

CHAPTER I INTRODUCTION

1.1 Background of Study

Globalization era is something that is inevitable and is something that has targeted a lot of changes in how people live their life. One of the changes is the internet. It is undeniable how much internet has changed and made life easier. Nowadays, people can communicate with friends or families from all over the world just with internet itself.

The user of Internet keeps on increasing as the world around the user evolves. According to Internet World Stats, there are 65.6% of internet user all around the world on 31 March 2021. All of this internet user has the access to all information that is available online. These numbers also are predicted to increase as the population all around the world increase too which can be proven from the statistic provided by Internet World Stats that implies as of 30 June 2021, there are 69.0% of internet users all around the world

Indonesia also has many internets user. The Internet World Stats state that on 30 June 2021, 76.8% of Indonesian is actively using the internet. According to *Asosiasi Penyelenggara Jasa Internet Indonesia (APJII) 2018*, the amount of internet user in Indonesia increase to 27.9 million from 143.2 million in 2017. According to APJII, in the year 2018 around 37.3% of the internet user in Indonesia use the internet to buy and sell stuff (e-commerce).

The increasing of the internet user will have a great impact on the e-commerce and social media user. As the platform grows bigger and the number of

users grows larger, it will become a suitable tool for promotion because it is accessible to just anyone, anywhere, and anytime so the connection will be broader. One of the ways how the promotion on the internet could happen is with electronic word-of-mouth (e-WOM).

Hennig-Thurau et al., (2004) as cited in Rusdiana et al., (2019) stated that Positive or negative comments made by prospective, existing, or past customers about a product or firm that are made available to a large number of individuals and institutions over the internet are referred to as e-WOM communication. E-WOM can appear in a variety of places, including social media, websites, and forums.

To get either positive or negative statement the company must pay attention to the connection to the quality of the product. The success of a company has a great connection to how the company put the product on the market. Apart from knowing the target market, the company also must provide a product that has a great quality so that the product can provide what the market needs.

The way the company can know what the target market needs can be done through experiential marketing. The goal of experiential marketing is to create an unforgettable experience that successfully appeals to target clients (Chang 2020). With experiential marketing, a company could give an understanding to customer according to the product so that there's positive experience to stimulate customer's purchase decision.

Miguna dan Matondang (2020) stated that product quality is everything that we can offer to the manufacturers to be inspected, to be used, to buy, and also can be consumed by the consumer or manufacturers according to consumer's needs.

V-Coffee Binjai has been operating since 2020. V-Coffee's main menu is food and drinks that people of all ages could enjoy such as Spaghetti, nasi goreng, mie goreng, coffee, and juices.

With the variation of the product, V-Coffee needs to find a way to maintain the product quality so that it will not affect customer's purchase decision negatively. From figure 1.1 there is negative review regarding the product quality of V-Mart Coffee that might affect customer's purchase decision.



Figure 1.1 Review from Grab 1

Source: Prepared by the Writer, (2023)

The goal of experiential marketing is to create an unforgettable experience that successfully appeals to target clients (Chang 2020). The writer found a google review that stated the manager of V-Coffee is very rude towards the customer. This will affect the experiential marketing of the customer in the sense of the feel at V-Coffee. The customer purchase decision might as well be affected because of this.



Figure 1.2 Google Review of V-Coffee 1
Source: Prepared by the Writer, (2023)

Even though V-Coffee is utilizing social media to promote its product, they are still lacking in terms of promotion by E-WOM. As can be seen from Figure

1.3 the followers of V-Coffee Instagram can still be considered as very few remembering that they have been opening since 2020.



Figure 1.3 V-Coffee Instagram Page 1

Source: Prepared by the Writer



While interviewing the owner of V-Coffee, the owner stated that one of the problems with the customer purchase decision at V-Coffee is that most of the customer will not come back to eat at the café.

According to background of the study above, the writer is interested to do research with the title **“The Influence of Electronic Word-of-Mouth, Product Quality, and Experiential Marketing on Customer’s Purchase Decision at V-Coffee, Binjai”**.

1.2 Problem Limitation

In order for the research to be more focused and due to the limitation of time, in this research the author limits this study to social media such as Instagram as the platform to conduct e-WOM promotion and experiential marketing and to

check the quality of the product as the independent variables and its influence to customer purchase decision as the dependant variable. The potential age of the customers that will be used as sample is 17-25 years old. The location of the research also will be limited to around V-Coffee, Binjai.

1.3 Problem Formulation

Based on the background of the study that has been formulated, four problems would be discussed in this research, which are:

- a. Does electronic word-of-mouth partially influence customer purchase decision at V-Coffee, Binjai?
- b. Does product quality partially influence customer's purchase decision at V-Coffee, Binjai?
- c. Does experiential marketing partially influence customer's purchase decision at V-Coffee, Binjai?
- d. Do electronic word-of-mouth, product quality, and experiential marketing simultaneously influence customer's purchase decision at V-Coffee, Binjai?

1.4 Objective of Research

Based on the problem formulation, we can conclude the objective of this research as:

- a. To analyze whether electronic word-of-mouth has partial influence on customer purchase decision on V-Coffee, Binjai.

- b. To analyze whether product quality has a partial influence on customer purchase decision at V-Coffee, Binjai.
- c. To analyze whether experiential marketing has a partial influence on customer purchase decision at V-Coffee, Binjai.
- d. To analyze whether electronic word-of-mouth, product quality, and experiential marketing simultaneously have influence on customer purchase decision at V-Coffee, Binjai.

1.5 Benefit of the Research

In this research, there are two types of benefit of the research that can be concluded from the research of whether electronic word-of-mouth, product quality, and experiential marketing have influence on customer purchase decision at V-Coffee, Binjai.

1.5.1 Theoretical Benefit

The theoretical benefit of this research is to show whether electronic word of mouth, product quality, and experiential marketing have influence on customer purchase decision or not. The writer also did this research to get more relatable knowledge according to the theories about electronic word-of-mouth, product quality, experiential marketing, customer purchase decision, and the connection of the variables.

1.5.2 Practical Benefit

The practical benefits of this research are namely:

- a. For the writer, this research allows the writer to gain more knowledge and helps the writer to have a better understanding of electronic word-of-mouth, product quality, experiential marketing, and customer purchase decision.
- b. For the company, this research could help the company to find out whether electronic word-of-mouth, product quality, and experiential marketing have influence on customer purchase decision. The result of this research could give solution or recommendation to the company.
- c. For other researchers, this research can be a reference for them to write new research that has connection with electronic word-of-mouth, product quality, experiential marketing, and customer purchase decision.

