

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In today's world, there are numerous companies delivering to market to provide products according to customers' needs and wants, while competing with each other. Companies adopt different strategies as a means of competing with their competitors to capture customers within their markets. One of the most popular strategies focuses on product packaging. Research suggests that packaging has become an effective tool to capture the consumer purchase intention (Rundh, 2005).

The consumer purchasing process depends on many various factors including packaging, price and promotion of a product. Purchasing intentions can also be understood in regards to a purchaser's demographic; age, race and economic situation and may differ depending on these factors. Prior research however indicates that packaging plays a large role in how consumers make purchasing decisions. Packaging helps consumers visualize and differentiate competitive brands (Aydin & Ozer, 2005). In this modern era there are a myriad of influences which affect the way that companies decide to present and sell their products to consumers. How a product looks is a large consideration taken on by companies in recent years as a means of obtaining customer satisfaction. Consumer purchasing process depends on various factors including price, packaging, promotion and previous experience (Shafiq, Raza & Zia-ur-Rehman, 2011)

Packaging therefore is imperative in a marketing strategy as a means of attracting consumers and to form a differentiation from other competitors in the market,

leading ultimately to brand loyalty. This is additionally important considering that successful packaging can lead to increased sales and decreased marketing costs for a business.

Additionally, packaging has been the topic of conversation in the marketing sphere due to its logistical purpose of providing effective delivery to customers as well as providing consumers with insight into the brands image and values. According to Rundh (2005), product packaging can affect and influence consumer opinions, catch their attention, and trigger their perceptions to shape their buy intention for a specific product. So, the packaging of a product presents a chance for communication and direct customer behavior impact at the time of sale (Ghani and Khamal, 2010). According to earlier studies, product display is another factor that contributes to most impulse purchases, and appealing packaging is a crucial component of product display (Atkin et al., 2006). This shows that packaging is an important aspect of product creation that directly influences sales performance. This is particularly true in the FMCG sector, where the sheer number of brands and the fierce competition in the market have raised the desire to "stand out," and where customer engagement in the purchasing process seems to be on the lower end, encouraging impulsive purchases.

The ability of packaging to communicate a message has received minimal attention in studies in comparison to other study's on product packaging despite many studies indicating that packaging has an effect on quality perception the favourability of a brand and consumer purchase intentions. Research in this area

have concentrated on the phenomena that is a product is packaged with a more visually appealing design it is more likely to be bought by consumers. Although a correct finding, this research fails to concentrate on specific components of packaging such as material, use of font ect to ground this finding.

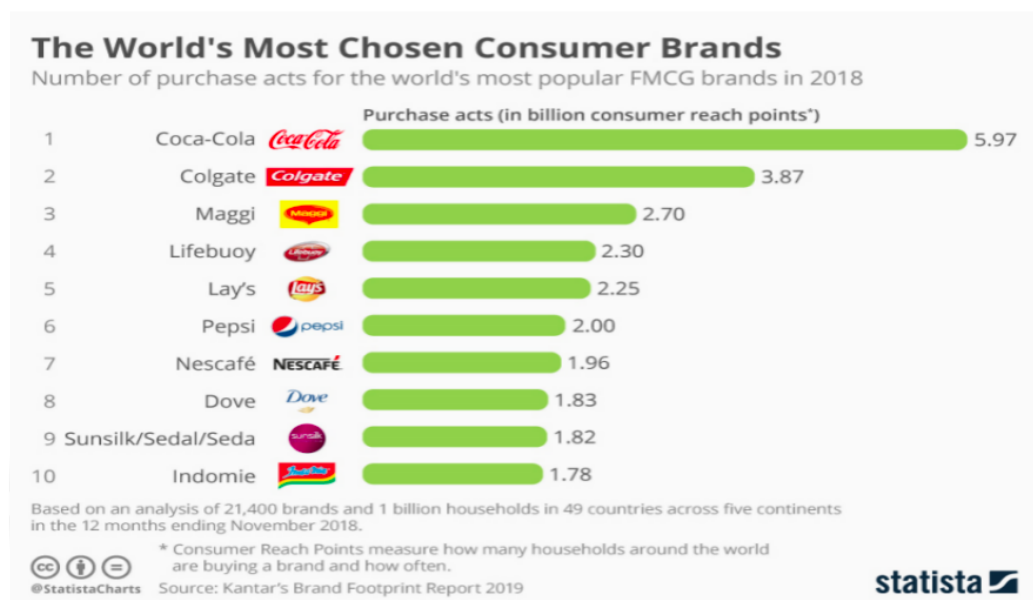


Figure 1.1 World's most chosen consumer brands

Source Analysis on the Success of Coca-Cola Marketing Strategy Bodi Chu (2020)

