

CHAPTER 1

INTRODUCTION

1.1 Introduction

In the era of globalization where consumers are becoming increasingly modern can bring changes to the habits of each individual due to the influence of other cultures that enter. These changes affect consumer behavior because they want to follow the growing trend so that it will not be left behind in development. In addition, the changes also affect consumers who are in urban areas where they prefer comfort so they like something practical, such as fast food restaurants. Thus, it can be a prospect in the food industry, especially fast food restaurants and many companies are vying to try their opportunities in selling fast food of various types so that it can meet the wants and needs of consumers. However, therefore competition between companies is increasingly competitive and competing to maintain market share. With this competition, many new products have sprung up to meet the needs of the market. One of the fast food restaurants that until now favored by consumers in Indonesia is Mc Donald's.

McDonald's is a restaurant that provides fast food with a franchise system or franchise where Mc Donald's will establish filiation with other companies to expand its marketing area to various countries. Indonesia is the 70th country of Mc Donald's. Mc Donald's in Indonesia was founded by Bambang N. Rachmadi by opening the first outlet Mc Donald's opened in 1991 located in Sarinah, Thamrin, Central Jakarta by serving a menu of burgers, potatoes, and fried chicken with rice. In 1995, McDonald's began developing a drive thru method to make it easier for consumers to pick up products. Then in 2004 McDonald's innovated to provide delivery services for consumers by simply calling 14045 and food would be delivered to the consumer's home. In 2007, McDonald's developed its innovation to create a new product under the name McCafe where the product is offered in the form of coffee. With this innovation, McDonald's Indonesia can survive until now and consumers will increase because the menu offered is increasingly diverse so that consumers do not feel monotone with McDonald's products. McDonald's

development in Indonesia is growing rapidly with a total of 200 more outlets spread throughout Indonesia.

In 10 years, McDonald's outlets across the country will increase every year. However, fast food restaurants in Indonesia are not only McDonald's because there are fast food restaurants that offer almost the same food products, namely KFC, A&W, CFC and others. Therefore, competition between companies is getting tighter and make consumers confused to decide which products to buy for it, in choosing and buying products consumers will consider several things, such as product quality, lifestyle, economic circumstances and brand image of the product. Therefore, before deciding to buy consumers will consider it so that they are satisfied with the product they buy and do not feel that the product is only spending their money.

Based on the above explanation the author will take the topic of research is "The Influence of Product Quality, Price, and Brand Image on Customer Purchase Decisions of McDonald's Indonesia", and the keywords are Product Quality, Price, Brand Image, and Consumer Purchasing Decisions.

1.2 Background of Research

The development of business ventures in the current era of globalization is increasingly rapidly characterized by a higher and tighter level of competition between companies. This situation causes the company in general to strive to maintain survival, develop the company so that it is able to face competing companies. In addition, these changes also affect changes in consumer behavior, especially in major cities in developing countries, there is a shift in diet from traditional diets to western diets (especially in the form of *fast food* or fast food). The shift in diet is considered not good for consumers because fast food contains high calories but low in fiber and can cause various negative impacts for consumers. The concept of eating Indonesian consumers has shifted due to the influence of foreign cultures, it can be seen from the proliferation of *fast food* or fast food in Indonesia (www.idntimes.com, 2018).

McDonald's is one of the fast food providers that steal the attention in Indonesia, it can be seen from the top brand award data which explains that from 2012-2018 the top McDonald's brand experienced a significant increase rate from 20% to 25%. Top brand

data is based on three things, namely, brand strength in the minds of consumers, *market share*, and brand power in encouraging consumers to buy the brand. (topbrandaward.com 2012-2018). Other survey results showed 14 reasons Indonesians are more interested and choose to consume *fast food*. These reasons include taste, brand, price, many stores or outlets, fast service, strategic location, near home, diverse and varied menus, attractive promotions, special offers provided such as frugal packages, complete facilities such as the provision of children's game areas, spacious and comfortable places, and desserts. (databokskatadata.co.id 2016). In addition, McDonald's provides services to consumers with *delivery orders* and service facilities provided by McDonald's.

Purchasing decisions are important actions taken by consumers in buying a product that will be consumed to satisfy the needs and desires of consumers (Robby & Andjarwati, 2016). Consumers are the main actors in the buying decision process, if business people want to successfully sell their products then they must actively influence consumers in the buying process (Lahindah & Siahaan, 2018). Purchasing decisions are strongly influenced by the product quality, price and brand image (Robby & Andjarwati, 2016). In addition to the assessment of product/service quality and brand image, another variable that affects the purchasing decision of a product is brand trust (Amron, 2018). Consumers who have confidence in a particular product brand will drive on purchasing decisions (Fianto, 2014).

