

# CHAPTER I

## INTRODUCTION

### 1.1. Background of the Study

The development of the business world today is quite rapid, for both small and large companies. Development that considered quite rapid is the food and beverage industry sector. This can be seen from the growth in the food and beverage industry sector in 2021, data in 2021 shows that the contribution of the food and beverage industry sector contributed 38.91 percent or increase of 0.62 percent compared to 2020 ([www.kemenperin.go.id](http://www.kemenperin.go.id)).

Entrepreneur must strive to study and understand consumer needs, wants, and demands so that business people can achieve competitive advantage and be able to increase company profits. Where food service entrepreneur are challenged to create a unique differentiation and clear positioning so that consumers can differentiate from competitors. In achieving this, entrepreneur must apply the concept of consumer-oriented marketing, because consumers are the key to marketing success. Therefore, a standard is needed to shift a traditional thought in the food service business category, especially restaurants, which previously only provided few menu of dishes (food and drinks) to a modern concept that offers an unforgettable experience.

To be able to win the competition against entrepreneurs from the same industry, it must be done optimally in various aspects in order to gain customer interest. The

customer is the main factor, because if the customer has no interest in the business being built, the business is said to be failed. The buying decision-making process for everyone is basically the same, but the decision-making process will be colored by personality traits, age, income and lifestyle.

Purchasing decisions can be interpreted as part of consumer behavior that aims to determine the decision process in buying an item or service where individuals are directly involved in obtaining and using the goods or services offered. Therefore, the individual's best conclusion to make a purchase is formed based on the needs and desires.

Factors that influence purchasing decisions in the food and beverage industry, especially in modern era, and the influence of word of mouth, price perception, and product quality on purchase decision.

The first factor, word of mouth can be an influence on the occurrence of purchasing decisions in the food and beverage industry. In modern times where everyone has social media and socializes well with many people, the word of mouth factor is increasingly influential. Especially with the many videos from food bloggers who often recommend places that serve quality food and also good service.

The second factor, price perception can be said to be a factor that can be categorized by customers as sensitive because price determines the biggest purchase decision for some customers. If the price of food or drink is too high then it will not suit customers who have medium to low income. This can also be an obstacle for

companies in determining a target market which can only target people with high incomes.

The third factor, product quality is the most important thing in the food and beverage industry. This is because product is the company's action in providing food for customer to enjoy. Product quality is an important thing that must be owned by a product, so that producers are required to produce quality products in order to attract the attention of consumers and win the market.

Resto Ayam Penyet Cabe Hijau Sunggal is one of the well-known restaurants in the city of Medan. The interesting thing about this restaurant is that it applied the Tropical Garden concept which makes this restaurant seem cool, relax and comfortable. The wood elements in the furniture and the abundance of tropical plants create the cool feeling in this restaurant. Visitors will be greeted warmly by the waiter while enjoying views of tropical plants, with vintage wooden chairs neatly arranged and also a mini pool with a fountain along with a unique old house. There is also an outdoor section where customers can enjoy seating without chair which is suitable for family events and has several photo spots with contemporary and interesting themes. Not only as a place to eat, Resto Ayam Penyet Cabe Hijau offer various events to celebrate such as weddings, valentines, and birthday parties.

There is also a variety of food and drink menus that taste delicious and fresh at this restaurant. All food at this restaurant is prepared with Indonesian specialties and also serves various categories such as chicken and duck, namely *ayam penyet cabe hijau*, *ayam bakar*, *ayam penyet crispy*, *ayam lada hitam*, *bebek sambal bali*, *bebek*

*degil, bebek cabe hijau*. Then, the seafood is *gurami saus padang, gurami bakar, gurami asam manis, gembung goreng, cumi cabe hijau, dan udang saus padang*. Fried rice category, namely *nasi goreng kampung, nasi goreng chicken katsu*. The last category is vegetable and soup, namely *tumis kangkung, capcay, brokoli bawang putih, sop ayam, dan sop bakso*. Various drinks are also served with a fresh tropical fruits that make the place more attractive and being a perfect destination for consumers.

According to Setiagraha, et al (2021) in a publication titled “Effect of Word of Mouth, Price Perception, and Product Quality on Purchase Decision *Pempek* the Local Culinary Products in Palembang City” word of mouth, price perception, and product quality have a substantial simultaneous influence on purchase decision.

Based on Google review, there are customer complaints about the quality of services provided by Resto Ayam Penyet Cabe Hijau Sunggal, including :

**Table 1.1 Google Review for Resto Ayam Penyet Cabe Hijau Sunggal**

Customer Complain	Description
Denny Roy	Food tasted not delicious, price is too high and they don't sell water, but mineral water instead.
Rizki Iqbal Nasution	Too expensive, but the design is great
Siti Nur	In terms of the taste of drink, it seems that not all juices use real fruit
Putri Poetriz	The place is fun and cool. But, the cakes and puddings are more expensive than the prices in famous bakery shops. The taste is just normal
Berasa Sileang	The atmosphere is good, but the taste of food and drinks is not suitable with the price
Sweet Orenji	A family restaurant that is highly recommended, the place is comfortable, cool, and there are indoor and outdoor rooms.