According to the graph shown above, Coca-Cola brand's recognition is not a concern among customers. Nonetheless, as evidenced by the graph below, despite the fact that Coca-Cola is more recognized in general and Pepsi has outperformed it financially over the past three years, Pepsi remains the main rival. Fundamentally, it is clear that neither the flavour nor the popularity of the brand are the issue. We are all aware that Coca-Cola's logo and packaging have remained largely unchanged and red. The product's packaging could play a significant role in its sales.

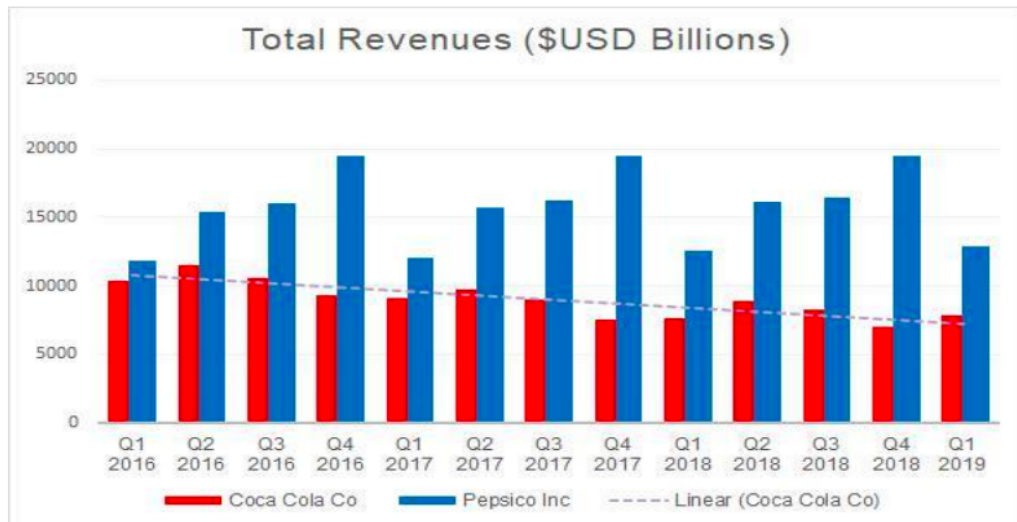


Figure 1.2 Total Revenues of Coca Cola vs PepsiCo

Source Challenges and Solutions: A Case Study of Coca-Cola Company Ju Yun Chua, Daisy Mui Hung Kee, Hadeel Ahmad Alhamlan, Pei Ying Lim, Qi You Lim, Xin Yin Lim, Niharika Singh (2020)

People today are more aware of the importance of sustaining healthy lives and are more worried about it. The decline in demand for Coca-Cola drinks is a result of people's changing eating and living habits, which might be one of the company's problems. As older customers are more concerned about their health and nutritional requirements, older people are focusing more on extending their lives. The rising sugar content of non-alcoholic beverages has drawn scathing criticism from consumers and health organizations in recent years. Due to healthier lives and more awareness of environmental problems, the commercial environment and strategy for carbonated soft drinks must change.