The results of research conducted by Giang (2016) said that the quality of products / services has a significant effect on purchasing decisions at three *fast food* brands in Vietnam, namely KFC, Pizza Hut and Lotteria. The quality of products / services also has a positive and significant effect on purchasing decisions at McDonald's, it shows that consumers agree that the quality of products / services is one of the factors that can lead to purchasing decisions (Robby & Andjarwati, 2016). Other research also said that the quality of products / services had a positive and significant effect on the purchase decision of Loving Hut Surabaya Restaurant (Susilowati & Osmond, 2013). The opposite was stated by other researchers who said that the quality of the product did not have a significant effect on purchasing decisions at the Toronata Coffee and Noodle House in Kawangkoan (Rumondor, Tumbel, & Ogi, 2017). The quality consisting of two things, namely product quality and service quality have different research results, product quality has a significant effect while the quality of service does not have a significant effect on

the purchasing decisions of the *fast food industry* in Malaysia (Xiao, Yang, & Iqbal, 2018).

The next factor is price, is all forms of monetary costs sacrificed by consumers to obtain, own, utilize a number of combinations of goods and services of a product (Fahrudin & Yulianti, 2015). Price can be a consideration for consumers to make decisions in buying, but in purchasing decisions consumers are not only fixated on price but there are other factors, including the quality of trust in certain brands, product packaging, services and so on. According to (Saidani & Arifin, 2012) there are several price strategies, namely: market skimming pricing (market milking price) and market penetration pricing (market share price). At the price of milking the market the company sets a high price on the new product to milk the maximum revenue little by little from the segment that is willing to pay at a high price while at the market share price the company sets a low price on the new product to attract a large number of buyers and a large market share. So, companies typically adjust their base prices to account for customer differences and changing situations.

Another factor is brand image that has been built in the community also affects consumer buying interest. So that consumer buying interest increases and does not hesitate to buy products. Consumers think that brand image provides additional value to a product, including food and beverages. This is because there is a perception that causes interest in buying in consumers, with this consumers are willing to pay a high price to be able to get products. A positive brand image on a product is a way to improve purchasing decisions. A good brand image is a valuable asset for a company that has been built and maintained. According to Biels in Maghfiroh, Arifin, & Sunarti, (2016) brand image has three basic components consisting of company image, consumer image and product image. Broadly speaking, the image of the company is a set of customer perceptions of products made by a company. Consumer image is a set of perceived associations to the consumption of a product. The image of the consumer includes the wearer itself which consists of, lifestyle and social strata. Product image is a set of associations that consumers perceive towards a product. Product image includes product attributes, benefits to consumers, their use and quality assurance.

McDonald's provides services to consumers with delivery orders and services that are facilitated at McDonald's. If the consumer gets a pleasant experience in buying the

product, the consumer will give the decision to buy the product so that the consumer with the company will have a good relationship in the future. Furthermore, the company easily promotes their products that benefit company. More and more products are faced by consumers so that consumers do a lot of consideration in purchasing decisions that they will buy. Consumers will make a purchase decision if the product or service they buy is in accordance with what they want or in accordance with the needs they need when buying the product or service.

1.3 Problem Statement

Fast food restaurants in Indonesia are not only McDonald's, but there are various company brands that sell fast food products such as KFC, A&W, Burger King, Pizza hut, and others. Each of these companies offers their superior products in order to attract the attention of consumers in buying their products. These companies also sell similar products but with their own uniqueness. This product diversity certainly makes the competition more competitive. Data for fast food brands in Indonesia changes every year.

According to (YouGov, 2021), KFC ranks first in 2021 with the title of the best fast food with 37.3 points. Second, followed by McDonald's with 30.6 points, and third is Pizza Hut with 28.6 points. The following is data for the index score for Indonesia's fast food brands in 2021.

