

CHAPTER I

INTRODUCTION

1.1 Background of Study

The culinary business has recently shown a rapid development and it has attracted a lot of attention from people to start a culinary business. Considering that food and beverage are the basic needs that must be met by everyone, and it has a huge market potential, culinary business has become a promising business opportunity.

With promising business potential, a lot of entrepreneurs have started to open coffee shops, café and restaurant businesses. Due to that, culinary business has grown rapidly and competition in the culinary business continues to increase. All culinary business competes to highlight their business in terms of the concept or menu offered to stand out from their competitors.

As the times develops, the lifestyle in Indonesia society also changes. In today society, Indonesian people prefer to eat with their family and friend at their favorite restaurant. The habit of buying food at the restaurant is considered more efficient. Hangout in café has also become a trend or part of their lifestyle. As café provide new things through its convenient and comfortable facilities, café can be an option in taking advantage of the facilities provided. For instance, nowadays, many young people also prefer to linger at a café, because working or studying at the café is considered more relaxed thus it stimulates their creativity.

In the face of intense competition in the food and beverage industry, the company must be able to design a strategy to survive the competition. The company should create the best strategy possible to survive the competition and to ensure the achievement of the company's goal. Companies should be more creative and innovative thus their products can attract the customers to make purchases. Therefore, it is essential for the company to know the demands and needs of its customers and the factors that influence the customer purchase decision. Consumer purchase decisions are driven by influencing factors such as product differentiation, price, and facilities.

According to Sukri and Zulfadil (2020), product differentiation has an influence in purchasing decisions in which product that has its own uniqueness will encourage customer confidence to a make purchase. Customers will consider making a purchase if the company is able to create a product that has unique characteristics and a special image in the eyes of the consumers (Simamora & Situmeang, 2018).

According to Waworuntu and Hasan (2021), price is crucial as it affects the customers perception in the purchase intention and decision of the customers. Moreover, according to Anwar and Siswanto (2020), by comparing the price of the company and its competitors, price can help customers to allocate their purchasing power towards a product.

Abriansyah and Nurdin (2020) state that facilities are very crucial in the world of business. Facilities that are adequate and meet the standards will attract

customers in making purchase decisions. Thus, the condition of the facilities, completeness of interior and exterior design, as well as cleanliness of facilities must be considered especially to those that are closely related with what customers feel directly.

Piutime as the research in this study is a startup company focusing in offering healthy and delicious drinks, located on Jalan Gajah No.69, Medan. Founded in 2021, Piutime started their journey as an online based business which focuses on takeaway systems. However, in the early 2022, Piutime starting their new pages by opening their physical store. From there, Piutime became known as Juice and Smoothies Bar.

The objective of the Piutime itself is to provide a drink that is better than others, as the name implies, “*piu*” in Italian which means “more”. To provide a healthy drink, Piutime always uses 100% real fresh fruits and their homemade yogurt with no preservatives and no juice essence. In addition, all of the menu offered by Piutime are blended freshly every day.

Table 1.1 Data of Total Sales in July – December 2022 at Piutime

No	Months	Sales
1	July	Rp28.400.000,00
2	August	Rp25.800.000,00
3	September	Rp27.900.000,00
4	October	Rp27.200.000,00
5	November	Rp22.500.000,00
6	December	Rp18.900.000,00

Source: Prepared by Writer (Piutime, 2023)

Table 1.1 shows an estimation of Piutime’s total sales from July to December 2022. From the table above, it can be seen that the total sales of Piutime during July to December were unstable each month. The instability of Piutime’s sales can be seen from August, which began to decline and then increased in

September. Followed by a slight decrease in October and then the significant decrease in Piutime's total sales began to occur in November and December.

In addition, based on table 1.2 Piutime have received some complaints from their customers. Product differentiation, price, and facilities of the store are the most mentioned variables in the customer's complaints. These complaints are obtained through their online platforms such as Go-Food, Grab Food, Google Review and collected from relative or friends that have visited Piutime's physical stores.

Table 1.2 Complaints from Customers

No	Parameters	Complaints
1.	Product differentiation	Lack of menu variety
		The size options of the products offered are still limited
		The beverages do not meet the standardize recipe
		There are changes in the texture of the products in which the beverages are too watery
		Low durability of the product
2.	Price	Products are too expensive
		The product quality doesn't match with price
3.	Facilities	There is no air conditioner
		Wi-Fi facility is too slow
		The café is small and seating facilities are still few

Source: Prepared by Writer (2023)

From the data collected from customers, most consumers shared their concern regarding product differentiation. Until recently, Piutime only offered yogurt smoothies and smoothies bowl as their menu. For yogurt smoothies, it comes up with 2 size options which are 350 ml and 1 liter's size while for smoothie bowl, they only have one size option.

Aside from that, the majority of consumers claimed the beverages do not meet the standardized specifications which the amount of juice and yogurt in the beverage are not well balanced as the standardized recipe. Sometimes the amount

of yogurt exceeds the amount of juice and vice versa. The texture of the beverage is also too watery. One of the consumers also shared that he/she received a drink that has gone bad which emphasizes the low durability of the product.



