

THE EFFECTS OF PRODUCT QUALITY AND PRICE ON BUYING DECISION FOR COFFEE PRODUCT AT STRADA COFFEE, SEMARANG

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Abstract. This research aims to explore the effects of product quality and price on buying decision for coffee product by Strada Coffee in Semarang. Sample size in this research is 96 respondents, while data are gathered by distributing Likert-scale questionnaire to all coffee consumers of Strada Coffee Semarang. Variables studied in this research are product quality and price as independent variables and buying decision variable as dependent variable. The findings reveal that product quality has effect on buying decision, while price has no effect at all.

Keywords : Product Quality, Price, Buying Decision

I. INTRODUCTION

The number of coffee lovers in this millennial era is rapidly increasing, and this fact has become the focus of attention for business actors. This fact has been proven by the increasing number of coffee consumption in Indonesia (Sari, Tety, & Eliza, 2016). Data from Association of Indonesian Coffee Exporters and Industries (2017) shows that in 2010, coffee demands in Indonesia reached 190 millions kg, and in 2016 that number increased to 300 million kg, increased nearly 70% in just seven years. Indonesian people's habits to gather together for chatting and enjoying a cup of coffee has now become Indonesian life style (Cita, 2015). This is in line with the growth of cafes in Indonesia, which is now amounting to more than 10.000 cafes and is predicted to continue to grow. In 2013-2017, the total revenue from cafe sector was estimated to increase from USD 3.4 billions to USD 4.16 billions. These facts prove that the number of coffee lovers in Indonesia is growing, since having coffee as breakfast or for afternoon break, either before or after activities, has become

a routine for Indonesian people (Sudiyarto, Widayanti, & Kresna, 2012).

The development of cafe business has spread in several big cities in Indonesia, one of which is Semarang city. In this city, the number of cafes that sell *speciality coffee* is growing and increasing up to five times. The growth of coffee shop in Semarang has appealed to coffee shop entrepreneurs in Semarang, such as Strada Coffee, Kelas Kopi, Antara Kata, Black Bone Coffee, and Peacock Coffee. This increasing number of coffee shops also triggers the growing competition among them. A cup of coffee or a dish can be one factor that influences a consumer to determine his or her buying decision. Furthermore, consumers tend to try buying product that has unique taste (Daengs, Mahjudin, & Hufron, 2012).

Besides product quality that is offered, affordable price which fits the serving portion will also influence people to decide buying drinks in a coffee shop. Therefore, price factor must be given full attention to convince consumers that every rupiah that they spend worth the benefits gained (Kaihatu, 2012). A coffee shop crowded with coffee lovers is

a coffee shop with high quality product and affordable price, and can be accepted by all coffee lovers. Some coffee shops in Semarang are starting to sell two kinds of coffee based on its presentation, which are manual brew and espresso base. However, not all coffee shops in Semarang have manual brew coffee as their product since some people in Semarang do not understand well the brewing system of manual brew coffee.

Strada Coffee is one of the famous coffee shops in Semarang. This cafe was established in 2015. The cafe provides two methods of coffee brewing for its consumers, manual brew and espresso base. Manual brew is a method of using some tools which are *pour over*, *french press*, *aeropress*, *chemex* by brewing coffee beans that have been previously ground. Manual brew itself uses most *light to medium* beans. Espresso, on the other hand, is using the machine by means of pressuring and serving 30 ml liquid named as espresso base. Espresso usually uses *medium to dark* beans.

Based on the above explanation, this research aimed to test and analyze the effects of product quality and price on buying decision at Strada Coffee Semarang, particularly for manual brew and espresso base coffee drinks.

