

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Background of The Study**

In the age of globalization, the growth of the culinary industry is accelerating, requiring all culinary businesses to be highly competitive. This is evident by the plethora of new enterprises working in the culinary industry. The state of society as consumers of numerous forms of food is advancing in the present day. This is consistent with the growing buying power of the population; hence, the requirements of the society are likewise rather diversified. Currently, customers' decisions to purchase food and beverages are impacted not only by the flavor of the food and beverage, but also by a number of other aspects, such as the price of food and the product quality offered by culinary firms.

The purchase decision is based on the outcomes of the preceding action, including the determination of what to purchase or the absence of a buying decision (Assauri, 2018). There are two parties engaged in the trade and buy process of a purchasing decision: the vendor and the customer. Therefore, without the proper seller activity to consumers, product sales will decrease in proportion to a decline in consumer purchasing decisions, and vice versa, with sales activities such as made properly to consumers, product sales will increase in proportion to an increase in consumer purchasing decisions.

Price becomes the aspect that has a significant and genuine impact on customers' propensity to make purchases. According to Sunyoto, a certain quantity

of items must be acquired at the price (2017). When pricing is related to perceived advantages of a product or service, it is usually used as an indication of value from the consumer's viewpoint. Consequentially, the policy of continually fluctuating pricing might have an impact on customer interest. In other words, a high price may decrease customers' desire to purchase a product or service, whereas a low price might increase consumers' intent to purchase a product or service.

In addition to pricing, a corporation may consider the quality of the product, such as the freshness of the coffee, to track the growth of product sales. According to Walter et al. (2017), the quality of a product is determined by the personal experience of prospective buyers with the brand. Rapidly gaining importance as a competitive factor, product quality enables companies to fulfill customer demands. By using high-quality products, our organization can provide excellent customer service and make our clients happy. 7 Degrees Coffee, Medan offers reasonable costs for all customers, with a range of pricing options to accommodate individual preferences.

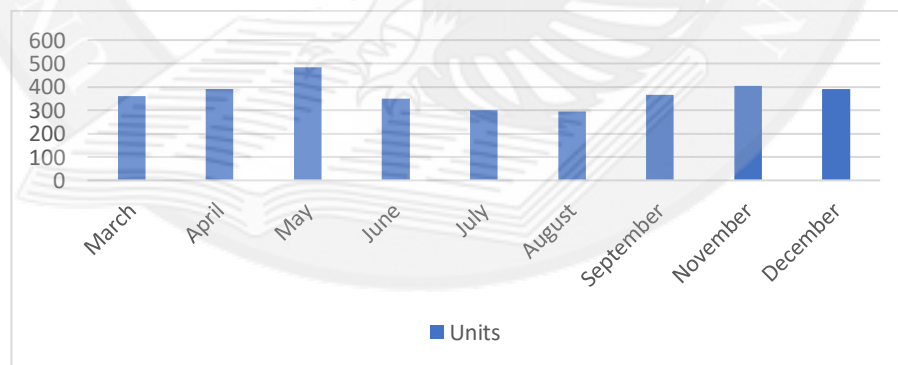
7 degrees coffee Medan is a comfortable coffee shop with a semi-outdoor design that caters to the tastes of young people. 7 Degrees Coffee, Medan has their own coffee roaster because their specialty is coffee. 7 Degrees Coffee, Medan was located at Jl. S. Parman Blok A No. 6, Medan, North Sumatra. Moreover, there are several types of comments regarding this coffee shop such as taste is no good, the price is reasonable, but some also says that it a little bit high and not worth the portion. The atmosphere is good, calm and cozy space but some people says the place is not good. Consumers can order coffee directly desired according to taste.

Product quality from 7 Degrees Coffee regarding the characteristics of products that have not been owned by owner when compared to other coffee shops and still lacking in the development of product variants, and related to sales promotion through events organized by 7 Degress Coffee, 7 Degrees Coffee feel the need to develop and work on it more seriously for the sake of have a positive impact on the environment and for internal parties 7 Degrees Coffee itself. But in recent years Sales at 7 degrees coffee fluctuated, here are the results data sales of 7 degrees, coffee.

**Table 1.1.**  
**Coffee Sales Units at 7 Degrees Coffee Medan 2021**

Month	Units	%
March	360 cup	-
April	390 cup	8,33%
May	485 cup	24,36%
June	350 cup	-27,84%
July	300 cup	-14,29%
August	295 cup	-1,67%
September	365 cup	21,67%
November	405 cup	10,96%
December	390 cup	-3,70%

Source : Prepared by the Writer (7 Degress Coffee Medan, 2022)



**Figure 1.1 Coffee Sales Units from March to December 2021**

Source: Prepared by the Writer (7 Degrees Coffee Medan, 2022)

Based on the table above, the sales results have This significant fluctuation is evident from each year's sales figures experienced an increase in Marc of 360 cups, increase in April of 390 cup, increase in of 485 cup and a decrease in June of

350 cups, a decrease in July of 300 cups, a decrease in August of 295 cups and in the following year experienced an increase in September of 365 cup. This shows that this company every year fluctuated as evidenced by sales data. The drop caused by several things such as the lack of available raw materials, more the high cost of local products, especially ordered goods compared to already available at seven degrees coffee and lack of promotion, this has an impact on the decision low purchase.

