

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The Indonesian economy is currently expanding and recovering favorably. A number of industries, including the food and beverage sector, will help Indonesia's economy expand by roughly 5% by 2023. About 6.55% of the national GDP and 39.10% of the GDP of the non-oil and gas sector are accounted for by this industry, making it significant. Even with the pandemic's effects, the food and beverage industry which includes products like wafers and biscuits—grew by 4.47%. This sector can produce a significant trade surplus for the Indonesian economy, which is another factor contributing to its popularity. According to Putu Juli Ardika, Director General of Agro Industry in the Ministry of Industry, the growing per capita consumption of domestic biscuits and the growth trend of the global biscuit market will help the Indonesian biscuit industry continue to expand and grow in the future. In 2020, BPS data showed that the national biscuit consumption level was 2.28 kg per capita annually. A positive growth trend of 17% is apparent when comparing this figure to 2016, when it only reached 1.94 kg/capita/year. Agri Exchange data indicates that between 2017 and 2021, the global biscuit market is anticipated to expand at a rate of 4.6% per year. The worldwide biscuit market is anticipated to reach a valuation of \$135 billion USD by 2023. (Khaerunnisa & Putri, 2022)

Customer purchasing decisions are influenced by product diversity, the wide range of products offered by a business. Since the customers can find the product that best suits their needs and preferences, consumers are more likely to feel satisfied when presented with a variety of choices. According to Kotler and Keller (2015), as cited by Essardi, Mardikaningsih, & Darmawan (2022), product diversity is the variety of goods that a specific seller sells to customers. This pertains to the product's depth, breadth, quality, and completeness as well as size variation and availability. For the retailer to draw customers, their offer needs to be competitive. One way to achieve this is by offering products that can be sold in multiple formats. It's expected that it will be able to satisfy customers' needs and desires by offering a wide range of products. Sometimes, the availability of this fulfillment leads to customers making more intense purchases. Diverse sizes also allow companies to target different market segments. By offering products in different sizes, companies can reach consumers with different purchasing power. By providing a variety of sizes, it can convince customers to start with a smaller size. If the customer is satisfied with the product, the purchase of a large size will be probably made next time.

Among the many factors that impact consumer purchasing decisions are psychological factors. Diverse products offer more options, which stimulates interest and makes people want to purchase them. At the same time, sales promotions generate a sense of urgency and incentives to purchase, which affects both the emotional and rational decisions of consumers. According to Mandolfo, Bettiga, & Noci (2022), sales promotion is defined as "a set of incentive tools,

primarily temporary, intended to encourage consumers or the trade to purchase specific goods or services more quickly or in larger quantities." Sales promotion, a fundamental component of marketing campaigns, functions as a motivator for customers' purchasing decisions. In addition to significant competitive reactions from market actors, promotions also elicit psychological reactions from consumers. In fact, sales promotions are a common tool used by retailers to spur instant action and boost short-term sales.

Customers' preferred brands and goods are the outcome of a complicated network of related variables. Certain factors, like price and durability, are caused by the product itself, while other factors, like goals, attitudes, and disposable income, are traits of the customers. If customers have very different preferences, the customers may select different features from the same product, service, or market offering. Businesses must comprehend customer preferences in order to customize their products to match the wants and needs of their clients. (Kuncoro & Kusumawati, 2021)

The fundamental cause of customer preference is demand. It serves as a model for consumer behavior. The options and values that each individual consumer makes are not determined by economic factors. Consumer preferences are defined as the subjective (individual) tastes of different bundles of goods that are evaluated based on their utility. Consumer preference formation in the context of product selection may involve choosing a particular product feature, retailer, channel, or degree of service. (Hardjono, Riyadi, & Aris, 2020)

According to Budhlani (2023), customers go through a number of steps in the decision-making process before deciding to purchase a good or service, each of which is important. This procedure, called the Customer Purchase Decision Process, is a journey that begins as soon as a need is identified and ends with the post-purchase assessment. Businesses must comprehend how consumers make decisions because it is essential to developing strategies that suit customer preferences and behavior. From identifying a need to conducting a post-purchase assessment, the customer journey provides important insights into the factors that influence a consumer's purchasing decisions. Businesses that want to effectively tailor their marketing efforts, product development, and customer service must understand each step involved in making a good purchasing decision. Increased client happiness, loyalty, and eventually business success are the results of this strategy. For example, businesses may decide to concentrate on developing a strong online review presence finding that customers place a high value on peer reviews. Stronger brand loyalty, increased sales, and more effective marketing can result from interacting with customers at every stage of the decision-making process.