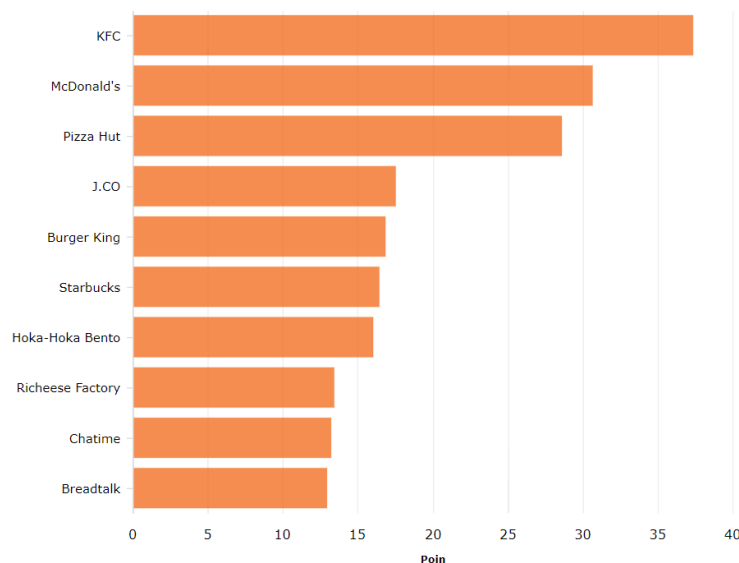


Figure 1.1 : Indonesian Fast Food Brand Index Score

Source: YouGov, 2021

This score is calculated based on indicators such as impression, quality, value of money, satisfaction, recommendation, and reputation. Of course, the variables that will be discussed in this study are related to the calculation of the index value, which changes every year. Therefore, companies must know the current market conditions and ongoing trends so that they can meet consumer demands and desires and consumers will not switch to other products to buy trending products.

Another problem was when there was a continuous decline from McDonald's in 2015. McDonald's was asked to improve the quality of its food and it was also considered that McDonald's had a slow reaction to changes in their tastes. According to The Wall Street Journal McDonalds has a very complex menu that makes service too slow. Finally, there is a problem raised by businessinside.co.id which states that the McDonald's company does not provide sufficient power to the franchise from McDonald's, thus making many McDonald's outlets not serving food according to existing standards and making many consumers disappointed.

Therefore, companies must know current market conditions and ongoing trends so that they can meet consumer demands and desires and consumers will not switch to other products to buy trending products, companies must also strive to improve product quality both product quality from all franchise done. And, companies must know the current market conditions and ongoing trends so that they can meet consumer demands and desires and consumers will not switch to other products to buy trending products.

The problems above are related to the products that will be discussed in this study. While the variables in this study that have been discussed in previous related studies say that many companies are too focused on improving brand image and consumer trust so that the products produced are of less quality. Therefore, other study is suggested that companies must provide quality products at competitive prices (Amron, 2018). In addition, the communication role of brand image and personality as some of the key factors in much of the brand communication literature has been studied in several ways, addressing the problem of the lack of large and critical studies, especially on buying behavior (Nor Azura Adzharuddin, et al., 2017).

In addition, several previous studies discussing this topic indicate that purchasing decisions are a very important factor in increasing sales of each company. Purchase

decisions can be influenced by several factors, such as product quality, price, and brand image. The three variables (Product Quality, Price, and Brand Image) have a significant effect on purchasing decisions. This is because, products with good quality will attract the attention of potential consumers and meet consumer expectations. However, product quality must also be balanced with appropriate prices and brand image because it is one of the factors to give a lasting impression on consumer perceptions of a brand. Thus, when a product has quality, brand image and price according to consumer needs, they will be interested in making product purchasing decisions.

1.4 Research Objective

This research will discuss the influence of product quality and brand image on McDonald's product purchase decisions in Indonesia. To find out these influences using quantitative techniques through surveys by distributing questionnaires (google form) to consumers who have buy and consumed the product. With this can find out consumer purchasing decisions based on the quality of the product or brand image. Here is the objective of this research :

1. To determine whether Product Quality has a positive effect on Purchasing Decisions.
2. To determine if Price has a positive effect on Purchasing Decisions.
3. To determine if Brand Image has a positive effect on Purchasing Decisions.

1.5 Research Question

Based on the background that has been outlined earlier, the research question in this study are :

1. Does Product Quality have a positive effect on Purchasing Decisions?
2. Does Price have a positive effect on Purchasing Decisions?
3. Does Brand Image have a positive effect on Purchasing Decisions?

1.6 Significance of The Research

Study on this research to explain the purpose of research and overcome existing problems so that it will provide benefits for research in the future. This research will focus on product quality, price and brand image on purchasing decisions. With this study to find out which factors are influential to consumer purchasing decisions.

