The Influence of Product Quality, Perceived Price, and Brand Image on Purchasing Decisions of Nescafe Instant Coffee Powder in Surabaya

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Article history: received August 08, 2023; revised August 12, 2023; accepted August 15, 2023
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ABSTRACT

This study aims to determine the effect of product quality, price perception and brand image on purchasing decisions of Nescafe instant coffee powder in Surabaya. This research method is quantitative. The population in this study is consumers who have bought and consumed Nescafe instant coffee powder products in Surabaya. The sampling technique uses non-probability sampling and uses techniques purposeful sampling as a technique for determining the sample used because not all members of the sample have criteria that are in accordance with the objectives of the study. According to Hair et al., (2014: 77) the number of sample sizes that are appropriate for Partial Least Square (PLS) can be measured by the number of indicators multiplied by 5 or the sample size between 100-200 respondents. In this case the number of samples in this study is 16 (indicators) x 6 = 96 and rounded up to 100 respondents. Data collection was carried out through a Google form questionnaire to respondents with an ordinal scale via a Likert scale from a score range of 1 to 5. The data was processed using the Partial Least Square (PLS) data analysis technique. The results showed, product quality, price perception and brand image have a positive effect on purchasing decisions of Nescafe instant coffee powder in Surabaya. In conclusion, product quality, perceived price and brand image have a significant influence on purchasing decisions.

Keywords: Brand Image, Purchase Decision, Product Quality, Perceived Price.

INTRODUCTION

Looking at current business developments, the company offers many promising business opportunities and challenges. Businesses compete with each other to satisfy consumer needs. Companies must be able to compete with other changes so that companies can survive, but on the other hand companies must also understand what consumers want so that consumers feel satisfied. The company needs to spread its wings to expand the market and win its place in the hearts of consumers. Consumers are a measure of the success of a company because marketers must be able to satisfy consumer needs, where consumer needs change dynamically from time to time so marketers must be sensitive to detect possible changes in consumer tastes. To gain a competitive advantage, every company must be able to satisfy its customers, in this case the coffee business.

In 1929, Nestle was entrusted with helping to look after the remaining coffee beans from Brazil which were the result of the Wall Street crash. Our coffee expert named Max Morgenthaler is on a mission to create a cup of coffee that many people can enjoy simply by adding water. Max and his group also made every effort to be able to produce new innovations in instant coffee so that they could maintain the natural taste of coffee beans. In 1938, Nescafe
was born in response to the mission carried out by Max Morgenthaler and his group. Taken from the first three letters of Nestle and ending with cafe, Nescafe is here to give a new nuance to the coffee industry. Finally, Nestle as the parent company of Nescafe started their creation by concocting coffee recipes that could be sold to the public. Do not stop working, Nescafe also created a coffee machine. The coffee machine is named Nescafe dolce gusto, and is widely sold online for around 1 million to 2 million rupiah. Nescafe instant coffee powder products, namely Nescafe Classic, Nescafe Gold, Nescafe Green Blend, Nescafe Original 3in1, Nescafe Creamy 3in1

Nescafe is a well-known brand outside, but in terms of market share in Indonesia, it ranks 7th based on figure 1.1 in terms of frequently consumed packaged coffee. Likewise, the Nescafe brand has the lowest rank, which is in 3rd place in the top brand award. The increasing value of the Top Brand Award shows that the brand is in great demand by consumers. Vice versa, if it decreases, it indicates that the product is less attractive to consumers. Meanwhile, table 1.1 shows that Nescafe instant coffee powder has decreased from 2021 to 2023, this indicates a problem with purchasing decisions. In contrast to its competitors, Good Day Coffee which has a good percentage, which means that the competition for the Nescafe brand is still inferior to its competitors. The level of competition for instant ground coffee in Indonesia is relatively tight because each company will try to be able to increase market share and reach consumers. This is a company to improve product quality, price perception, brand image so that people feel satisfied with Nescafe’s instant ground coffee products. Researchers also conducted a pre-survey of 31 respondents in South Surabaya via the Google form. The results of the pre-survey stated that consumers buy Nescafe instant coffee powder based on product quality, price perception, brand image influence purchasing decisions.