Orang Tua (OT) or the parent business is a manufacturer of consumer goods that offers a large selection of everyday essentials. OT introduces a wide range of goods, including beverages, food, and body care items. One of the industrial food items in the wafer category, Wafer Tango is made by PT Ultra Prima Abadi, an Orang Tua (OT) subsidiary. Since the 1990s, tango waffle goods have gained widespread recognition among Indonesians and have developed a positive public perception that has allowed them to dominate the country's market share. Several

nations also use this product. OT Group is renowned for its dedication to innovation in addition to its delectable products. The company keeps adding new Tango wafer flavors and broadening their product range to include other goods like milk. This demonstrates how OT Group constantly aims to satisfy customers' evolving needs and preferences. Tango is one of the most well-known and well-liked snack brands in Indonesia, thanks to OT Group's long history and solid reputation. It is anticipated that the business will keep providing its customers with high-quality products as it expands and grows.

The Top Brand Award ceremony is the most expected for those involved in Indonesian branding. There are numerous categories for the Top Brand Award, which is given out twice a year in two phases, Phase 1 and Phase 2. Thus, the research-based Top Brand concept was developed by Frontier Research to understand brand performance. Next, a brand's performance is measured using its mind share, market share, and commitment share. Since the year 2000, Top Brand Award has been at the forefront of Indonesian brand performance metrics. Business owners are still regularly intrigued when the Top Brand Award is mentioned. The Top Brand logo is recognizable to about 90% of consumers from television commercials and product packaging. Top Brand Logo also adheres to the crucial principle of minimizing customer dissatisfaction.

	Year	2019	2020	2021	2022	2023
		TBI (%)	TBI (%)	TBI (%)	TBI (%)	TBI (%)
Brand	Tango	48.50%	43.30%	38.60%	37.00%	36.80%
	Richeese Nabati	12.50%	13.40%	13.20%	13.50%	12.30%
	Nissin	11.70%	10.70%	10.90%	11.20%	9.60%
	Beng Beng	7.10%	7.30%	11.80%	12.10%	11.70%
	Selamat	5.20%	5.40%	7.20%	6.00%	5.80%

Figure 1.1 Comparison in Wafer Category

Source: www.topbrand.com

Drawing from the wafer category data shown above, the Top Brand Index indicates that Wafer Tango is a highly popular product with a high level of customer satisfaction. Wafer Tango, which consistently scores first in the Top Brand Index data, is one example of a snack in the Wafer category. According to statistics from the Top Brand Index, consistently ranks first. Still, there has been a noticeable annual drop in the percentage of Wafer Tango items. Wafer Tango items continue to rank highest, accounting for 43.30% of the total, as was the case in 2020. Wafer Tango goods saw a 5.2% to 43.3% decline in 2020. Moreover, the percentage of Wafer Tango goods decreased by 4.7% to 38.30% in 2021 dropped to 38.6% by 4.7%. When the Covid-19 epidemic struck in early 2020 and early 2021, affecting all countries in the world, including Indonesia, sales of Tango Wafer goods were also impacted. Wafer Tango goods, which saw a 1.6% decline in 2022, increasing to 37%, are still affected by the Covid-19 epidemic, despite its significant decline in 2022. This is believed to be caused by the same factors that are causing Wafer Tango products' market penetration to decline. For example, how many rivals are promoting their goods more and more aggressively.

Tango is always coming up with new product variations, the company's data indicates that it offers a very varied product line. Tango's product lines are currently separated into several categories: milk, waffle, walut, and wafer. Among these

different product categories, Tango offers a product under the well-known category Wafer Tango. Tango Wafers are available in a range of sizes to meet the needs of its customers. The following sizes are frequently found on the market:



Figure 1.2 Size Variation of Wafer Tango
Source: Instagram (@wafertango)

Besides, Wafer Tango comes in a wide variety of delicious and diverse flavors, so many people suit the tastes. There are some popular flavors that are often found in the market, such as chocolate, vanilla, strawberry. Tango has been introducing new flavors in recent years. In 2021, the company brought back the popular tiramisu flavor, now renamed choco tiramisu. That same year, the company also launched a new javamocca flavor. More recently, in 2024, the company

introduced coconut and milky chocolate flavors in January, followed by a popcorn flavor in April. In June 2024, a limited-edition black & pink wafer, combining chocolate and strawberry, was released.