In this study, researchers took a study on 7 Degrees Coffee which is at 7 Degrees Coffee Medan located on Jl. S. Parman Block A No. 6, Medan, North Sumatra. 7 Degrees Coffee is relatively new, but enough counted as a hangout choice for people in the city of Medan. The target market of 7 Degrees Coffee is young people and housewives who like to hang out together and like coffee. This 7 Degrees Coffee offers a variety of food and beverage variants to suit tastes and needs consumer. Based on the preliminary research results, most of the consumers who have visited and bought at 7 Degrees Coffee stated that the price offered was a little bit high, starting from IDR 12,000,- up to IDR 41,000,- and product quality from 7 Degrees Coffee regarding the characteristics of products that have not been owned by 7 Degrees Coffee when compared to other coffee shops. Here are some price comparisons from competitors of 7 Degrees Coffee.

**Table 1.2**  
**Comparison Price**

<b>7 Degrees Coffee Medan</b>	<b>Calmante</b>	<b>Piacevole Coffee</b>
Starting from IDR 12,000, - up to IDR 41,000. Americano is IDR 22,000.	Starting from IDR 15,000, - up to IDR 28,000. Americano is IDR 19,500.	Starting from IDR 20,000, - up to IDR 30,000. Americano is IDR 20,000.

Source: Prepared by the Writer (2022)

From the price comparison table, some competitors offer competitive prices and with a more expensive menu compared to 7 Degrees Coffee Medan.

The writer will conduct the research with title **“The Influence of Price and Product Quality on Customer Purchase Decision At 7 Degrees Coffee, Medan”**.

## **1.2 Problem Limitation**

The problem limitation is used to avoid irregularities or broadening of the core topic, allowing the research to be more focused and the debate to be more productive, allowing the study objectives to be met. Price and product quality as independent factors (X) and customer purchasing decision as dependent variables (Y) are some of the concerns in this study's limitations. The research was conducted at 7 Degrees Coffee Medan located on Jl. S. Parman Blok A No. 6, Medan, North Sumatra.

In this research, the indicator for price includes affordability, competitiveness. The indicator for product quality include performance, features, conformance to specification, reliability, aesthetics, perceived quality, and service ability. The indicators for purchase decision include problem introduction, information search, evaluation of alternatives, purchase decision and post-purchase behaviour.

## **1.3 Problem Formulation**

Based on the above background, the formulation of the research problem is:

- a. Does Price have partial influence on Customer Purchase Decision at 7 Degrees Coffee, Medan?
- b. Does Product Quality have partial influence on Customer Purchase Decision at 7 Degrees Coffee, Medan?
- c. Do Price and Product Quality have simultaneous influence on Customer Purchase Decision at 7 Degrees Coffee, Medan?

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

Based on the problem statement that has been described, the objective of this research are as follows:

- a. To examine whether Price has partial influence on Customer Purchase Decision at 7 Degrees Coffee, Medan.
- b. To analyze whether Product Quality has partial influence on Customer Purchase Decision at 7 Degrees Coffee, Medan.
- c. To investigate whether Price and Product Quality have simultaneous influence on Customer Purchase Decision at 7 Degrees Coffee, Medan.

#### **1.5 Benefit of Research**

This researcher assumed that the results of this study will not only be theoretical but also practical for a variety of parties. In line with the stated goal of the study, the following parties will benefit from this research:

### **1.5.1 Theoretical Benefit**

The Theoretical, the writer expects that this study may serve as the theoretical literature and references for other academics who want to do more research on customer purchase decision. The writer also expects that the findings of this study will expand understanding of the impact of pricing and product quality on customer purchase decision.

### **1.5.2 Practical Benefit**

Practically, the writer expects that this research can be used as follows:

a. For The Writer

It is expected that this research can supply information and serve as a reference in conducting research related into the influence of price and product quality towards customer purchase decision.

b. For 7 Degrees Coffee

The results of this study are expected to provide information as an evaluation price, product quality and customer purchase decision.

c. For the University

It is expected that this research can supply information and serve as a reference in conducting research related to customer purchase decision for other students.

d. For Other Companies

This study may inform the management of other culinary firms about pricing and product quality, as well as how to enhance future buying choices.

e. For Other Researchers

The result of this research should be a reference source for further research into the influence of price and product quality towards customer purchase decision.

