

# CHAPTER I

## INTRODUCTION

### 1.1. Background of the Study

The flourishing of food and beverages industry has gained huge attention of people around the world. In these few years, although being hit by the COVID-19 outbreak, the food and beverages industry in Indonesia still growing consistently – despite of the sudden closure during 2020 – and keep serving the community with good foods and beverages.

The food and beverages sector in Indonesia is also one of the primary revenue generators for the country as evidenced by the Directorate General of National Export Development in their Export News on June 2020, which says that the Gross Domestic Product contribution of food and beverages reached 19,98% during the first quarter of 2020 (Kemendag, 2020).

Currently, the food and beverage sector makes a considerable contribution to the Indonesian economy. This sector's growth and investment worth have remained on the rise in recent years. In the third quarter of 2016, the sector's share of the non-oil and gas economy's Gross Domestic Product (GDP) was 33.6 percent. The food sector expanded by 6.95 percent in 2016 and contributed 4.73 percent to GDP. Additionally, this sector employed over 4 million people and generated exports of USD 456.6 million. In fact, via collaboration between the government and

business to boost competitiveness, the Indonesian food and beverage sector has the chance to prevail in the Asean Economic Community (AEC) region (Ministry of Industry, 2017). The success of new investments, an increase in consumer spending power, and Indonesia's population growth of 1.49 percent annually on average over the past 10 years were the main drivers of the food and beverage industry's expansion (Statistics Indonesia, 2018). Indonesia saw relatively rapid expansion in a number of industrial sectors, including those of food and beverage production. The market opportunity is enormous. This sector will eventually play a significant role in boosting Indonesia's overall economic growth. This is evident from the trend in the food and beverage sector's share of the country's GDP (Ragimun, R., & Widodo, S., 2019).

There are still a lot of commercial potential in the food and beverage sector. According to data on the success of the following food categories, several goods have promising futures. Many of the top five food products in the Asia Pacific area, such wheat-based bread, are dominated by grain mill goods (Jasmani & Sunarsi, 2020). The Indonesian food business competes fiercely in the RCEP (Regional Comprehensive Economic Partnership) market. On the market of RCEP, the food industry exports are generally positioned as a rising star. India, China, Myanmar, Malaysia, Brunei, and New Zealand are among the nations that could be pursued as export destinations for the Indonesian food industry (Wardani, M. A., Mulatsih, S., & Rindayati, W., 2018).

The foundation of every daily diet and a key component of human nutrition are bakery items. Their social relevance is influenced by local customs and traditions, accessibility to all racial and ethnic groups, and a wide range of products, including bakery goods for utilitarian and specialized uses. The modern trend is to increase the selection of useful bread items (Mickiewicz, B., & Britchenko, I., 2022).

White bread is one of the various varieties of bread that are currently available. Businesses are required to produce bread goods that can satisfy community needs. Because bread is a food that many people, including students, can eat and that may be enjoyed at any time (morning, noon, or night). People frequently select bread over rice as a provision for their activities since it is sturdy and comes in convenient packaging. (Jasmani & Sunarsi, 2020)

In addition, because of the shift in lifestyle from the consumption of rice to bread and the increased limited time for food consumption, people no longer have time for breakfast before engaging in their daily activities. Bread Talk, Sari Roti, Lauw, Paparoti, Mr. Bread, Majestik, and Holland Bakery are a few of the brands of white bread available on the market. To entice customers to make purchases, they compete with one another in terms of flavor, packaging, pricing, and even incentives (Jasmani & Sunarsi, 2020).

To develop small and medium enterprises (SME), it is essential to continuously pay attention to the research of global trends and take them

into account when formulating business plans, investments, and creative projects in order to successfully compete in this market (Segoro & Muliato, 2020).

In Indonesia, people are eating more bread. Bread handling comes in a number of tastes and shapes from traditional to contemporary stores. According to the Food and Beverages Entrepreneurs Association, after rice and noodles, bread is ranked third among Indonesians' basic foods. The Ministry of Industry and Trade reports that the food and beverage industry currently contributes the most to national industrial growth, 34,45%. In 2020, it is predicted that the industrial business of baking bread and cakes would increase by 10%. (Segoro & Muliato, 2020).

