

CHAPTER I

INTRODUCTION

1.1 Background of Study

As the world evolves, the food and beverage industry are growing over the diversity of customer behaviour in ways that challenge to perform with better strategies. The competition for the food and beverage industry is very competitive, as many outlets have sprung up to offer food and beverage products in various forms. (Syahputra, 2019). The food and beverage business have a vital and strategic role, not only in meeting the demands of the food and beverage sector, but also in increasing the value of the primary product so that related industries can grow as well (Sanjaya & Henviani, 2020).

Associated with primary human needs, entrepreneurs are motivated to start a business that sells food and beverages that are tailored to the needs of most people. Especially when the food and beverage (F&B) industry in Indonesia will continue to reap great opportunities through digitalization. This is because the F&B industry can always follow and survive in the midst of current developments or trends, including technological advances (Albesta, 2018).

In order to win this competitive business industry, business people must be able to employ the proper technique to entice consumers to make a decision. According to Tjiptono (2016), purchase decision is one part of consumer behavior. Consumer behavior is an action that is directly involved in obtaining, determining products and services, including the decision-making processes that precede and follow these actions. Customer purchasing decisions are influenced by a variety of factors, which companies must be able to identify. Knowing what factors influence customer purchase decisions allows the company to respond to what needs to be done to ensure its survival and become a winner in such a competitive market (Nasution, Putri, Pratami, & Lesmana, Taufik, 2019).

Knowledge of consumers is the key in planning the right strategy in marketing a product. Consumers are the company's most valuable asset for the company, so it is obligatory for the company to maintain this value. Through well-maintained consumers, sales will run smoothly and run according to expectations. In a culinary business, consumers are the spearhead in making purchasing decisions. Purchasing decisions are also greatly influenced by many things related to promotions with various kinds of discounts, price discounts, additional products at normal prices, quality of food and drinks, variety of food and beverages, and competitive prices with similar cafes (Arrofu and Budiyanto, 2018).

According to Ernawati (2019), food quality is one of the factors that influence customer purchase decisions. A company must pay attention to the quality of the products it creates, because quality product is an important factor that influences consumer decisions in make a purchase of a product or service. The better the quality of a product, the better the increasing interest of consumers to buy these products. By giving good food quality, a company can be superior to its competitors. Therefore, a company must be able to understand consumer desires so that it can create products with good quality and in accordance with customers' expectations.

Another factor that can influence purchasing decisions is price. Price is used as one of the marketing strategies to boost sales, on the other hand it also has the function to build a long-term image length of a product. Price must be able to persuade consumers to behave in such a way as to be able to provide benefits for the company. Historically, price is an important factor influencing a person's choice to buy (Lubis, 2018).

Furthermore, seeking prospective and effective promotion in this pandemic era is very crucial where people judge a service according to what they want or not before making a purchase, namely through promotions carried out by the company. Companies must be able to carry out promotions well and attractively as a way to

stimulate potential consumers to determine their purchase decisions (Kristanto & Wahyuni, 2019).

Niu Nai Bread and Boba Medan is one of the franchised-cafes located in Medan that sells baked goods and beverages. Established since October 2020, this cafe is located in the strategic place of Medan city, Komplek Multatuli Medan, so it is clear and easy to find by new visitors and old visitors who want to enjoy food and drinks. Niu Nai Bread and Boba Medan is the first offline comfortable store with the concept of selling bread and boba. By conducting an interview for the preliminary research with the co-founder of Niu Nai Bread and Boba Medan, Mr. Wilbert, he stated that the main factors of customer purchase decision in Niu Nai Bread and Boba Medan is highly influenced by the food and beverages quality, price, and promotion.

Based on the sales revenue and number of transaction data given by Mr. Wilbert, the sales at Niu Nai Bread and Boba Medan might be experiencing problems, resulting in unstable sales. This can be caused by many things, including internal problems and external cafe problems. Below illustrated Niu Nai Bread and Boba Medan sales the sales data for the last one year in 2021:

Table 1.1 Sales of Niu Nai Bread and Boba Medan

Month (2021)	Revenue	Number of transactions
January	Rp27,699,600.00	639
February	Rp26,926,000.00	686
March	Rp21,431,800.00	634
April	Rp39,886,800.00	814
May	Rp23,416,600.00	531
June	Rp19,940,000.00	509
July	Rp14,809,800.00	335
August	Rp14,809,800.00	335
September	Rp14,356,200.00	313
October	Rp13,018,400.00	285
November	Rp13,727,600.00	336
December	Rp14,687,800.00	304

Source: Prepared by Niu Nai Bread and Boba Medan (2022)

Table 1.1 explains that sales of Niu Nai Bread and Boba Medan have fluctuated, where the amount of sales is quite large in certain months, which are January, February, and April. It is because the official grand opening invitation and