Purchasing decisions can also be called influential factors in business in the company. Some aspects that can determine purchasing decisions such as product quality, perceived price, and the company’s brand image. According to (Wardana, 2017). Purchase decisions relate to service from a contributor to participants with the aim that a participant or recipient can make choices as expected by the contributor. Purchasing decisions are also patterns of behavior that determine the decision-making process with the choice of products or services to satisfy consumer needs. So from some of the meanings above it can be concluded that the purchase decision is a decision taken after certain considerations and decides to buy the product as needed.

Product quality is defined as a collection of product and service characteristics obtained from marketing, production and maintenance that make products and services usable to meet consumer expectations (Wijaya, 2019). In a company, product quality is an important factor, because with the current conditions, a quality product has more value than competing products. Quality is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated needs. Good quality and reliable, the product will always be embedded in the minds of consumers, because consumers are willing to pay a certain amount of money to buy quality products. Consumer perceptions of product quality will shape preferences and attitudes which in turn will influence the decision to buy or not.

Within the company, price perception also influences consumers in determining a purchasing decision for the product to be purchased. Price perception is a consumer’s point of view about the high and low prices of an item, then has an appeal to purchasing decisions Schiffman & Kanuk (2018). From the description above, price perception is how price views can be understood and can make an important value for consumers.
As for the brand image that is also an influence for consumers because brand image becomes a product image, for consumers to make purchasing decisions, brand image can be considered as a type of association that arises in the minds of consumers when remembering a brand (Sangadji and Sopiah (2013). It can also be said that Brand image is a concept created by consumers for subjective reasons and personal emotions, therefore in the concept of consumer perception becomes more important than the actual situation.

Based on the background of the problems described above, researchers are interested in conducting research on "The Influence of Product Quality, Perceived Price and Brand Image on Purchasing Decisions of Nescafe Instant Coffee Powder Products in Surabaya". The purpose of this study was to determine the effect of product quality, price perception, and brand image on purchasing decisions of Nescafe instant ground coffee in Surabaya.

**Literature review**

**Product quality**

According to Kotler and Keller (2012: 49) quality is the overall characteristics and characteristics of a product or service that affect its ability to satisfy stated or implied needs. While products according to Kotler & Armstrong (2012: 223), products are anything that can be offered to the market for attention, acquisition, use, or consumption that can satisfy a want or need. The definition of product quality itself according to Kotler and Armstrong (2012: 283), namely the ability of a product to perform its functions, this includes the overall durability, reliability, accuracy, ease of operation, and product repair, as well as other product attributes. And another understanding from Fandy Tjiptono (2008) Product quality is a consumer assessment of the advantages or features of a product. Companies need to improve the quality of products and services that will be offered to consumers because with an increase in the quality of products or services, consumers will feel satisfied with a product or service, and will influence consumers to repurchase the products or services offered by the company.

**Price Perception**

According to Schiffman & Kanuk (2008) perception is a process carried out by individuals to select, organize and interpret stimuli into meaningful images about the world. Kotler and Armstrong (2008) argue that price is the amount of money billed for a product or service or the amount of value exchanged by consumers to obtain the benefits of having or using a product or service. Rangkuti (2008: 103) states that price perception is the relative cost that consumers must spend to obtain the product or service they want. Kotler & Armstong (2008) state that price perception is the value contained in a price related to the benefits and possession of a product or services. Meanwhile, another understanding of price perception according to Peter and Olson (2010: 447) "Price perception is concerned with how price information is comprehended by consumers and made meaningful to them." This means that how price information can be understood by customers and made meaningful for customers. Thus consumers can assess the price of a product whether the price in the product sold by the company is expensive, cheap or standard. In assessing a consumer price does not have to be the same because it depends on the perception of each individual which is caused by the different living conditions of individuals.