In the contrary, as the demand of the bakery increases, it would increase the challenges as well. Each business-owners needs a strategy to stay afloat in the market given the abundance of bakeries (Rinta, 2021). They compete with each other in terms of taste, packaging, price, even promotions to attract consumers in making purchasing decisions (Jasmani & Sunarsi, 2020). She also stated that business-owners must employ a variety of strategies to preserve competitiveness, continue to search for ways to boost performance and increase profitability as business competition gets harder (Liestyana, Y., Pratiwi, Z.R.A., Utami, Y., 2021) one of which involves developing new avenues for rivalry in the entrepreneurial orientation (Rinta, 2021), when consumers often compare prices with other competitors which are cheaper but also the product is no

less competitive (Akbar, 2019), according to Lobanov et al, today consumers are becoming more and more demanding.

The pattern of focusing in selling the product has long been abandoned in today's highly competitive market. Before their products are made, many manufacturers first perform market research in a variety of ways, such as by simulating the existence of the products in advertisements. Finding out the present demand circumstances for the product that has to be produced is the only goal (Twin, 2022). To be able to create products that as demanded by the community, factors of brand image (Dontigney, 2017), price of the product (Puri, Shaifali & Kaur, Amandeep., 2018), and its quality (Pettinger, 2021) will affect the demand of a product.

According to Dontigney (2017), consumer opinions of a given brand's entire personality are summed up in its brand image. This perceived image takes into account evaluations of a brand's relative strengths and weaknesses, even though they are not always conscious. Brand image is shaped and honed by the marketing materials and advertising campaigns used by the company that created the brand as well as customer interactions with the brand over time. Brand image is ever-changing and ephemeral because it reflects the occasionally erratic tastes and attitudes of the general audience. In another hand, according to Keller, (2001) cited in Mukherjee (2011), Zhang (2015), brand development is greatly influenced by brand image. It refers to a product's reputation among consumers as a

recommendation to try and use a specific good or service (Fristiana, 2012; Habibah & Sumiati, 2016; Tingkir, 2014).

In addition, the research of Mahmoud *et al.* (2020) found that generation Z is more sensitive than prior generations to both job motivation and consumer motivation. To build a positive and enduring brand image for consumers, businesses are encouraged by this reasoning to keep improving and strengthening their products. For Perreault *et al.* (2015), he defined brand as the process of identifying a product through the use of a name, word, symbol, or design. Consumers develop perceptions of brands, both positive and negative, and these impressions become ingrained in their minds.

In an effort to maintain product quality, companies must have a high commitment to offering high quality, hygienic and halal products. According to Jasmani & Sunarsi (2020), the company has to implements the GMP system (Good Manufacturing Practice), SSOP (Sanitation Standard Operating Procedure), SJH (Sistem Jaminan Halal), ISO 9001: 2008 Standards (Quality Management System), and ISO 22000: 2005 (Food Safety Management System). According to Armstrong, a product's quality in carrying out its job and its consistency in delivering the required degree of quality are both examples of its quality.

According to Kotler (2004: 228) cited in Firmansyah (2021), the higher the level of quality of a product, the higher the level of consumer confidence in the product. With a high level of confidence in the quality of

the product, it is likely that consumers will choose and make purchasing decisions for these products if consumers are satisfied with the performance of the products they have purchased, it will show a higher possibility that consumers will repurchase the product or service. Companies must consider product quality since happy customers will buy from them again. Customers will feel confident using this high-quality product, which will encourage them to purchase or utilize the product.

Consumers are the primary factors of the success or failure of marketing their citizens during its development. Consumer wants and expectations must be early recognized by businesses. To be able to seize even the smallest opportunity, a marketing manager needs to have in-depth understanding of consumer behavior (Jasmani & Sunarsi, 2020). Consumer behavior has a big influence on buying decisions. The process of making a purchase involves finding solutions to issues in order to satisfy customers' demands or wants. Purchasing decisions are greatly influenced by consumer behavior. The purchase decision process is the solution of problems in order to meet the desires or needs of consumers (Jasmani & Sunarsi, 2020). Customers are an important resource for the business, thus it is important to consider their opinions carefully. To keep consumers longer, the business should concentrate on client feedback (Mickiewicz, B., & Britchenko, I., 2022).

The business can establish direct contact with the customers to learn what they want. The corporation must produce goods that satisfy its

consumers' needs in order to attain high customer satisfaction (Cahya, Tri, Fatoni, 2018). Manufacturers are required to not only create products but also must understand the wants and needs of consumers.