II. LITERATURE REVIEW

In this recent era, paradigm of business competition is based on flexibility and responsiveness, thus many researches focus their discussions on consumer's buying decision (Mazursky, 2000; Oktavio, 2017). Consumer's buying decision is a decision made through broad different processes and by such factors like environment, number of people who decide, understanding of the product to buy, and time to decide (Joshi & Rahman, 2015; Xu & Chen, 2017). A consumer will buy goods after doing analysis of estimated profit earned and cost spent, however most consumers only have limited cognitive resources and depend on simple heuristic to make buying decision (Frederiks, Stenner, & Hobman, 2015; Nakhata & Kuo, 2014; Yoon, Cole, & Lee, 2009). Richard, Cleavenger, and Storey (2014) explain about five stages of a

process to determine buying decision which was coined by John Dewey in 1910. The first stage is problem recognition. In this stage, buying process is visible when consumers recognize their problem or need and when there is a difference between real condition and expected situation. According to Khatib (2016), needs are usually triggered by internal and external stimulants. The second stage is information disclosure. A consumer will always try to find as much information as possible. The number of information disclosure will increase if a consumer moves from the situation of problem solving to extensive problem solving (Mihart, 2012). The primary source of information used by consumers can be of personal source, commercial source, general source, and source of experience (Hajli, 2013). The next step is alternative evaluation. Alternative evaluation is evaluation done by consumers in order to satisfy their needs (Bakshi, 2013). Consumers are looking for specific advantages and product as solution to satisfy their needs (Kehinde, Omotayo, Mosunmola, & Borishade, 2016). The fourth stage in this process of consumer's buying decision is the decision of buying something. In this stage, consumers are likely to buy product based on what they really like about the product (Phillips, 2003). However, there are two factors that influence this buying decision. The first factor is other people's opinion (Khatib, 2016). Some people give strong recommendation until buying probability happens. However, other people's influence can be very complex if consumer's opinion and others contradict with each other. The second factor is related to some unanticipated situations (Samson & Voyer, 2014). Consumers can shape their thinking based on the factors such as family income, expected price and expected product benefits as well. The last stage, the fifth, is after buying decision. After the product is bought, consumers will feel either satisfied or unsatisfied with the product (Dobrescu & Radu, 2014). According to Mahapatra, Kumar, and Chauhan (2010), function of consumer's satisfaction is actually function of how close is consumer's expectation to consumers' experience of the product benefits. If the product

benefits cannot meet their expectation, they will feel they are being disappointed, or vice versa. These feelings will ultimately make consumers to consider their repurchasing intention.

Product that is bought by consumers is supposed to have satisfying quality for them, so its quality has strong influence in convincing the consumers to do buying decision (Alfred, 2013; Jurič, Vuković, & Šput, 2014). Product quality is the ability of a product to perform its functions, including durability, reliability, accuracy, easy to operate and fix, and other valuable attributes (Kotler & Armstrong, 2016). If quality of a product can satisfy its consumers, it can be predicted that consumers will feel satisfied with their buying decision which lead to repurchase decision. Product quality of a product's feature and characteristic serves to meet or satisfy consumers' needs (Kotler & Keller, 2016).

Before buying the product, consumers sometimes look for information of the product they are going to buy. Product price is a kind of information that is very important for them.

Huffman (2009) explains that information about price is very needed since this information will be put attention to, understood, and price meaning as resulted from information about price can influence consumers' behaviors. Price has two main roles in consumer's buying decision process. The first role is price allocation which helps consumers to decide how to obtain goods that meet their highest expectation in accordance with their buying power. Thus, price helps consumer to decide how to allocate their buying power to different types and goods. They can compare prices from different available alternatives, and then decide where to allocate their buying power. The second role of price is its information role related to educating consumers about production factors, such as quality. This role is especially beneficial for them in a situation where they face challenges to assess production factor or its benefit objectively (Grewal & Lindsey-Mullikin, 2006; Spears, 2014).