Source: Prepared by writer (Google Review)

The review is mostly about the price and product quality, which the consumer said that the price is too high and doesn't match with the quality of product based on the complain that said the taste of food is not delicious and the juices is not fresh.

Based on the sales data from the restaurant for 4 month in a row show that there is a decrease in the total purchase made by consumer in the period, below is the number of total purchase at Resto Ayam Penyet Cabe Hijau Sunggal :

Month/2022	Total
June	Rp. 294.500.000
July	Rp. 232.200.0000
August	Rp. 202.300.000
September	Rp. 154.600.000

Source : Prepared By Resto Ayam Penyet Cabe Hijau Operational Manager

On the table above, it show that there is a significant decrease each month for four month in a row. Followed by the google review that give complain about the price, product quality, and low number of word of mouth, this could be the reason of the decrease in total purchase at Resto Ayam Penyet Cabe Hijau Sunggal.

Based on my experience when visiting Resto Ayam Penyet Cabe Hijau Sunggal, the atmosphere that I can feel is cool and vintage. This is because they have outdoor area with green tree and cool breeze, and also indoor area with a brown wood theme that give me the feel of vintage. Not only that, the food served is also delicious which the *gurami asam manis* taste so good with a perfect texture. But, from my

opinion when I tried *bebek cabe hijau*, it had a slight hard and dry texture. The price set is initially not so expensive, but when compared to the quality of food it could be not worth it.

Based on the discussion above which states that the variables word of mouth, price perception, and product quality can influence purchase decision. So, the research carried out with the title "The Influence of Word of Mouth, Price Perception, and Product Quality on Purchase Decision At Resto Ayam Penyet Cabe Hijau Sunggal "

## **1.2. Problem Limitation**

The writer only focus on variable X1, word of mouth with the indicators such as the will of consumers to talk positive things about the quality of services and products to others, recommendation of the company's services and products to others, and encouragement of friends or relatives to make purchases of company product and services. Variable X2, price perception with the indicators such as price match with the product, price match with benefits, competitive price. Variable X3, product quality with the indicators such as taste quality, quantity (Portion), menu variation, the distinctive taste are uniquely different and only exist on that place, hygiene, innovation. While variable Y is purchase decision with the indicators such as the purpose of purchase decision, information processing before selecting brand, the certainty on product, provide recommendation to others, and repurchase. The object of this research is Resto Ayam Penyet Cabe Hijau Sunggal which located at Jalan sunggal No. 27

Medan, Sumatera Utara, Indonesia. Due to time constraints, this research will be conducted starting from July to November of 2022.

### **1.3. Problem Formulation**

According to the above background the author formulates the problem as follows:

- a. Does word of mouth have partial influence on purchase decision at Resto Ayam Penyet Cabe Hijau Sunggal, Medan?
- b. Does price perception have partial influence on purchase decision at Resto Ayam Penyet Cabe Hijau Sunggal, Medan?
- c. Does product quality have partial influence on purchase decision at Resto Ayam Penyet Cabe Hijau Sunggal, Medan?
- d. Do word of mouth, price perception, and product quality simultaneously have influence on purchase decision at Resto Ayam Penyet Cabe Hijau Sunggal, Medan?

### **1.4. Objective of the Research**

Based on the formulation of the problem above, the purpose of this study is to obtain findings regarding:

- a. To inspect whether word of mouth has partial influence on purchase decision at Resto Ayam Penyet Cabe Hijau Sunggal, Medan.

- b. To determine whether price perception has partial influence on purchase decision at Resto Ayam Penyet Cabe Hijau Sunggal, Medan.
- c. To evaluate whether product quality has partial influence on purchase decision at Resto Ayam Penyet Cabe Hijau Sunggal, Medan.
- d. To investigate the effect of word of mouth, price perception, and product quality simultaneously on purchase decision at Resto Ayam Penyet Cabe Hijau Sunggal, Medan.

### **1.5. Research Benefits**

There are two types of benefits from the research of the Influence of Word of Mouth, Price Perception, and Product Quality on Purchase Decision At Resto Ayam Penyet Cabe Hijau Sunggal, namely :

#### **1.5.1. Theoretical Benefits**

Theoretically, this research is expected to provide a scientific contribution to management development, especially marketing management. The researcher focuses in particular on determining whether the influence of word of mouth, price perception, and product quality will impact the purchase decision or not.

### 1.5.2. Practical Benefits

The practical benefits from this research are as follow.

- a. For writer, the results of this study can add insight about word of mouth, price perception, and product quality on purchase decision through the application of marketing management knowledge obtained during college.
- b. For the company, the research result are expected as input for restaurant companies, Resto Ayam Penyet Cabe Hijau Sunggal and for other restaurant companies in comparison to manage the company and promote products well in the future.
- c. For other researchers, the research can be used as a reference for scientific works as a library and information material for other students in expanding their knowledge related to the problems studied.