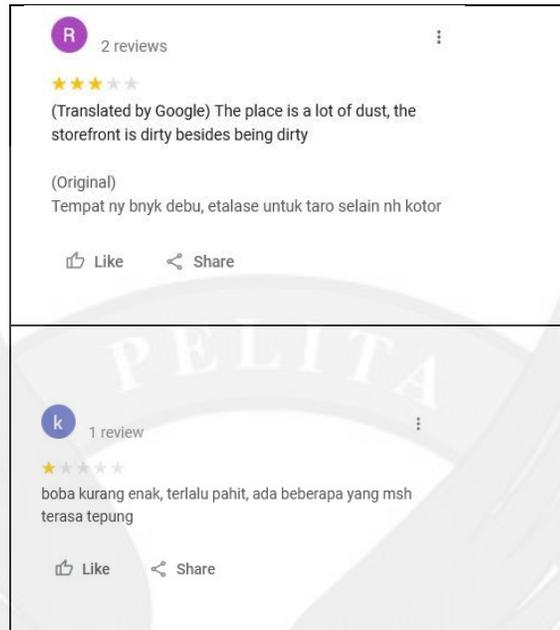
promotion was on April 2021. But in the following months, the sales experienced decline, so it can be said that sales of Niu Nai Bread and Boba Medan is not stable.

There are variety of sellers in Medan who sell the same product like Niu Nai Bread and Boba Medan with different quality, variety of price, and ways of promotion. Especially when digitalization encourages prospective customers to make price comparisons. Thus, it is undeniably easy to switch from one to another. Customer may select certain shop that offer price that match its product quality and benefits.

Based on Niu Nai Bread and Boba Google review, there are many good reviews from customers. But also some complaints regarding the food quality in terms of the taste, texture, and hygiene which is shown in the table 1.2 below.

Table 1.2 Complaints of Food Quality in Niu Nai Bread and Boba Medan





Source: Google Review (2022)

Based on the complaints, it is showing that the food quality in Niu Nai Bread and Boba is still lacking in some ways and still can be improved in the future. And that is one of the reasons in which this research is conducted and using food quality as the first independent variable.

Table 1.3 Price Comparison of Signature Menu in Niu Nai Bread and Boba, Xiboba, Xie Xie Boba and Si Boba 2022

Signature Menu	Niu Nai Bread and Boba	Xiboba	Xie Xie Boba	Si Boba
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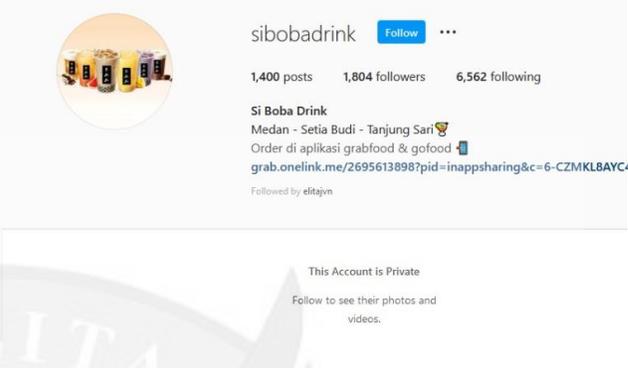
Brown Sugar Fresh Milk (with boba)				
	Rp29,040.00	Rp27,000.00	Rp22,000.00	Rp20,000.00
Brown Sugar Milk Tea (with boba)				
	Rp29,040.00	Rp27,000.00	Rp18,000.00	Rp20,000.00
Salted Caramel Fresh Milk (with boba)				
	Rp29,040.00	Rp32,000.00	Rp22,000.00	Rp22,000.00
Brown Sugar Dalgona Coffee (with boba)				
	Rp29,040.00	Rp27,000.00	Rp22,000.00	Rp23,000.00

Source: Grab Food (2022)

By comparing the price of the same signature products as shown in Table 2.2, it can be clearly seen that the price in Niu Nai Bread and Boba, is relatively more expensive than the other franchised brands. It might be one of the factors that affects sales in Niu Nai Bread and Boba Medan. That is also one of the reason for price to be used as the second independent variable.

Table 1.4 Number of Instagram Followers Comparison in Niu Nai Bread and Boba, Xiboba, Xie Xie Boba and Si Boba 2022

