

The Effect of Product Quality, Price Perception, and Promotion of Purchasing Decisions in Sari Roti in West Jakarta

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Abstract—This study aims to determine the influence of the perception of product quality, price perceptions and promotion to purchase at Sari Roti. This research uses quantitative methods and a sample of 160 respondents who has made a purchase Sari Roti in the west KFT housing complex, West Cengkareng, West Jakarta City using purposive sampling technique and data collection using questionnaire. Method used in this study is Partial Least Square (PLS), smart PLS 2.0. The study concludes: (1) product quality significant effect to purchasing decisions, (2) price perceptions negative effect to purchasing decisions, (3) promotion significant effect to purchasing decisions.

Keywords: *product quality, price perceptions, promotion, purchase decision decisions*

I. INTRODUCTION

Indonesia's economic development is strongly supported by the development of industries. One of the highest growing industries is food. All this is proven by the emergence of new companies. All of them are trying to produce food products to meet the increasing needs and desires of consumers. That way the product can compete in the market. For a company to develop properly, the company must be able to anticipate increasingly competitive economic developments, in addition to that the company must also be able to anticipate future economic trends and maintain the company's survival or company progress [1].

Sales test results can be seen from the number of products that can be sold to consumers. The more products sold or sold, it can be said that the company is successful in carrying out its sales activities. Competition in the increasingly tight business world makes entrepreneurs look for the right strategy to market their products and are required to continue to innovate with their products. The purchase decision for the product is expected by all types of businesses. Deciding to do the same thing with Sari Roti. With consumer purchases, Sari Roti gets demands to maintain these consumers so they can be loyal to Sari Roti products, or even make consumers attract new consumers to buy Sari Roti products. That way, Sari Roti can expand their market or increase the company's revenue. From consumers who make a purchase, Sari Roti can find out how the tastes of consumers so the company can further develop themselves.

Previous researchers have examined the factors that influence purchasing decisions. The results of Santoso research [1], examined that product quality and promotion influenced purchasing decisions but Rahmawaty [2], examined that product quality greatly influenced subsequent purchasing decisions Samosir and Prayoga [3] that price perception is very influential on purchasing decisions on consumers.

Based on the background above, it can be seen that there is a close relationship between product quality, price perception, and promotion of consumer purchasing decisions in purchasing Sari Roti. Then it will be very important for companies like PT. Nippon Indosari Corpindo Tbk. To find out the behavior of consumers, to be able to implement product quality development strategies, price perceptions and especially related also to promotional media that will be used next in the future.

A. Formulation of the Problem

Based on the background of the problem and the data obtained shows that there is a decrease in the level of the market share of Sari Roti products, causing a reduction in purchasing decisions. The problems in this research are: (1) Does the quality of the product influence the purchasing decision of Sari Roti in West Jakarta?; (2) Does the price perception affect the purchasing decision of Sari Roti in West Jakarta?; (3) Does promotion affect the purchasing decision of Sari Roti in West Jakarta?.

The research objectives are: (1) To analyze the effect of product quality on Sari Roti purchasing decisions in West Jakarta; (2) To analyze the effect of price perception on Sari Roti purchasing decisions in West Jakarta; (3) To analyze the effect of promotion on Sari Roti purchasing decisions in West Jakarta.

II. LITERATURE REVIEW

A. Products Quality

Product quality is a potential strategic weapon to defeat competitors [4]. So only the company with the best product quality will grow rapidly, and in the long run, the company will be more successful than other companies. Meanwhile, according to Kotler and Armstrong, product quality is an

additional benefit of the product, which is a product that can distinguish these products from competing products [4]. Based on the description put forward by the product quality experts above, researchers arrive at an understanding that product quality is a product to improve the quality of the company's products in increasing consumer value for the product.

B. Price Perception

Price perception is among the elements in the retail marketing mix (merchandise, promotions, prices and retail services). Price perception is a price mix with regard to strategy and tactics such as price levels, discount structures, payment terms, and the level of price discrimination among various customer groups [5]. Meanwhile, according to Peter and Olson, that price perception is the tendency of consumers to use prices in assessing products [6].

C. Promotion

Promotion is a one-way flow of information or persuasion created to direct someone's actions that create exchanges in marketing [7]. Promotion is a form of marketing communication which is a marketing activity that seeks to spread information, influence and remind target markets of companies and its products to be willing to accept, buy and be loyal to the products offered by the company concerned [8].

D. Conceptual Framework

Based on the description above, then this conceptual framework is as follows:

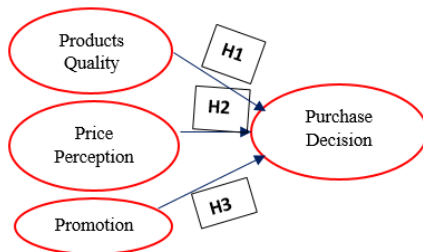


Fig. 1. Conceptual framework.

Based on the above review, the hypotheses to be tested in this study are:

- H1: Product Quality has a positive effect on the Sari Roti Purchase Decision
- H2: Price perception has a positive effect on consumer purchase decisions of Sari Roti
- H3: Promotion has a positive effect on the purchase decisions of Sari Roti consumers

III. RESEARCH METHODOLOGY

The process of this research begins with collecting data, processing data and evaluating the results of reports, up to the overall presentation results. The time period is from April to December 2018. The place of this research was conducted at the West KFT housing complex, West Cengkareng, West

Jakarta City and the research object used by researchers was Sari Roti consumers.

A. Population

In this study, the population is Sari Roti consumers, and in this case, the number is not known in detail. Sampling was carried out in this study is a non-probability sampling technique, because of the large opportunity for elements to be selected as unknown subjects. