

The Role of Product Quality and Price Perception in affecting Purchase Decision (Study on Milkmo Product)

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ABSTRACT

This research aims to analyze the role of product quality and price perception in affecting purchase decision. The object of this study is Milkmo, which is a startup business that offers milk-based drink coated with chocolate syrup. This research distributes as many as 97 questionnaires to majority of male and female respondents aged 15 to 25 years old, using purposive sampling method. This research uses quantitative method by using multiple linear regression analysis. Based on the result of the research, it can be concluded that product quality and the perception of each price have significant effect on purchase decision of Milkmo product, therefore all hypotheses were upheld. This implies that the business owner should improve the quality of the product and set the price of the product carefully so they would not be rivaled by their competitors.

Keywords: product quality, price perception, purchase decision

INTRODUCTION

One of the components in the livestock subsector in Indonesia that has many benefits and has the potential to be developed is the dairy industry. The consumption of fresh cow's milk in Indonesia has a high demand so that domestic milk production is currently not sufficient for domestic consumption needs. This is because cow's milk is one of the foodstuffs that are widely consumed by the people of Indonesia and most of it is used as food and into processed products to become certain products.

Milk is one of the products produced by livestock which has benefits as a source of energy for body metabolism because it has complete nutrients such as carbohydrates, fats, proteins, minerals and vitamins (Saleh, 2004; in (Christi et al., 2019)). In 2018 according to the Ministry of Industry, the food and beverage industry can grow rapidly by 7.91 and this exceeds the national economic growth which is at 5.17% (Ministry of Industry 2018). The high value of the food and beverage industry sector in Indonesia can cause this sector to have a large contribution to Indonesia's GDP. This is supported based on growth data in the food and beverage industry in Indonesia.

To increase sales, companies must pay attention to several factors, one of which is product quality, which is an important thing that every company must do as much as possible if they want what is produced to be able to compete and satisfy the needs and desires of every consumer (Kuriwati, 2015; in (Prasetyo & Widyastuti), 2018)). Other factors such as price, according to (Lubis & Hidayat, 2017) by providing affordable prices offered have an impact on consumer purchasing decisions. Companies need to pay attention to price perceptions by paying attention to price comparisons with existing competitors, the better the price offered, the better the purchasing decisions will be from the results of research conducted by (Soliha, 2017).

Milkmo ranges from Rp. 15,000 to Rp. 18,000 in other words, this price is quite competitive with similar competitors who sell milk-based products such as the Soe Coffee product, which sells products ranging from Rp. 18,000 to Rp. 25,000 and the products in Janji Jiwa start at Rp. 15,000 to Rp. 30,000. According to (Lubis & Hidayat, 2017) providing affordable prices offered has an impact on purchasing decisions by consumers. Milkmo products range from Rp. 15,000 to Rp. 18,000 with various considerations. One of them is to create a good perception of the product being sold. This is supported by the results of

research conducted by (Soliha, 2017) which states that companies need to pay attention to price perceptions by paying attention to price comparisons with existing competitors, the better the price offered, it will increase purchasing decisions.

LITERATURE REVIEW

Product Quality

Quality is the most basic competitive variable that managers should prioritize, in addition to other competing variables such as cost and flexibility (Forker, 1992). Given the importance of quality, it is not surprising that many studies have aimed to define the meaning of quality. In addition to paying attention to quality, companies also need to pay attention to post-sales services provided to customers. Syarafi (2018) shows that product quality has a significant effect on purchasing decisions for Samsung smartphones in Semarang. In addition, according to Anggita (2017) it affects the purchasing decisions of SGM Bunda Milk. In research according to Amron (2018) it shows that product quality has a significant and positive effect on purchasing decisions for a city car in Semarang. Therefore, we can propose the following hypothesis:

H1: Product quality has a significant effect on purchasing decisions of Milkmo product.

Price Perception

According to Fatmawati & Soliha (2017), price perception is a process used by individuals to select, organize, and interpret information input to create a meaningful world picture. One of the sectors that influence customer perception is price. Companies can charge high prices to form a perception of the product's quality. Widyasari et al. (2019) shows that price perceptions have a significant effect on purchasing decisions for Samsung smartphones in Semarang. In addition, research by Fatmawati & Soliha (2017) shows that price perceptions have a positive effect on purchasing decisions for Honda automatic motorbikes. Therefore, we can propose the following hypothesis:

H2: price perception has a significant effect on purchasing decisions of Milkmo product.

