

CHAPTER I

INTRODUCTION

1.1. Background of Study

In today's business era, competition between companies will be increasingly stringent, so that companies must be able to adapt to current conditions in order to adapt to the times. Indonesia's potential market remains open, making companies and entrepreneurs vying to get big profits in the Indonesian market. However, the various products offered by distributors compete in the market. For this reason, for a product to compete in the market, the brand of a product needs to be managed continuously, handled professionally, and product quality also needs to be maintained so that the products on the market have a good brand image.

According to www.dataindustri.com, in the first quarter of 2023, the performance of the food and beverage industry per quarter (q on q) experienced contraction or decline. Meanwhile, the annual growth of the food and beverage industry sector (year on year) until the first quarter of 2023 is growing positively. This positive growth performance continued with the previous year's performance, which also remained positive.

Tren Data Pertumbuhan Industri Makanan dan Minuman, 2011 - 2023

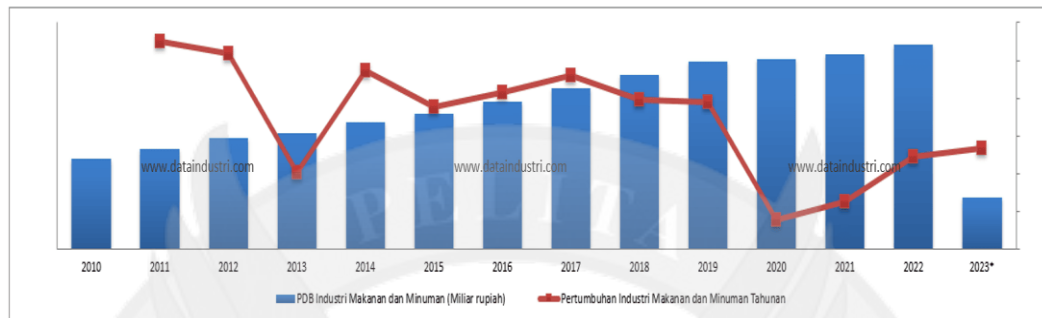


Figure 1.1 Food and Beverage Industry Growth Data Trends 2022-2023

Source: Data Industri Research (2023)

The syrup industry plays a significant role in the food and beverage sector, offering a wide range of flavored syrups used in beverages, desserts, and other culinary applications. The purchasing decisions process of consumers is influenced by various factors, including personal experiences, recommendations, brand image, and product quality on syrup purchasing decisions, providing valuable insights into consumer preferences or behavior in the context of syrup products.

The word of mouth refers to the informal communication between consumers about products or services. It has long been recognized as a powerful influencer of consumer behavior, as individuals tend to trust recommendations from friends, family, or acquaintances. With the advent of social media and online review platforms, word of mouth has gained even more significance. Studies have shown that positive word of mouth can positively impact customer purchasing decisions, leading to increased brand awareness, trust, and ultimately, higher sales. Understanding the impact of word of mouth on syrup purchasing decisions is

crucial for marketers to develop effective marketing strategies and capitalize on the power of positive consumer experiences and recommendations.

The brand image for the product represents the perceptions and associations consumers have towards a certain brand. It includes a number of components, including brand identity, personality, and reputation. A strong and positive brand image can significantly influence consumer behavior, including their purchasing decisions. Consumers often associate brands with certain attributes, values, or experiences, and these associations play a pivotal role in shaping their perceptions and preferences. Therefore, it is essential to investigate how brand image affects syrup purchasing decisions, as it helps companies to strategically manage their brand positioning and build a favorable image in the minds of consumers.

The product quality of the product refers to the characteristics and features of a product that determines its ability to satisfy customer needs and expectations. High-quality products are more likely to meet consumer demands, provide superior performance, and offer value for money. Consumers perceive product quality as an indicator of brand reliability, credibility, and overall satisfaction. Thus, understanding the impact of product quality on syrup purchasing decisions is crucial for companies aiming to differentiate themselves in the market and gain a competitive advantage.

Sirup Kurnia is a soft drink brand that is in great demand among Indonesian consumers, especially in Aceh Province. Produced by PT Kurnia Aneka Gemilang, Sirup Kurnia was created in 1969 starting from a home industry business. The main owner and founder is an Indonesian citizen of Chinese descent, named Elias

Hudaya. Sirup Kurnia is very popular with many groups, ranging from children, teenagers to adults, because it contains 100% pure sugar originating from Lampung and Thailand as the main ingredient Sirup Kurnia and added to its superior raspberry aroma.



Figure 1.2 Sirup Kurnia
Source: Prepared by the Writer (2023)

According to Ritna Rachel Pilipus, Muhammad Fikry Aransyah, and Wira Bharata (2021) in a publication titled “Pengaruh WOM (Word of Mouth), Brand Image, dan Kualitas Produk terhadap Keputusan Pembelian Minuman Thai Tea pada Dum Dum Thai Drinks Samarinda” word of mouth, brand image, and product quality have a simultaneous influence on customer purchase decision.