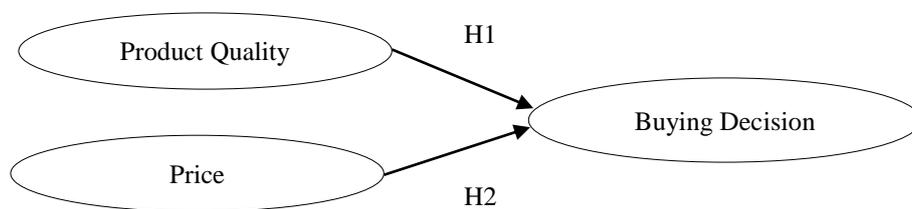


Figure 1
Framework of Research Model

Based on the explanation above, the hypotheses tested in this research are as follows :

- H1 : Product quality has positive and significant effect on buying decision.
- H2 : Price has positive and significant effect on buying decision

III. RESEARCH METHOD

This research was quantitative by nature with correlational study as its research method, aiming to study the relationships between research variables. Population used in this research

was all consumers who consumed coffee drinks provided in Strada Coffee Semarang. The number of respondents as research sample was 96 respondents. Questionnaire used as instrument to measure variables in this research consisted of 5 scales of answers based on Likert scale, with the interval from 1 (lowest scale) as *totally disagree* and 5 (highest scale) as *totally agree*. Multiple linear regression analysis via SPSS version 23 was used as technique of data analysis. Indicators to measure variable of product quality were adopted from Wangean & Mandey (2014). The indicators are: a). guaranteed taste of coffee; b) delicious taste of coffee; c) interesting coffee

presentation; and d) various kinds of coffee beverage. For variable of price, the indicators were adopted from Kotler & Keller (2016) which are : a) affordable price; b) competitive price with other cafes; and c) price is worth the product. As for variable of buying decision, the indicators were adopted from Ong & Sugiharto (2013) which are: a) consumers do repurchase, and b) consumers recommend the coffee to others.

respondents were 96 people consisting of 55 males (57.3%) and 41 females (42.7%). For their occupation, 45 respondents (46.9%) were entrepreneurs, 20 people (20.9%) were employees and 31 people were students / university students (32.2%). For their age range, 24 people (25%) were 17-25 y.o., 37 people (38.6%) were 26-35 y.o., 26 people (27.1%) were 36-45 y.o., and 9 people (9.4%) were over 45 y.o.

IV. DATA ANALYSIS AND DISCUSSION

Profile of Respondent

Characteristics of respondents are classified into sex, occupation, and age. Total

Validity and Reliability

Validity test for this research was *Pearson correlation* test and *Cronbach's alpha* for its reliability test. The result of validity test is shown in Table 1.

Table 1. Validity Test

Item	Corrected Item-Total Correlation	Note
Product Quality (X1)		
X1.1	0.604	Valid
X1.2	0.461	Valid
X1.3	0.608	Valid
X1.4	0.731	Valid
Price (X2)		
X2.1	0.653	Valid
X2.2	0.768	Valid
X2.3	0.823	Valid
Buying Decision (Y1)		
Y1.1	0.524	Valid
Y1.2	0.524	Valid

Source : Data processed (2018)

As shown in Table 1, it can be seen that the indicators used to measure all three variables (product quality, price and buying decision) were valid. The items then were suitable to be used to measure the variables. Table 2 shows the result of reliability test. The value for *cronbach's alpha* for each variable was higher than 0.6, which means the instrument used was reliable.

Table 2. Reliability Test

Variable	Cronbach's Alpha	Note
Product Quality (X1)	0.789	Reliable
Price (X2)	0.866	Reliable
Buying Decision (Y1)	0.685	Reliable

Source : Data processed (2018)

Descriptive Statistics Analysis

From Table 3, it can be seen that each indicator that measured the variables was

categorized as good. Consumers' perception for the product quality was good, so does their perception for price of the coffee product.