We see that in this case Pepsi has more revenue than coca cola. One of the ways we can tackle this is how we package these beverages to attract more consumers to our product compared to Pepsi. The reasoning behind this is that the

general public knows that Coca Cola and Pepsi are unhealthy but if we manage to make our packaging

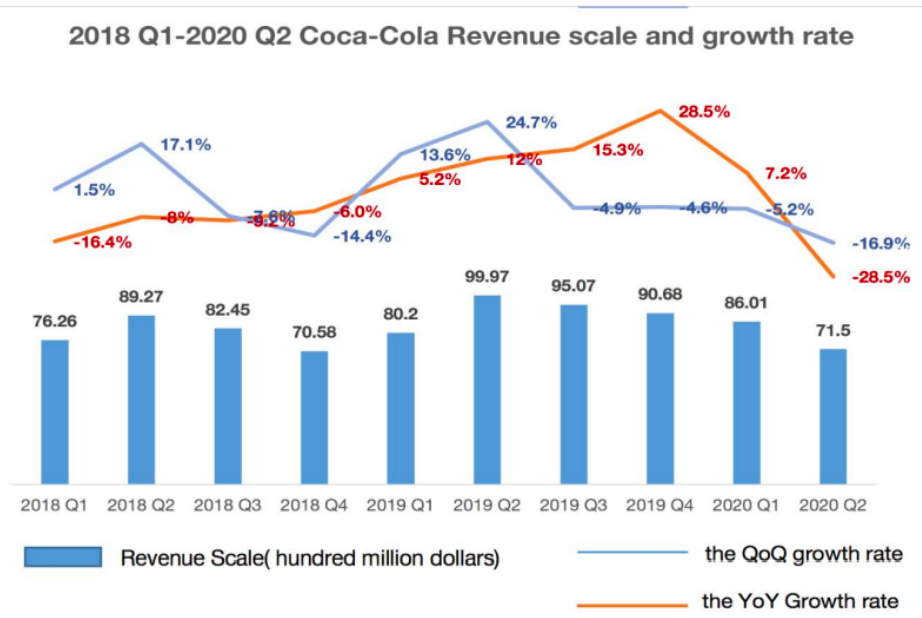


Figure 1.3 2018 Q1 – 2020 Q2 Coca Cola revenue scale and growth rate

Source Analysis on the Success of Coca-Cola Marketing Strategy Bodi Chu (2020)

Although there is no denying Coca-Cola's successes, but the company's growth has faced significant difficulties in recent years. According to the graph in Figure 3, the Coca-Cola Company's revenue size and growth rate from spring 2018 to fall 2020 are depicted. The revenue scale falls from 99.97 billion to 71.5 billion between the second quarters of 2019 and 2020. Moreover, from 2019 Q3 to 2020 Q2, the QoQ growth rate shows a negative growth trend. The YoY growth rate even unusually decreased to -28.5% in the summer of 2020. Although the COVID-19 is undoubtedly a factor in this outcome, Coca-Cola's financial performance in 2019 was not as strong as expected. It has been hypothesized as to why Coca-Cola isn't as good as it previously was. Since then, milk tea and fruit tea brands, led by

HEYTEA, COCO, and GongCha, have seen global expansion as well. The design of milk tea shops are usually fresh and minimal as a means of appealing to a market of young people interested in beauty and fashion. Marketing therefore has influenced societies perception of milk tea allowing brands to be synonymous with gentle, sweet and trendy characteristics. This is relevant when considering that coca-cola has failed to create this appeal and therefore struggles in this area in comparison to milk tea brands.

1.2 Problem statement

The research has focused on the effect of product packaging on consumer purchase intentions. These aforementioned studies have offered the conclusion that packaging of the product has the highest influence on purchasing intentions of consumers followed by the packaging font, style and colours along with printed information for consumers. (Khan, 2018). This research will therefore examine how packaging effects the purchase intentions of consumers in Indonesia by examining how crucial product packaging is to influencing purchase intention.

An existing study focusing on the effect of packaging on consumer purchase intention found that 'The packaging color helps consumers differentiate their favorite brands, and for a business, it helps to catch consumers' attention and interest. So, color, as well as other packaging elements, makes the marketing offer more eye-catching and attractive, as well as differentiating it from other products.'

(THE ROLE AND IMPACT OF THE PACKAGING EFFECT ON CONSUMER

1.3 Research Question

The Influence that Product Packaging has on a consumer purchase intention regarding buying beverages. This research will be determined whether how a beverage that is presented and packaged good for the environment has an effect on whether a consumer will buy the beverage or not.