This is needed by producers to be able to compete with other producers. By understanding consumer behavior, producers can create products that are in accordance with consumer desires and provide better satisfaction to consumers. Companies must be able to read what consumers want before they produce their products so that consumers are satisfied with the products that have been produced and they decide to buy products from the company (Cahya, Tri, Fatoni, 2018).

As cited in Hapsoro B. and Hafidh W. (2019), Kotler (2003) mentioned that the process of purchasing decisions can be divided into five stages, namely problem recognition, information seeking, alternative assessment, purchasing decisions and post-purchase behavior. Product price is the sum of all values given by customers to benefit from owning or using a product or service (Laussel, Long, & Resende, 2020; Li, Nagurney, & Yu, 2018; Nair, 2019). According to Akbar (2019), companies need to continue to improve the quality of products or services and provide variations in product prices because increasing product quality and product price variations can make consumers feel satisfied with the products (Dinopoulos, Kalyvitis, & Katsimi, 2020; Ferrara, Missios, & Yildiz, 2019; Narwal & Nayak, 2020).

In the world of business, a corporation should be able to offer products at prices that customers can pay or at prices that are comparable to those of its rivals (Palulun *et al.*, 2021). Due to the fact that consumers always think carefully before making purchases, price is a component that they are attentive to (Aswar *et al.*, 2020). Fairness of the price paid, competitiveness of the pricing, compatibility of the price to the product quality, and suitability of the price to value obtained are the indicators used to gauge prices (Ing *et al.*, 2020).

From the previous research conducted by Gunawan and Herdinata, Christian. (2021), Jasmani and Sunarsi (2020), Abdul and Hamzah (2018), Nindiani, A., Hamsal, M., & Purba, H. H. (2018), Segoro and Mulianto (2020), it has the evidences that there are positive and significant influence of price towards customer purchase decision.

Chosen as the research object for this research is Boshi Bakery. Boshi Bakery is a bakery shop that provides the community with breads, cakes, and local desserts with fair price. It was first opened in 2017 by Mrs. Komang. The store is located at Jalan Dharmawangsa No. 7, Nusa Dua, South Kuta, Benoa, Kabupaten Badung, Bali 80361.

**Table 1.1 Sales Data of Boshi Bakery**

**(in Rupiah)**

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
January	38.750.000	37.810.000	34.615.000	30.232.000	29.223.000
February	42.023.000	34.983.000	35.184.000	32.423.000	23.203.000
March	39.330.000	32.228.000	33.320.000	23.340.000	30.443.000
April	41.230.000	38.630.000	36.115.000	27.310.000	31.232.000
May	38.435.000	39.480.000	25.544.000	29.413.000	22.312.000
June	42.788.000	36.866.000	32.329.000	32.323.000	29.098.000

July	44.524.000	33.140.000	23.225.000	26.222.000	30.324.000
August	37.650.000	30.883.000	32.023.000	32.284.000	31.235.000
September	39.345.000	32.540.000	27.753.000	34.238.000	32.332.000
October	44.389.000	37.976.000	34.432.000	33.226.000	32.117.000
November	45.760.000	33.726.000	34.233.000	32.345.000	27.563.000
December	41.550.000	32.345.300	34.482.000	25.675.000	31.465.000
Total	495.774.000	420.607.300	383.255.000	359.031.000	350.547.000

Source: Boshi Bakery Bali (2022)

Table 1.1 above shows that Boshi Bakery's overall revenues are decreasing annually. Since 2019, the sales has been dropping rapidly. The year 2022 saw the lowest sales fall, and COVID-19's effects could have been a contributing factor. As the Bali condition of tourism is improving, the sales of Boshi Bakery is not aligning with the condition. According to the preliminary interview with Mrs. Komang, the Owner and Managing Director of Boshi Bakery, it was also revealed that sales are continuously falling because there are less consumers purchasing the breads.

According to Hamilton (2020), there are several reasons of less customer purchasing the breads, such as quality of the product, expectation of customer, and competition of price with other competitors. In addition to that, the lack of support to the brand image of the company will decrease sales as well (Business Rainmaker, 2022). Hence, those are the fundamental reasons which lay behind the urge of the writer in searching for the importance of those factors in influencing the purchasing decision of customers at Boshi Bakery.