Figure 1.1 Review of Piutime

Source: Grab Food Review (2023)

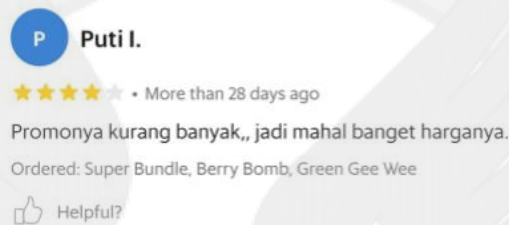


Figure 1.2 Review of Piutime

Source: Grab Food Review (2023)

Based on the figure 1.1 and figure 1.2, some customers complained about the price of the Piutime's product are quite expensive. While the others mentioned that the products are sour which do not according to the price. This indicated that the price doesn't match the product quality offered.

Table 1.3 Price Comparison between Piutime and its Competitors

No	Menu	Piutime	Super Slurp	Ngefroyo
1	Dragon Fruit Smoothies	Dragon Boost Rp32.000,00	Dragon Fruit Smoothies Rp28.000,00	Passionpine Dragon Rp13.000,00
2	Mango Smoothies	Vit-C Monster Rp32.000,00	Mango Smoothies Rp28.000,00	Sunset Mango Rp13.000,00
3	Berry Smoothies	Berry Bomb Rp35.000,00	Blueberry Smoothies Rp28.000,00	Mix Power Berry Rp15.000,00
4	1 Liter Size Smoothies	Rp84.000,00 – Rp100.000,00	Rp96.000,00	Not Available

Source: Prepared by the Writer (2023)

Based on the table 1.3, it can be clearly seen that Piutime selling prices are higher than its competitors which are Super Slurp and Ngefroyo that sell similar products. The range price for the product at Piutime is considered as upper range than its competitors. Piutime selling prices start from Rp32.000 – Rp100.000 which are indeed slightly higher than Super Slurp with the selling price Rp28.000 – Rp96.000. Meanwhile, Ngefroyo starting prices are Rp13.000 – Rp15,000 for their smoothie's menu. In conclusion, the menu price for similar products offered by the competitors is cheaper than Piutime.

Furthermore, the facilities provided by Piutime are still lacking and need to be developed as there are no air conditioners. Thus, many customers feel hot and uncomfortable when they spend a long time at Piutime. The Wi-Fi facility provided by Piutime is also so slow and has become a major concern for the customer. Due to the small space, the seating facilities at Piutime are also limited.

Based on the background of the study, the writer is interested in conducting research to obtain an answer about how product differentiation, price, and facility can influence customer purchase decision. Therefore, the writer decided to do research with the title **“The Influence of Product Differentiation, Price and Facility on Customer Purchase Decision at Piutime, Medan”**.

1.2 Problem Limitation

Given the limitation of time, knowledge and ability of the researcher, the researcher will limit this study to product differentiation (X_1), price (X_2), and facility (X_3) as independent variables and customer purchase decision as the

dependent variable (Y). The research in this study will take place at Piutime located at Jalan Gajah No.69, Pandau Hulu II, Medan Area, Medan City, North Sumatera, Indonesia.

According to Kotler and Keller (2021), the indicators of product differentiation are form, features, performance quality, conformance quality, durability, reliability, repairability, style and customization. According to Kotler and Armstrong (2016) as cited in Aprileny et al. (2021), the indicators of price include affordability of prices, price competitiveness, price compatibility with quality, and price match with benefit. The indicators of facility according to Tjiptono and Chandra (2019) are spatial planning, space planning, equipment/furniture, lighting, colors, and graphic messages. According to Kotler et al. (2019), indicators of customer purchase decision consist of product choice, brand choice, dealer choice, purchase amount, purchase timing, and payment method.

1.3 Problem Formulation

Based on the problem mentioned on the background of study, the writer formulates the following question for this research:

- a. Does product differentiation have partial influence on customer purchase decision at Piutime, Medan?
- b. Does price have partial influence on customer purchase decision Piutime, Medan?

- c. Does the facility have partial influence on customer purchase decision at Piutime, Medan?
- d. Do product differentiation, price, and facility simultaneously have influence on customer purchase decision at Piutime, Medan?

1.4 Objective of Research

The objectives of the research are:

- a. To evaluate whether product differentiation has partial influence on customer purchase decision at Piutime, Medan.
- b. To analyze whether price has partial influence on customer purchase decision at Piutime, Medan.
- c. To assess whether facility have partial influence on customer purchase decision at Piutime, Medan.
- d. To know whether product differentiation, price, and facility simultaneously have influence on customer purchase decision at Piutime, Medan.

1.5 Benefit of the Research

The research is expected to give benefits as follows:

1.5.1 Theoretical Benefit

The research is expected to give theoretical knowledge to reader and give contribution in answering problem that occurred in food and beverage industry, especially on product differentiation, price, facility and its influence on customer purchase decision which still rarely discussed.

1.5.2 Practical Benefit

- a. For the writer, the research helps the writer to gain more knowledge as well as provide understanding of influence of product differentiation, price and facility on customer purchase decision.
- b. For the Piutime, the finding in the research is expected to contribute some recommendation and feedback for the company in developing the company's improvement strategies.
- c. For other researchers, the findings of the research can be used as a foundation and comparison for better research and can be used as a reference for further researchers who want to research the same topic in the future.