RESULTS AND DISCUSSION

Table 1. Validity and Reliability Test

Variable	Pearson Correlation	Sig. 2 (tailed)	Cronbach's Alpha
Product Quality (X1)			
X1.1	0.622	.000	0.633
X1.2	0.591	.000	
X1.3	0.725	.000	
X1.4	0.674	.000	
X1.5	0.571	.000	
Price Perception (X2)			
X2.1	0.702	.000	0.813
X2.2	0.795	.000	
X2.3	0.731	.000	
X2.4	0.664	.000	
Purchasing Decision (Y)			
Y1	0.705	.000	0.637
Y2	0.608	.000	
Y3	0.721	.000	
Y4	0.733	.000	

The results of all instruments including product quality (X1), price perception (X2), and purchase decisions (Y) have a significance value of less than 0.05, therefore the instrument is considered valid. Furthermore, the entire research questionnaire instrument was declared reliable because the Cronbach's alpha test value was higher than 0.6. In conclusion, all the instruments of product quality, price perception, and purchase decisions can be used in this study.

Table 2. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.628 ^a	.395	.382	.33700	2.133

The value of the correlation coefficient (R) is 0.628, which means that the independent variables (product quality and price perception) have a strong degree of closeness to the dependent variable. The value of R square is 0.395 which indicates that the contribution of product quality and price perception on affecting purchase decisions is 39.5% while the other 60.5% is affected by other variables which were not explored in this study.

Table 3. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.957	2	3.479	30.629	.000 ^b
	Residual	10.676	94	.114		
Total		17.633	96			

The significance value is 0.000 (less than 0.05), which means that this model test is suitable for use in research. Furthermore, it can be concluded that product quality and price perception have a significant effect purchasing decisions of Milkmo product.

Table 4. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.752	.476		1.580	.118
	x1	.375	.110	.309	3.393	.001
	x2	.440	.096	.420	4.606	.000

The result of the regression analysis shows that the relationship between the variable product quality and price perception towards purchasing decisions is positive and has a unidirectional relationship. Price perception has slightly bigger effect on purchase decision with value of 0.440, while the product quality value is 0.375.

Discussion

This study shows that the right promotion, good taste, and the right price perception will determine the purchasing decision of Milkmo products. If there is a benefit that consumers feel after buying a Milkmo product, it will make consumers make a repeat purchase decision. The factors that will influence purchasing decisions are the emotional that exists between consumers and sellers after consumers use products and services and get added value from these products. Based on the characteristics of the respondents, after processing the data, it is known that the enthusiasts of Milkmo products are male and female consumers who are on average 15-25 years old and work as students because the sale of Milkmo is carried out through a bazaar at Ciputra University. In accordance with Milkmo's target, namely teenagers who like conventional products such as those that are nowadays.

Characteristics of respondents, after processing the data, it is known that the market segment is appropriate because the frequency of Milkmo consumers buying milk 2x a week, the highest expenditure is an average of Rp2,000,000 until Rp3,000,000 each month, and Milkmo consumers make an average purchase of milk in the last 2 weeks. It can be seen that in startup business, consumers would want something that can benefit them, such as quality and competitive prices that determine consumer purchasing decisions. However, suppressing only the quality of the startup business is not sufficient to attract consumers. To better satisfy startup business consumers, they must also make efforts to promote (Prajogo & Sohal, 2004).

CONCLUSIONS AND SUGGESTIONS

Based on the results of the research, it can be concluded that product quality has a significant effect on purchasing decisions. By doing this research, Milkmo knows the deficiencies in the business and improvement can be made such as replacing packaging that is not easily damaged and practical. As well as providing several choices of glass sizes for consumers. Thus, the first hypothesis is accepted in this study. For the variable price, Milkmo provides various prices based on glass size so that the price is more affordable and can compete with similar competitor products. So that price perception has a significant effect on purchasing decisions, thus the second hypothesis is accepted in this study.

The suggestion for Milkmo is to improve product quality in terms of taste so that it can be accepted by consumers and the packaging used is more practical so that consumers can make repeat purchase decisions, as well as increase innovation in creating new menus. Additionally, Milkmo can pay attention to prices according to quality and competitive prices.

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