**Brand Image**

According to Ginting (2011: 99) defines a brand is a name, term, sign, symbol, design or a combination thereof to mark the product or service of one seller or group of sellers and to
differentiate it from competitors. Meanwhile, according to Alma (2013: 147) a brand or stamp is a sign or symbol that gives the identity of a certain product/service which can be in the form of words, pictures or a combination of both. According to Aaker in Aris Ananda (2011: 63) defining brand image is how customers and other people perceive a brand. Brand image or brand description is a description of consumer associations and beliefs about a particular brand. And according to Kotler and Keller (2012: 274) argue that image is the way people actually perceive brands. From the above understanding, it can be concluded that brand image is a consumer’s perception of a brand from information and experiences with a brand embedded in the minds of consumers.

Buying decision

According to Kotler (2012: 166) purchasing decision is the stage in the purchasing decision-making process where consumers actually choose and buy. Purchasing decision is a process where consumers know the problem, seek information about a particular product or brand and evaluate how well each of these alternatives can solve the problem, which then leads to a purchase decision by Fandy Tjiptono (2014: 21). While purchasing decisions according to Buchari Alma (2013: 96) purchasing decisions are: “A consumer decision that is influenced by the financial economy, technology, politics, culture, product, price, location, promotion, physical evidence, people, and 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

RESEARCH METHODS

This study uses a quantitative approach using the variables of product quality, price perception, brand image, and purchasing decisions. The population in this study are consumers who have bought and consumed Nescafe instant coffee powder products in Surabaya. This research uses non-probability sampling method and uses the sampling technique used, namely the purposive sampling technique as a technique to determine the sample used because not all members of the sample have criteria that are in accordance with the objectives of the study. According to Hair et al., (2014: 77) the number of sample sizes that are appropriate for Partial Least Square (PLS) can be measured by the number of indicators multiplied by 5 or the sample size between 100-200 respondents. In this case the number of samples in this study is 16 (indicators) x 6 = 96 and rounded up to 100 respondents. Primary data acquisition was obtained from questionnaires distributed through the Google form of consumers who had bought and consumed Nescafe instant coffee powder products in Surabaya. Secondary data was obtained from collecting articles, journals, and previous research results. The data analysis technique used in this study uses Partial Least Squares (PLS) with steps in analyzing the data including validity testing, reliability testing, and hypothesis testing.

RESULTS AND DISCUSSION

Results

<table>
<thead>
<tr>
<th>Table 1. Outer Loadings (Mean, STDEV, T-Values)</th>
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<tbody>
<tr>
<td></td>
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<tr>
<td>Original Sample (O)</td>
</tr>
<tr>
<td>X1.1 &lt;- Product Skin</td>
</tr>
<tr>
<td>X1.2 &lt;- Product Quality</td>
</tr>
<tr>
<td>X1.3 &lt;- Product Quality</td>
</tr>
<tr>
<td>X1.4 &lt;- Product Quality</td>
</tr>
</tbody>
</table>
Based on the table above, the validity of the indicator is measured by looking at the factor loading value to the indicator, it is said that the validity is sufficient if it is greater than 0.5 and or the T-Statistic value is greater than 1.96 (z value at $\alpha = 0.05$). Factor loading is the correlation between indicators and variables, if it is greater than 0.5 it is considered that the validity is fulfilled as well as if the T-Statistic value is greater than 1.96 then the significance is fulfilled.

Based on the outer loading table above, all reflective indicators on the variables Product Quality (X1), Perceived Price (X2), Brand Image (X3) and Purchase Decision (Y), show a factor loading (original sample) greater than 0.50 and significant (the T-Statistic value) is greater than the z value $\alpha = 0.05$ (5%) = 1.96, thus the results of the estimation of all indicators have met Convergent validity or good validity.