1. Does packaging color have a positive impact on consumer purchase intention?
2. Does the Material that is used in packaging have a positive impact on consumer purchase intention?
3. Does the Font Style that is used in the packaging have a positive impact on purchase intention?
4. Does the packaging design have a positive impact on purchase intention?
5. Does the printed information in the package have a positive impact on purchase intention?

1.4 Research Objectives

This study's goal is to examine how product packaging affects consumer purchase intentions. This study examines the significance of verbal and visual elements that can be employed in packaging design to sway the emotional and cognitive judgments of the intended consumers, ultimately influencing their decision to make a purchase (Hayden, 2009; Chind & Sahachaisaeree, 2012;

Mohammadshahi, 2013). Based on this, we will first present a literature review of prior studies that addressed the impact of visual and verbal elements, as well as marketing innovations of packaging, on the consumer's intention to purchase. We will then conduct a field study with consumers of Coca-Cola soft drinks in an effort to understand the impact of this brand's packaging on the perceptions and intent of purchasing by the consumers in question.

This research aims to:

1. Examine whether packaging color has a positive impact on consumer purchase intention.
2. Examine whether the Material that is used in packaging has a positive impact on Consumer Purchase Intention
3. Examine whether the Font Style that is used in the packaging has a positive impact on Purchase Intention
4. Examine whether the way that the packaging is Designed has a positive impact on Consumer Purchase Intention
5. Examine whether the information that is provided in the packaging has any impact on Purchase Intention

1.5 Significance of Study

The importance of this research is significant when you consider how businesses may profit from learning how packaging influences purchasing intentions. Companies can learn how to promote their products in relation to their product packaging by studying the aspects that are taken into consideration while

creating effective product packaging. With new items, this can be utilized as a technique to build brand loyalty and ultimately attract consumer buy intents by analyzing which parts of a product are appealing to customers. This may be further understood in light of the fact that by comprehending consumer intent in connection to packaging, businesses can set themselves apart from their competitors and the market at large, resulting in a larger market share, a larger clientele, and eventually higher profits.

1.5.1 For the Researchers

Researchers hopes that with this study it will help them better understand the relationship between product packaging and purchase intentions.

1.5.2 Business School

In order for the faculty at all Business Schools to discuss more themes regarding customer behavioral traits toward the product packaging in the course in question, it is hoped that this research will provide some insight.

1.5.3 Targeted age group

This will enable them to comprehend that, despite a product's fame, other consumers might find a certain lesser-known or less well-established product more alluring. Additionally, it will increase Coca-Cola brand awareness among the targeted age group.

1.5.4 Business Owners or Corporations

Researchers hope that this study will provide information that business owners and corporations can use to analyze consumer behavior with regard to how important product packaging is in influencing purchase intention. which could aid

corporations or business owners in developing strategies for creating and marketing their products.

1.5.5 The Next Researcher

It is hoped that by conducting this study, it will help a future researcher who is looking into the topic of "Product Packaging" and will contribute to a reliable source on the subject.

1.6 Organization of The Study

1.6.1 Chapter 1 Introduction

This chapter will cover the study's context, problem statement, research question, and objectives as well as the significance of the study and any associated organizations. The discussion of this topic will be illustrated in this chapter.

1.6.2 Chapter 2 Literature Review

This chapter will provide an overview of all the concepts that the researchers and subject matter experts in this report used, along with a list of all the variables, their relationships, and the research model

1.6.3 Chapter 3 Research Methodology

The research paradigm, the study's objectives, the research methods, the researcher's interference, the study's setting, unit analysis, time frame, data collection, sampling, measurement, and data analysis will all be covered in this chapter. Additionally, this chapter will discuss any research methodologies used.

1.6.4 Chapter 4 Results and Discussions

This chapter will evaluate the validity and reliability of this research in order to be able to reach a conclusion regarding the hypothesis that was advanced in the previous chapter. It will also examine the conclusions drawn from the data sample used by other researchers.

1.6.5 Chapter 5 Conclusions and Suggestions

The study will be concluded in this chapter, which will also offer sage guidance for any academics who wish to delve even further into this particular subject.

