells panna cotta, cookies, loaves, cakes, pretzels, croffles, spread, chips, nuts, and even coffee. They claimed that their products are freshly baked every day and use the best finest ingredients. Since

2016, Louise has gradually opened few outlets in Medan which are at Uskup Agung and Cemara Asri. Every outlet sells the same products with equal prices and quality because all products are produced in their factory. The prices offered to vary from the cheapest to the most expensive. Overall, the most affordable products at Louise are donut sticks with a price of IDR 7,500, red bead bread for IDR 8,500, and *srikaya* bread for IDR 9,500. The most expensive patisserie products available in Louise are the premium roll and a tube of soft-baked cookies with a selling price of IDR 78,000 and IDR 85,000 respectively.

Louise also managed to open their first dine-in café which is located at Jalan Mangkubumi No. 12A. In this outlet, they provide a place to sit so that the customers are able to enjoy various types of western food and beverage starting from the breakfast menus and coffee, light bites, pizzas, burgers, salads, soups, rice, pasta, noodles, teas, juices, mocktails, and many more. A wide selection of artisan bread and cakes are also sold at this outlet.

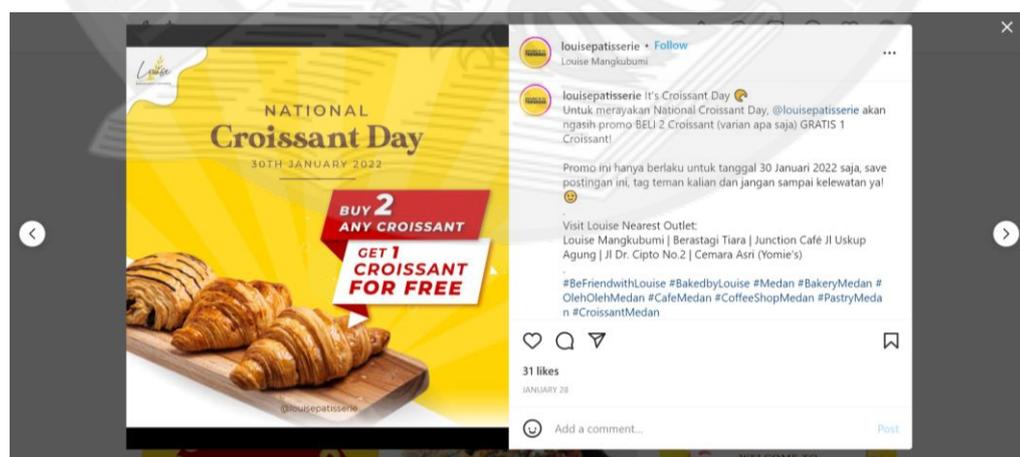
Louise Boulangerie and Patisserie has grown in popularity and is known by more people since Louise's first dine-in café opened. Some customers who have ever visited Louise were surveyed internally at random. The feedback from customers includes both positive and negative comments about the food quality, promotion, and price provided. A minority of customers think that there is potential for improvement in the quality of food provided in term of taste, flavor, variation, and others, despite the fact that most of the customers could enjoy the food served. Improving and giving better food quality than competitor, can boost customer's

purchase decision because customers tend to buy the best product from many selections according to their preference.

**Table 1. 1 Louise's promotional event from 2020 to 2022**

No	Launch date	Event
1	February 8, 2020	Buy 1 Valentine's Cake, get 1 Petite Bouquet from Bloomartinis
2	November 9, 2020	11% discount for collaboration menu (Louise X Junction Café)
3	September 14, 2021	Order online via Whatsapp will get 10% discount on all items and free delivery with IDR 100,000 minimum transaction
4	October 10, 2021	Scan QR barcode to get free bread #LouiseGratis1000Roti
5	November 24, 2021	Order 1 main dish, free ice tea/black coffee
6	December 20, 2021	Promo Bundle Package (2 croissants + 2 coffee) for IDR 109,000
7	January 7, 2022	Purchase Chinese New Year hampers before 19 Jan will get 10% off
8	January 30, 2022	Buy 2 any croissants, get 1 croissant for free
9	February 8, 2022	Valentine's day special promo 14% off from total bill for dine-in only.
10	March 1, 2022	Choose 1 main course from various menu selections, free ice tea/black coffee/milk coffee for IDR 35,000
11	March 26, 2022	15% discount by using BCA mobile, sakuku, BCA debit cards, and BCA credit cards for every bread and pastry purchases with IDR 150,000 minimal transaction.
12	March 29, 2022	Special early bird price for Eid Mubarak hampers will get 10% discount
13	April 21, 2022	Choose 1 main course, and and will get free takjil and ice tea for IDR 39,000

Source: Prepared by Writer (2022)



**Figure 1. 1 Promotion content in social media**

Source: Louise patisserie's Instagram Page

Louise has utilized one of its social media to inform and promote its business such as about their branches, products, discounts, and many more in an effort to make customer more interested in the products being sold and influence customer purchase decision. According to the information gathered by the writer, it shows that Louise has held around 13 promotions over the last two years from 2020 to July 2022. Even though Louise has a relatively large number of followers on the social media which is nearly 10,000 people, it seems that only a few numbers of people have noticed the promotion that has been carried out, judging by the number of people who like the content posted. This means that the purpose of promotional activities in achieving the business goals such as influencing the customer purchase decision has not been maximal.