Store	Number of Followers	Instagram page
Niu Nai Bread and Boba	4,523	 <p>niunai.official Follow</p> <p>203 posts 4,523 followers 21 following</p> <p>Niu Nai Bread & Boba Shopping & retail Niu Nai Bread & Boba Kedai Roti, Boba, Kopi & Teh Silahkan DM untuk Kemitraan #bobamenow</p> <p>Friends Kemitraan Menu</p>
Xiboba	285,000	 <p>xiboba.indonesia Follow</p> <p>1,370 posts 285k followers 14 following</p> <p>Indonesia No.1 Boba - XI BO BA Bubble Tea Shop We're not just another boba, but the best yet the most affordable boba drink in town Over 400 stores all around you! #KULOGROUP #MBVENTURA</p> <p>MENU PROMO OUTLETS KAKAO SE... BOBAFFLE... HOW TO O... XBB X LDP</p>
Xie Xie Boba	32,800	 <p>xixieboba.official Follow</p> <p>390 posts 32.8k followers 1,053 following</p> <p>Xie Xie Boba Indonesia FRANCHISE BOBA PALING LARIS SEJAK 2019</p> <p>Segera Gabung Kemitraan dan Miliki Biznismu Sendiri! info click to link linktree/xixieboba.official</p> <p>CALL US Paket Kemi... Xie-bestie Our Menu Bubbling N... PENIPUAN!!</p>

Si Boba	1,804	
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Source: Instagram (2022)

However, Niu Nai Bread and Boba Medan still has several shortcomings, the public does not aware of the products, especially consumers who are in remote areas so that the target market coverage is still lacking. It causes the potential customers to be unaware about Niu Nai Bread and Boba itself and will affect the customer purchase decision because of insufficient exposure. It can be seen through the main platform used for promotion, which is Instagram. By comparing the number of Instagram followers, wider promotion is needed to attract more potential customers. Which is the reason for promotion to be used as the third independent variable in this research.

From the reasoning above, the author believes that food quality, price, and promotion are the main factors that influence customer purchase decision. According to previous journal conducted by Syamsul, etc. (2021), it is inevitably claimed that food quality, price, and promotion have significant effect on customer

purchase decision. Therefore, the author would like to examine thoroughly about **“The Influence of Food Quality, Price and Promotion toward Customers Purchase Decision at Niu Nai Bread and Boba Medan”**.

1.2 Problem Limitation

The research object is limited solely in analyzing the influence of food quality, price, and promotion (as independent variables) toward customer purchase decision (as dependent variable) at Niu Nai Bread and Boba Medan as the research object specifying on the hotel as a whole within the duration of January until May 2022. This research is targeting those who ever purchase products from Niu Nai Bread and Boba Medan.

The indicators of food quality (X_1) involve taste, freshness, presentation and innovations (Albesta, 2018). Whilst the indicators of price (X_2) are Price affordability, price suitability with product quality, price competitiveness, and price suitability with benefits (Syamsul, 2021). And the indicators of promotion (X_3) involve messages, media, time, and frequency (Syahputra and Herman, 2020). Moreover, the indicators to measure customer purchase decision (Y) will be limited to product introduction, information search, evaluation of alternatives, purchase decision and post-purchase behavior (Arifin, 2018).

1.3 Problem Formulation

The author initiates to formulate the problem based on the background study as follows:

1. Does the food quality significantly influence the customer purchase decision at Niu Nai Bread & Boba Medan?
2. Does the price significantly influence the customer purchase decision at Niu Nai Bread & Boba Medan?
3. Does the promotion significantly influence the customer purchase decision at Niu Nai Bread & Boba Medan?
4. Do the food quality, price and promotion simultaneously influence the customer purchase decision at Niu Nai Bread & Boba Medan?

1.4 Research Objectives

Based on the problem formulation, the author initiates to conduct the research with the purpose of:

1. To identify if the food quality significantly influences the customer purchase decision at Niu Nai Bread & Boba Medan.
2. To identify if price significantly influences the customer purchase decision at Niu Nai Bread & Boba Medan.

3. To identify if promotion significantly influences the customer purchase decision at Niu Nai Bread & Boba Medan.
4. To identify if food quality, price and promotion simultaneously influence the customer purchase decision at Niu Nai Bread & Boba Medan.

1.5 Benefit of the Research

This research is conducted to be informative and beneficial for the other parties as follows:

1.5.1 Theoretical Benefit

The theoretical benefits gathered and obtained from this research will be:

1. For the author, this research is expected to act as reference and give understanding about how food quality, price and promotion significantly impact the customer purchase decision.
2. For the research object, this research is expected to act as reference about how do food quality, price and promotion significantly impact the customer purchase decision. Thus, this research is expected to offer comprehensive insights about the real current issues for future researchers who will conduct similar topic.

1.5.2 Practical Benefit

The practical benefits gathered and obtained from this research will be:

1. For future researchers, this research may act as a parameter to bring additional references regarding food quality, price and promotion of a company and how they influence the purchase decision.
2. For Niu Nai Bread and Boba Medan, this research is expected to offer in-depth analysis about food quality, price, promotion, and purchase decision at Niu Nai Bread and Boba Medan. This might act as reference to formulate business development policies for better decision-making.
3. For the writer, this research is expected to provide more comprehensive understanding in regards the studies of analyzing the food quality, price, promotion and customer purchase decision its relationship in real-life settings.