Table 1.1
New Tango Wafer Flavors from 2021 - 2024

Year	New Flavor
July 2021	Choco Tiramisu
	Choco Javamoca
January 2024	Millky Chocolate
	Coconut
April 2024	Popcorn
June 2024	Black & pink

Source: Instagram (@wafertango)

According to the above table, Tango is slow and unstable when it comes to introducing new flavors and variations between 2021 and 2023. Tango loses customers as a result of this since modern consumers favor goods with distinctive flavors and adhere to trends. Tango wafers are gradually losing ground to rivals as a result. Tango is launching new flavors and variations with great enthusiasm this year. Tango has introduced four new flavors in just six months: popcorn, milky wafer, coconut, and black and pink.

Furthermore, the reason Wafer Tango is the subject of the study is that it uses a lot of promotions to boost sales and preserve sustainability in the face of intense rivalry. Tango places a strong emphasis on originality in order to establish its identity since the company understands that Gen Z enjoys unique and genuine products. The tagline *'Berapa Lapis?! Ratusan!!!'* became a key component of the brand. In order to support the tagline, Tango and YouTuber Bobon Santoso worked together to create wafers with hundreds of layers, setting a MURI record in the

process. Integrating the customer experience (CX) became a major component of the brand's marketing plan. To appeal to Generation Z, the brand uses innovative packaging and unique products like Tango King Size and Tango Popcorn to create unique and unforgettable experiences. Additionally, the brand actively uses its offline and online presence. This involves working with influencers and launching digital marketing campaigns to connect with Gen Z on the internet. In contrast, the brand's offline strategy centers on offering interactive activations and unique events that generate virality. To make sure the strategy works, all of these marketing tactics are assessed based on increased brand health tracking, market demand, and content virality. The brand also took a risk by partnering strategically with the band JKT48. The group is now regarded as one of Indonesia's most adored Gen Z icons.



Figure 1.3 Collaboration Wafer Tango with JKT 48
Source: Instagram (@wafertango)

The partnership with JKT48 benefited Tango in a number of ways. First off, Gen Z consumers perceive the brand as stronger as a result. Second, the collaboration with JKT 48 provides direct access to a broad and varied market share, which includes the band's ardent supporters. By using this strategy, Tango not only

gains more visibility but also makes it possible to engage with potential customers on a variety of platforms, such as through concerts, event promotion, or exclusive content featuring JKT48 members. (Alessandrina, 2024)

One of Wafer Tango's popular promotions is the purchase of Wafer Tango with a chance to get gold or Xiaomi Redmi Note 12. By providing the prizes to customers who purchase Tango Wafer products, the "Buy Tango Get Gold" promotion seeks to draw in customers. Every customer who purchases Wafer Tango during this promotion has the chance to win a gold prize, subject to the relevant terms and conditions, which may include obtaining proof of purchase or entering a lottery.



Figure 1.4 Sales Promotion of Wafer Tango

Source: Instagram (@wafertango)

Besides that, in addition to making the product more appealing to consumers, these kinds of promotions also result in a notable spike in short-term sales. With the chance to win valuable prizes in addition to enjoying the product the

customers like, customers are also drawn in. It also acts as a tool to boost customer loyalty because the customers might buy Wafer Tango more often in order to improve their chances of winning. Furthermore, the market is buzzed by this promotion, which can boost public interest in Wafer Tango products and brand awareness.

Changes in consumer preferences can also trigger the emergence of new products. As trends and lifestyles change, consumers will seek out products that suit their new needs and wants. Observant manufacturers will capture these changes and develop innovative products to meet the growing market demand. This will be particularly prominent and highly visible in the food sector such as wafers. When it comes to wafers, the name of Tango will be remembered. However, a lot of new wafer brands have emerged with more affordable prices and a wider variety of flavors, so Tango is no longer the most popular. Wafer Nabati has become a popular option. The cheese flavor varieties that Nabati is known for are popular with different demographics. Famous for its cheese wafers, the Nabati brand is owned by PT Kaldu Sari Nabati Indonesia. In 2020, Nabati emerged as the leading brand and market leader for cheese layer wafers. The market share of Tango Long Cheese Wafer products is 26.6 percent, while Richeese Nabati products hold the top spot with 71.7 percent. Since Tango has been selling wafers for a long time, the products must be of the highest quality, so it is obvious that it has more experience. However, though, Tango is falling behind Nabati in terms of product innovation, which produces a wide range of new and unique flavors. Consumers want affordable wafers with a wide variety of flavors, and Nabati meets this demand by distributing

its sales as evenly as possible throughout Indonesia. For its factory operations, Nabati is even prepared to invest up to 7 trillion Rupiah. Nabati's partnership with Mobile Legends is another effective tactic that has drawn customers. Among their target markets, children, Nabati's sales and branding have increased significantly.