**Table 2. Average Variance Extracted (AVE) and Composite Reliability**

<table>
<thead>
<tr>
<th>Construct</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Quality (X1)</td>
<td>0.978</td>
<td>0.898</td>
</tr>
<tr>
<td>Price Perception (X2)</td>
<td>0.969</td>
<td>0.885</td>
</tr>
<tr>
<td>Brand Image (X3)</td>
<td>0.952</td>
<td>0.868</td>
</tr>
<tr>
<td>Purchase Decision (Y)</td>
<td>0.946</td>
<td>0.814</td>
</tr>
</tbody>
</table>

1. Average Variance Extracted (AVE)

AVE Test Results for Product Quality variable (X1) of 0.898, Price Perception variable (X2) of 0.885, Brand Image (X3) of 0.868 and Purchase Decision (Y) of 0.814, these three variables show a value of more than 0.5, so overall the variables in this study can be said to have good validity.

2. Composite Reliability

Construct reliability is measured by the composite reliability value. The construct is reliable if the composite reliability value is above 0.70, then the indicator is called consistent in measuring its latent variables. The results of the composite reliability test show that the Product Quality variable (X1) is 0.865, Price Perception variable (X2) is 0.969, Brand Image (X3) is 0.952, and Purchase Decision (Y) is 0.946, these three variables show a composite reliability value above 0.70 so that it can be said that all variables in this study are reliable.
Table 3. Latent Variable Correlations

<table>
<thead>
<tr>
<th></th>
<th>Product quality</th>
<th>Price Perception</th>
<th>Brand Image</th>
<th>Buying decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product quality</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price Perception</td>
<td>0.864</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand Image</td>
<td>0.916</td>
<td>0.916</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Buying decision</td>
<td>0.868</td>
<td>0.850</td>
<td>1.000</td>
<td></td>
</tr>
</tbody>
</table>

In PLS the relationship between variables or constructs with one another can be correlated with one another, both exogenous and endogenous variables, or exogenous and endogenous variables, as shown in the table of latent variable correlations above. The relationship between one variable and another has a maximum correlation value of 1, the closer the value is to 1, the better the correlation.

From the table of latent variable correlations above, the average correlation value between one variable and another shows an average correlation value that is moderate. The highest correlation value is found between variables, Perceived price (X2) and Purchase Decision (Y) of 0.916, it can also be stated that among the variables in the research model, the relationship between the variable Perceived Price (X2) and purchase decision (Y) is 0.916. It can be stated that among the variables in the research model, the relationship between the variable Price Perception (X2) and Purchase Decision (Y) shows a stronger relationship than the relationship between other variables, this can also be interpreted that in this research model high and low Purchase decision is more influenced by the price perception variable.
Hypothesis test

Furthermore, for testing the hypothesis, it can be seen from the results of the coefficients and T-Statistic values from the inner model in the following table:

<table>
<thead>
<tr>
<th>Table 4</th>
<th>Path Coefficients (Mean, STDEV, T-Values, P-Values)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original Sample (O)</td>
</tr>
<tr>
<td>Product Quality -&gt; Purchase Decision</td>
<td>0.630</td>
</tr>
<tr>
<td>Price Perception -&gt; Purchase Decision</td>
<td>0.645</td>
</tr>
<tr>
<td>Brand Image -&gt; Purchase Decision</td>
<td>0.600</td>
</tr>
</tbody>
</table>

From the table above it can be concluded that states:

1. Product Quality (X1) has a positive effect on Purchase Decision (Y) Nescafe instant ground coffee is acceptable, with a path coefficient of 0.630, and a T-Statistic value of 2.444 > 1.96 (from table value Zα = 0.05) or P-Value 0.015 < 0.05, then the result is significant (positive).

2. Price Perception (X2) has a positive effect on Purchase Decision (Y) Nescafe instant ground coffee is acceptable, with a path coefficient of 0.645 and a T-Statistic value of 2.707 > 1.96 (from table value Zα = 0.05) or P-Value 0.020 < 0.05, then the result is significant (positive).