Table 3. Descriptive Statistics Analysis for Product Quality, Price and Buying Decision

Variable	Mean	Category
Guaranteed taste	3.74	Good
Delicious taste	4.1	Good
Interesting presentation	3.98	Good
Various kinds of coffee	3.94	Good
Mean of Product Quality	3.94	Good
Affordable price	3.67	Good
Competitive price with other cafes	3.73	Good
Price worth the product	3.7	Good
Mean of Price	3.7	Good
Consumers do repurchase	4.14	Good
Consumers give recommendation to others	4.1	Good
Mean of Buying Decision	4.12	Good

Source : Data processed (2018)

Hypotheses Testing

Hypotheses testing were done to test whether the hypotheses were accepted or rejected. Each hypothesis was tested with

multiple linear regression analysis via SPSS software version 23. The results are shown in Table 4.

Table 4. Hypotheses Testing

Variable	Coefficient	t	Significance
<i>Constant</i>	1.836	3.460	0.001
Product Quality (X1)	0.497	3.724	0.000
Price (X2)	0.088	0.822	0.413

Source : Data processed hasil olah data (2018)

In Table 4, it can be seen that the coefficient value for product quality variable was 0.497, with significant value of 0.000. Meanwhile, coefficient of price was 0.088 with significance value 0.413. From this, it is safe to state that product quality had positive and

significant influence on buying decision, while price had no effect towards buying decision. Thus, the first hypothesis was accepted and the second hypothesis was rejected. In addition to coefficient value and t value, the researchers used R-squared test which is displayed in Table 5.

Table 5. R-Squared Test

R-square	Adjusted R-square
0.174	0.148

Source : Result of data processed (2018)

From Table 5, it can be seen that R-square value was 0.174, interpreted as this model can only explain buying decision issue of 17.4%, while the other 82.6% was explained by another variable (besides product quality and price) outside the variables tested in this model. In other words, in this research, buying decision was influenced by product quality and price of 17.4%, while the other 82.6% was influenced by unknown variables.

Discussion

The findings of this research, which revealed that product quality has positive and significant effect on buying decision, support the findings of other related researches. Ong & Sugiharto (2013), Suhaily & Darmoyo (2017), and Wangean & Mandey (2014) all agree that product quality has positive and significant effect on buying decision. Which is to say that increasing or decreasing of consumer's rating on product quality significantly affect their buying decision (Ashby & Walasek, 2015). When making buying decision, consumers of Strada Coffee Semarang tend to consider its product quality. They agree that coffee drinks by Strada Coffee have guaranteed quality, delicious taste, interesting presentation, and wide variants of coffee drinks.

Other findings of this research reveal also that price has no effect on buying decision. This is consistent with the findings of Hrustić & Gregurec (2015), Murwatiningsih & Apriliani (2013), and Rumengan, Tawas, & Wenas (2015). This is possibly occurred because consumers of Strada Coffee already have knowledge about the beans used in their coffee drinks as raw materials are the highest quality beans (grade A) and thus are expensive. Still, consumers assume that expensive price for a cup of coffee at Strada Coffee is identical with high product quality, which means that the consumers of Strada Coffee tend to expect more on the coffee drinks' product quality rather than on their price. In addition to that, coffee lovers are also welcomed to make their own coffee drinks in order to experience how to prepare for a manual brew coffee or espresso base coffee. Their experiences help them shaping their perception that price of coffee drinks in Strada Coffee is not a matter to concern.

V. CONCLUSIONS AND SUGGESTIONS

Product quality has effect on consumers' buying decision, thus increase or decrease in consumers' rating on product quality can significantly affect buying decision. Meanwhile, price has no effect on buying decision, so increase or decrease in consumers' rating on price cannot affect their buying decision. In conclusion, expensive price of coffee drinks in Strada Coffee is identical with high product quality. Consumers are not too sensitive with the price of coffee drinks in Strada Coffee as long as its product quality meets or even exceeds their expectation.

Research Limitation and Suggestion for Future Research

The data used in this research were gathered cross-sectionally, so they had no capacity to explain the dynamics of situation or relationship among population being in different time, as well as other dynamic variables that influenced them. Therefore, it is suggested that future research focuses on gathering longitudinal data to make the research findings more accurate, by considering the possibilities of changes occurred in population being observed from time to time, such as their behaviors, attitudes, and even opinions.

VI. REFERENCES

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