Comparing with other competitors, the bakery shop is considered expensive for the customers. With comparing the best-seller products from

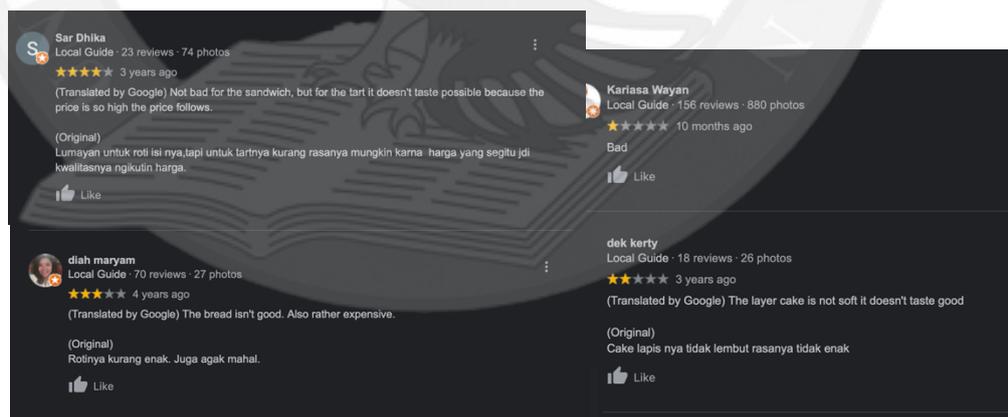
each shops, hereby is the price comparison for the bakery shop and its competitors for the similar bakery products.

**Table 1.2 Comparison of Price**

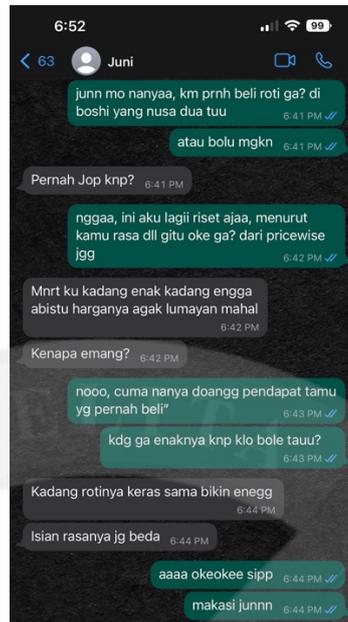
	<b>Boshi Bakery</b>	<b>Roti Kencana</b>	<b>Purimas</b>	<b>Pang Tiam</b>
Roti Ayam	6.000	2.500	3.700	4.000
Roti Pizza	7.000	3.500	3.700	3.500
Roti Keju	6.000	2.500	3.200	4.000
Roti Coklat	7.000	2.500	3.200	3.500
Roti Ceres	6.000	2.500	NA	4.200
Roti Pisang	7.000	3.500	3.700	6.000

Source: Boshi Bakery Bali (2022), Roti Kencana (2022), Purimas (2022), Pang Tiam (2022)

As the owner of the shop has troubles within the purchase decision of customers, the researcher choose Boshi Bakery as the research object. The bakery has more than ten locations across the province, from the very Southern to the Northern, placed as the first in total of Google Review, the sales of Nusa Dua branch has been deteriorating for these 4 years in contrast with the total of the review.



**Figure 1.1 Google Review of Boshi Bakery**  
Source: Prepared by The Writer (2022)



**Figure 1.2 Review of Boshi Bakery from Customer**

Source: Prepared by The Writer (2022)

According to the customers from the Google Reviews, the customer complained that the layer cake was not soft enough and the taste is not good which makes the customer disappointed with the shop, another complained regarding the price of the breads are expensive comparing to the quality given. The acquaintance of the researcher also commented that the quality and taste of the products are not consistent and the price is rather expensive. The inconsistency of quality and price makes the customer dissatisfied with the shop. The positive impact of good service will increase customer satisfaction and loyalty as well as the desire to repurchase (re-buying), which of course will increase the income received by the company. (Rijal et al., 2020).

Besides those problems, the Boshi Bakery Bali also lack of communicating their brand value to the customer. Lack of social media usage, slow of media and communication management, no sources to communicate with the customers, make the difficulties increase to know the feedback of the customers.

In the fundamental of the problems stated above and the concern of the customers, as a conclusion of it, the researcher decided to conduct research under the title 'THE INFLUENCE OF BRAND IMAGE, PRICE, AND PRODUCT QUALITY TOWARDS CUSTOMER PURCHASE DECISION AT BOSHI BAKERY, BALI'.