(Alkomariani, 2023)



Figure 1.5 Customers' Negative Opinion of Tango

Source: Twitter 2022

Some users, like Dinand and @riryuyufifi, expressed dissatisfaction with the Tango wafers' deteriorating quality, citing the harder texture and less appetizing flavor in particular. Strong competition in the wafer market was brought to light by tweets from @beljarlagiHQ and @Yehuda_DS. This is because creating new flavors is simple, and customer tastes are constantly shifting. Because of its capacity to introduce innovative products with appealing new flavors, Nabati is regarded as

superior. This demonstrates how crucial innovation is to outperforming rivals in the wafer market. Customers in Indonesia, in particular, have a tendency to stick with brands that are already familiar with. Tango finds it difficult to hold onto its market share due to its late innovation and the escalating competition from other brands. Because of this, Tango finds it more and more difficult to regain customers who have moved to other brands.

As previously mentioned, factors such as product diversity, sales promotion, and customer preference are closely related to a person's decision to buy. The OT Group continuously expands the variety of each product in line with current trends, conducts promotions in a variety of ways, and learns about consumer preferences as part of its business operations. Nevertheless, the company faces a challenge due to the persistent instability in purchasing decisions, particularly with regard to the Wafer Tango brand. Because of this, the writer wants to know if product diversity, sales promotion, and consumer preferences contribute to the unpredictability of Wafer Tango product purchases. In accordance with this, the writer decided to carry out additional research under the title **“The Influence of Product Diversity, Sales Promotion, and Customer Preference towards Wafer Tango’s Customer Purchase Decision in Medan.”**

1.2 Problem Limitation

The writer chooses to limit this final paper to product diversity (X1), sales promotion (X2), and customer preference (X3) as independent variables and customers' purchase decision (Y) as the dependent variable in order to make the

study more focused and to facilitate data collection and processing. Additionally, the author would restrict the research's focus to Wafer Tango, which is manufactured by PT. Ultra Prima Abadi and sold by PT Arta Boga Cemerlang, which is situated at Jl. Adam Malik Number 151, Medan.

1.3 Problem Formulation

On this study, the research questions are as follow:

- a. Does product diversity have partial influence towards wafer tango's customers purchase decision in Medan?
- b. Does sales promotion have partial influence towards wafer tango's customers purchase decision in Medan?
- c. Does customer preference have partial influence towards wafer tango's customers purchase decision in Medan?
- d. Do product diversity, sales promotion, and customer preference have simultaneous influence on customers buying interest towards wafer tango towards wafer tango's customers purchase decision in Medan?

1.4 Objective of the Research

The objective of this research are as follow:

- a. To describe whether product diversity has partial influence towards wafer Tango's customers purchase decision in Medan.
- b. To analyse whether sales promotion has partial influence towards wafer Tango's customers purchase decision in Medan.

- c. To identify whether customer preference has partial influence towards wafer Tango's customers purchase decision in Medan.
- d. To investigate whether product diversity, sales promotion and customer preference have simultaneous influence towards wafer Tango's customers purchase decision in Medan.

1.5 Benefit of the Research

The benefit of this research is that it will be able to solve the problems that PT Arta Boga Cemerlang is having with customers purchase decision, what factors and the influenced of product diversity, sales promotion and customer preference towards wafer Tango's customers purchase decision in Medan.

1.5.1 Theoretical Benefit

The theoretical benefit of this research is to determine whether product diversity, sales promotion and customer preference have an impact on customers purchase decision. Furthermore, it can provide more information about correlations and relationships between variables.

1.5.2 Practical Benefit

The research is expected to be useful for the following purposes:

- a. For the writers, through this research, the writer gains a broader understanding of product diversity, sales promotion and customer preference and their effects on sales.
- b. For the company, it is hoped that through this writing and research, PT Arta Boga Cemerlang will be able to measure the effectiveness of roduct diversity, sales promotion and customer preference.
- c. For other researchers, the results of this research can be used as a resource for other researchers interested in conducting marketing research, particularly in the areas of roduct diversity, sales promotion and customer preference.