**Table 1. 2 Price Comparison between some products from Louise and other patisseries**

Menu	Louise	Jons	Jawara
Wholewheat loaf	Rp39,500	Rp 22,500	Rp 18,000
White loaf	Rp26,000	Rp 20,000	Rp 18,000
Plain Croissant	Rp19,000	Rp 10,000	Rp 18,000
Pain Au Chocolate	Rp25,000	Rp 12,000	Rp 20,000
Coconut bread	Rp11,000	Rp 8,000	Rp 8,000
Seaweed Floss bread	Rp18,000	Rp 12,000	Rp 12,000

Source: Prepared by Writer (2022)

Some responses also indicated that Louise's products were more expensive compared to other brands. The table above shows the comparison of prices with another patisserie. When company offers higher price for a similar product to competitor, customers will decide to purchase the product from company that offers the lower price.

Due to the increased number of competitors, every business person should have the ability to increase customer purchase decision. As described above, food

quality, promotion, and price are some of the factors that might influence the purchase decision. For that reason, the writer is interested to do research with the title of **“The Influence of Food Quality, Promotion, and Price on Purchase Decision at Louise Boulangerie and Patisserie, Medan”**.

## **1.2 Problem Limitation**

Some limitations have been set by the writer so that the purposes of conducting the research are more easily achieved and accurate. The research was conducted at Louise Boulangerie and Patisserie, Medan and the writer will focus on food quality, promotion, and price as the independent variable and purchase decision as the dependent variable.

Essinger and Wylie (2003) as cited in Komala et al (2019) have categorized food quality into taste, portion quantity, menu variety, unique taste, hygiene and cleanliness, and innovation. According to Kotler and Keller (2009), as cited in Hermawan (2022), promotion will be examined using several indicators such as advertising, sales promotion, public relations, and personal selling. Kotler and Armstrong (2012) as cited in Ekowati et al. (2020) clarify that affordability, price competitiveness, price worth the quality, and the price conformity the benefit are the indicators to measure the price. Kotler (2004) as cited in Sholihat (2018) explains that the indicators of purchase decision are stability in buying a product, buying habits, giving recommendations to others, and repurchasing.

### **1.3 Problem Formulation**

Based on the background of the study, the problems can be formulated as:

1. Does food quality have a partial influence on purchase decision at Louise Boulangerie and Patisserie, Medan?
2. Does promotion have a partial influence on purchase decision at Louise Boulangerie and Patisserie, Medan?
3. Does price have a partial influence on purchase decision at Louise Boulangerie and Patisserie, Medan?
4. Do food quality, promotion, and price simultaneously have an influence on purchase decision at Louise Boulangerie and Patisserie, Medan?

### **1.4 The objective of the Research**

The writer's objectives for doing the research are:

1. To determine the partial influence of food quality on purchase decision at Louise Boulangerie and Patisserie, Medan.
2. To analyze the partial influence of promotion on purchase decision at Louise Boulangerie and Patisserie, Medan.
3. To elaborate on the partial influence of price on purchase decision at Louise Boulangerie and Patisserie, Medan.
4. To explain the simultaneous influence of food quality, promotion, and price on purchase decision at Louise Boulangerie and Patisserie, Medan.

## **1.5 The benefit of the Research**

The writer's outcome in conducting the research is to provide benefits for many parties particularly:

### **1.5.1 Theoretical Benefit**

By conducting this research, the theoretical benefit is to give a better understanding and knowledge related to the theories of food quality, promotion, price, and purchase decision. In addition, the research is expected to give information about the relationship between independent variables and dependent variables which can be used for further research in the future.

### **1.5.2 Practical Benefit**

The practical benefits of doing the research are:

1. For the writer, this research can be used to gain information and knowledge about food quality, promotion, price, and purchase decisions. By having a good understanding, it is expected that the knowledge can be implemented into the writer's own business in the future.
2. For the company, the result of this research can be used as additional information about some important factors such as food quality, promotion, and price that can influence purchase decision on the product they offer. In addition, this research can be a guide to evaluate and a solution to improve business performance.
3. For other researchers, this research can be used as a reference to obtain the newest information in accomplishing their research related to food quality, promotion, price, and purchase decision in the future.