## **1.2. Problem Limitation**

Due to the vastness of the problem, in this case the researcher limited the problem to the analysis of customer purchase decision. With the limited knowledge, possibility, and ability possessed by the researcher in conducting the research, the problem limitation on this study will be limited to brand image, price, and product quality as independent variable, and customer purchase decision as dependent variable. The indicators of product quality are limited to presentation of the product, texture of the product, aroma of the product, portion of the product, and consistency of the product's flavor. The indicators of brand image are limited to the recognition, reliability of the brand's performance, brand reputation, and the ease to remember the brand. The indicators of price are limited to

affordability of paying, strong competitive, perceived value to the quality given. The indicators of customer purchase decision are limited to evaluation of the purchasing experience, referral potential, frequency of purchases, and potential for future purchases.

To add on this, the researcher limit the research object on which the research will only be conducted towards Boshi Bakery, which location is at Jalan Dharmawangsa No. 7, Nusa Dua, South Kuta, Bena, Badung Regency, Bali 80361. The sample used will also be limited to customers who ever bought the products from Boshi Bakery, within the age of 18-60 years old. The research was started from August 2022 – December 2022.

### **1.3. Problem Formulation**

Understanding whether customer purchase decision has an effect towards Boshi Bakery. Therefore, this study has several questions that must be answered:

Based on the background of the study above, the writer formulates the problems as follows:

- 1) Does brand image have significant influence towards customer purchase decision at Boshi Bakery?
- 2) Does price have significant influence towards customer purchase decision at Boshi Bakery?
- 3) Does product quality have significant influence towards customer purchase decision at Boshi Bakery?

- 4) Do brand image, price, and product quality simultaneously have significant influence towards customer purchase decision at Boshi Bakery?

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

The goal of this study is as follows:

- 1) To find out whether brand image has significant influence towards customer purchase decision at Boshi Bakery.
- 2) To find out whether price has significant influence towards customer purchase decision at Boshi Bakery.
- 3) To find out whether product quality has significant influence towards customer purchase decision at Boshi Bakery.
- 4) To find out whether brand image, price, and product quality simultaneously have significant influence towards customer purchase decision at Boshi Bakery.

#### **1.5. Benefit of the Research**

##### **1.5.1. Theoretical Benefit**

The theoretical benefits from this study includes:

- 1) This research is anticipated to contribute to the development of management theory as a literary research resource and to enhance scientific research at the Universitas Pelita Harapan Medan Campus for Undergraduate Hospitality Management Studies

Program, particularly in the field of food and beverages. The findings of this study will be helpful for educators and students.

- 2) This study is anticipated to contribute insight, science, or knowledge both in theory and in practice, where empirical data may be utilized as a source of information, debate material, and additional research for readers interested in food and beverages, especially restaurants issues.
- 3) The third goal is to expand on the existing theory by adding logics and evidences. The objective of creating this statement is to respond to or explain a phenomenon that happens based on real-world explanations. This research focuses on a number of factors that impact purchase decision of the customer in the influence of brand image, price, and product quality.

### **1.5.2. Practical Benefit**

It is to communicate certain things about information and knowledge that must be introduced into the workplace and that can boost research or practical outcomes.

#### **1) For Students**

It is hoped that by doing this research, students would be able to assist in the drafting of papers or research connected to consumer interests or the indicators in this survey.

#### **2) For Researchers**

This research is expected to serve as a basis for future research in the subject, as well as present research concerns, and for practitioners to further understand the complex relationship between food and beverages attributes to customer purchase decision. To assist in the addition of insight or knowledge in both theory and practice, particularly as input and assessment of writing on the influence of brand image, price, and product quality on boosting sales by customer purchase decision for Boshi Bakery customers.

3) For the Community

This study is projected to have a positive influence on the community in terms of social and educational understanding of customer purchase decision in Medan.

4) For the Campus

This research is projected to have a substantial positive influence on the campus by boosting literacy and knowledge, which will be beneficial to the campus's advancement of the restaurant area and practical module for hospitality management.

5) For the Company

The findings of this research are anticipated to offer an overview of how brand image, price, and product quality can influence the loyalty of the customers in the restaurant. If this research is able to find the influence and solve problems that are lacking, the organization can increase sales by understanding how customer decides to make a

purchase by providing food and beverages on today's brand image factors, fairness of the price and the quality received, in emphasizing the product quality. This research is expected to help as an input for Boshi Bakery and its management in identifying factors that influence the loyalty of customers towards the brand.