3. Brand Image (X3) has a positive effect on Purchase Decision (Y) Nescafe instant ground coffee is acceptable, with a path coefficient of 0.600 and a T-Statistic value of 2.246 > 1.96 (from table value Zα = 0.05) or P-Value 0.000 < 0.05, then the result is significant (positive).

Discussion

Effect of Product Quality on Purchasing Decisions

Based on the results of the research that has been done, it can be obtained that product quality is able to influence the decision to purchase Nescafe instant coffee powder in Surabaya, because what Nescafe offers is so appetizing for coffee lovers that it is liked by all circles. The results of the descriptive analysis of product quality indicators that have the highest percentage are Nescafe instant coffee powder which has a strong coffee taste (X1.5), in this case Nescafe uses a blend of quality robusta coffee beans that are roasted to a delicious medium level to provide a satisfying experience typical and irreplaceable by drinking a cup of coffee. Nescafe has succeeded in targeting coffee connoisseurs to the young consumer segment but not a few adult consumers as well. This research is supported by previous research journals by Suparti, Feby Evelyna (2022) which suggests that the Product Quality variable has a significant effect on Purchase Decisions. This shows that product quality can be used as a basis for consideration in encouraging purchases of Nescafe instant ground coffee in Surabaya.

The Effect of Perceived Price on Purchasing Decisions

Based on the results of the research that has been done, it can be obtained that price perception must have strong concepts and abilities in order to achieve the goals of Nescafe instant ground coffee. The results of the descriptive analysis of the price perception indicator that has the highest percentage, namely the price of Nescafe instant coffee powder is easy to reach by anyone (X2.1) in this case the price set by Nescafe to consumers influences consumer
behavior in making purchases. The point is that the prices that consumers can reach also influence consumer preferences, so that consumers will tend to make purchases of these Nescafe products. Even this is supported by previous research conducted by Billal A. Kasiono, Altje L. Tumbel, Jessy J. Pondaag. (2022), shows that the price perception variable has an influence on purchasing decisions.

The Effect of Brand Image on Purchasing Decisions
Based on the results of the research that has been done, it is found that brand image has a positive effect on purchasing decisions for Nescafe instant coffee powder which is acceptable. The results of the descriptive analysis of the brand image indicator that has the highest percentage, namely Nescafe instant coffee powder, has a good product quality compared to similar coffee (X3.2). The coffee beans used by Nescafe Robusta are of high quality. This research is supported by a previous research journal by Suparti, Feby Evelyna (2022) which states that brand image has a significant effect on purchasing decisions.

CONCLUSION
Based on the results of testing using PLS to test the effect of product quality, price perception and brand image on purchasing decisions of Nescafe instant ground coffee in Surabaya: what Nescafe has to offer is so appetizing for coffee lovers that it is loved by all walks of life. In this case, Nescafe uses a blend of quality robusta coffee beans that are roasted to a delicious medium level to provide a unique and irreplaceable experience by drinking a cup of coffee and can encourage purchasing decisions. Based on the results of the research that has been done, it can be obtained that price perception must have strong concepts and abilities in order to achieve the goals of Nescafe instant ground coffee. In this case the price set by Nescafe to consumers influences consumer behavior in making purchases. The point is that the prices that consumers can reach also influence consumer preferences, so that consumers will tend to make purchases of these Nescafe products. Based on the results of the research that has been done, it is found that brand image has a positive effect on purchasing decisions for Nescafe instant coffee powder which is acceptable. In this case the Nescafe instant coffee powder brand has been around for a long time and is easily recognized by the public as fast-dissolving coffee, the coffee beans used by Nescafe robusta are of high quality.

ACKNOWLEDGEMENTS
The author would like to thank the research partners who have helped complete this article, especially the Management Studies Program, Faculty of Economics and Business, and the Chancellor of the East Java "Veteran" National Development University. Hopefully this research can be useful for readers.

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