Following is the sales chart of Sirup Kurnia from 2019-2022:

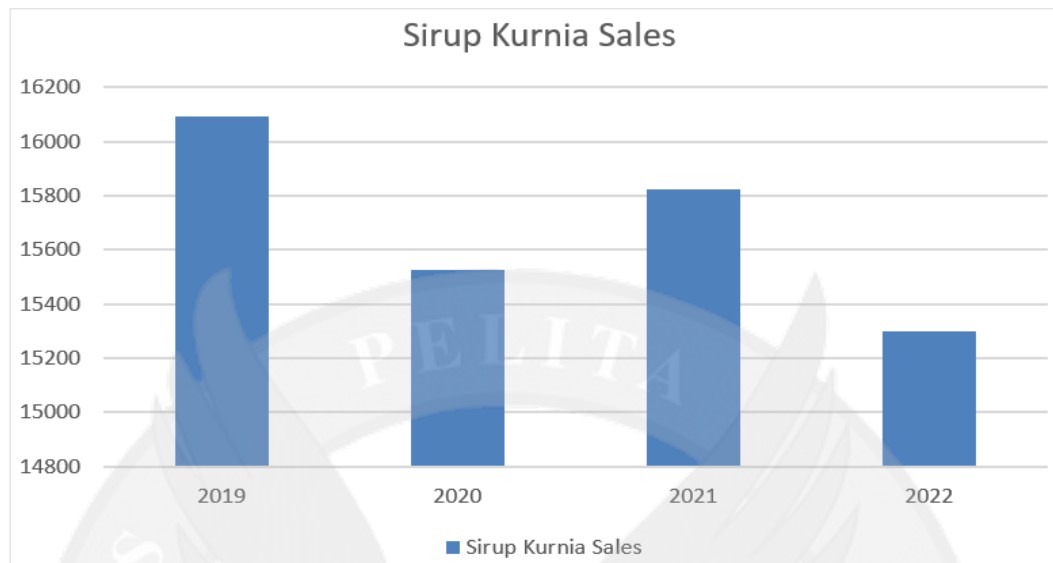


Figure 1.3 Sirup Kurnia Sales Chart

Source: Prepared by the Writer (2023)

Based on the figure above, the sales of Kurnia Syrup in 2019 were approximately 16,000 bottles per year, experiencing a decrease of around 7% in 2020 due to the pandemic. However, sales have risen again in 2021 when the pandemic began to subside and sales increased due to large demand on public holidays such as Eid al-Fitr, Chinese New Year, and so on. Then, it decreased again in 2022 to around 15,000 bottles per year.

The writer has found there were several complaints on the google review that may affect the customer purchase decision:

Table 1.1 Google Review for PT Kurnia Aneka Gemilang

Customer Complaint	Description
Tara Benavent	The taste is good, but now the color is getting more and more reddish, the taste is sweeter, but it is lacked aroma, not like it used to be.
Hisbullah His	If I may make a request, please make the syrup packaging more environmentally friendly. The problem is that I don't know where to throw the empty bottles, if I throw it on the rubbish bin, the bottle can be easily broken and make another people got injured.

Source: Prepared by the writer (Google Review)

The reviews are mostly about the product quality which can be seen from the complaints relating to taste, aroma, and packaging. The writer has also tried this Sirup Kurnia. From the writer's opinion, it is true that the syrup is too sweet. If you put just a little syrup, then there will be no aroma of the syrup. But if you put a little bit more, it will immediately taste very sweet.

Based on the problems stated above, the writer decided to conduct the research under the title of "The Influence of Word of Mouth, Brand Image, and Product Quality on Customer Purchase Decision at PT Kurnia Aneka Gemilang, Medan".

1.2. Problem Limitation

Due to the researcher's limited time and resources and Indonesia's huge territory, a scope limitation will be used in the research that will be carried out. Research on the problem of the influence of word of mouth, brand image, and product quality on customer purchase decision will only be conducted at PT Kurnia Aneka Gemilang, Medan. Moreover, to be more focused and the limitations of the researcher's ability this study applied limitation to the problem, that this study is limited by 4 variables such as word of mouth as independent variable, brand image as independent variable, product quality as independent variable, and customer purchase decision as dependent variable.

1.3. Problem Formulation

Given the circumstances mentioned previously, there are several issues that can be articulated as follows:

- a. Does word of mouth have partial influence on customer purchase decision at PT Kurnia Aneka Gemilang, Medan?
- b. Does brand image have partial influence on customer purchase decision at PT Kurnia Aneka Gemilang, Medan?
- c. Does product quality have partial influence on customer purchase decision at PT Kurnia Aneka Gemilang, Medan?
- d. Do the word of mouth, brand image, and product quality have a simultaneous influence on customer purchase decision at PT Kurnia Aneka Gemilang, Medan?

1.4. Objectives of the Research

The objectives of this study are to:

- a. To find out whether word of mouth has partial influence on customer purchase decision at PT Kurnia Aneka Gemilang, Medan.
- b. To find out whether brand image has partial influence on customer purchase decision at PT Kurnia Aneka Gemilang, Medan.
- c. To find out whether product quality has partial influence on customer purchase decision at PT Kurnia Aneka Gemilang, Medan.

- d. To find out whether word of mouth, brand image, and product quality have simultaneous influence on customer purchase decision in PT Kurnia Aneka Gemilang, Medan.

1.5. Benefit of the Research

The benefits of this study are:

1.5.1 Theoretical Benefits

The anticipated outcomes of the research conducted by the writer of this study are expected to make a valuable contribution to the existing theories related to word-of-mouth communication, brand image, product quality, and customer purchasing behavior. Moreover, this study offers additional information to researchers investigating similar topics or problems.

1.5.2 Practical Benefits

- a. For the Writer

The research conducted can improve the applied knowledge relating to the implementation of marketing strategy with the understanding of word of mouth, brand image, and product quality that affect the customer purchase decision.

- b. For the Company

The result of this research will be expected to give information on how the word of mouth, brand image, and product quality of the company

will influence the customer purchasing decision on PT Aneka Kurnia Gemilang syrup product.

c. For Future Researchers

This study could be used as a reference for future researchers who are learning to understand the potential influence of word of mouth, brand image, and product quality toward customer purchase decisions. As well future researchers have a preliminary description of how conducted research. This study serves as an extra reference that has not been included in prior research.