This research, conducted as a reference for further research in conducting research. In addition, can used as a material to add knowledge about the influence between product quality, price, and brand image on purchasing decisions. And, the study also provides a conceptual framework for McDonald's to better understand the factors that influence consumer purchasing decisions and also identify how product quality, price, and brand image influence in purchasing decisions so that companies can know which factors significantly influence purchase decision. Thus, it is hoped that this research can contribute to McDonald's when facing various problems related to Product Quality, Price, and Brand Image to Purchasing Decisions and help in solving these problems.

1.7 Scope of The Research

This research focuses on describing how the influence of Product Quality, Price, and Brand Image on Purchasing Decisions of McDonald's at Sidoarjo, East Java, Indonesia. The respondents selected were all from children to adults who had consumed and purchased products from McDonald's. The respondent was chosen because currently consumers like the type of food such as fast food.

1.8 Limitation of Research

Based on the identification of the problems that have been explained, the focus of the research is on the impact that affects Customer Purchase Decisions on McDonald's in Indonesia, there are several factors, namely Product Quality, Price, and Brand Image.

1.9 Key of Terms

To clarify the terms used in this study, several definitions were put forward :

1. Product Quality

According to Kotler and Armstrong (2014), a product is everything that can be offered to the market to attract attention, acquisition, use, or consumption that may be able to satisfy customers. If broadly defined, the product also includes services, events, people, places or a mixture of the above variables. According to Kotler at Pusparani and Rastini (2015), the higher the level of quality, the higher the level of satisfaction felt by consumers, with the high satisfaction felt by consumers, consumers will recommend products to others. From the definition above, it can be concluded that product quality is the character or traits possessed by a product that can meet the needs or desires of a person.

2. Price

Price is an element that exists in the marketing mix which has a flexible nature at any time can change according to time and place. Price not only discusses the numbers listed on the label of a package, but the price has many forms. According to Kotler & Armstrong (2016) Price is the amount of money charged for a product or service, or the amount of value that a customer exchanges for benefits or owns or uses a product or service.

3. Brand Image

Every product sold in the market has its own image in the eyes of its consumers that is deliberately created by marketers to distinguish it from competitors according to Kotler and Keller (2016). Brand image can be thought of as the kind of association that comes to mind of consumers when remembering a particular brand. Such associations can simply appear in the form of certain thoughts or imagery associated with a brand, just as when one thinks of others. Such associations can be conceptualized based on type, support, strength, and uniqueness. Types of brand associations include attributes, benefits, and attitudes. Attributes consist of attributes related to the product, such as price, user, and usage image. While benefits include functional benefits, symbolic benefits, and benefits based on experience (Shimp, 2013). A product that can maintain its image to be better than competitors will gain a place in the hearts of consumers and will always be remembered.

4. Purchasing Decision

According to Buchari Alma (2016) stated that the purchase decision is a consumer decision influenced by the financial economy, technology, politics, culture, products, prices, location, promotion, physical evidence, people, process. So as to form an attitude in consumers to process all information and draw conclusions in the form of responses that appear what products will be purchased. According to Kotler and Keller (2016) stated that consumer purchasing decisions are part of consumer behavior, namely the study of how individuals, groups, and organizations choose, buy, use, and how goods, services, ideas or experiences to satisfy their needs and desires. Purchasing decisions are inseparable from how the nature of a consumer (consumer behavior) so that each consumer has different habits in making purchases.

1.10 Structure of Proposal

The structure of the thesis has been shown in this section. There are six chapters in this study. In chapter one the issues related to the topic are discussed and begin by introducing the chapter and then introducing the background of the topic followed by the formulation of the problem, research questions, research objectives, research significance, scope of research, research limitations, key terms, proposal structure, and chapter conclusions.

Chapter two reviews the literature related to the topics namely price, quality of service, store atmosphere, product completeness and consumer buying interest followed by the underlying theory, research framework and hypothesis, and conclusion of this chapter.

Chapter three shows a part of the methodology that includes introductory chapters, elements of research design, population and sampling, variable measurement, instrument and data collection, data analysis, and chapter conclusions.

Chapter four indicates the conclusions of the study and the researcher expects the contribution of the research. Chapter five shows research references. And chapter six shows the research appendix includes the research timeframe and questionnaire.

1.11 Conclusion

Overall, this chapter discusses the beginning of the research, which includes: introduction and background of the problem to be studied. Explain the formula of clearly explained problems to facilitate the research process, explain the object of study, and know the purpose of future research.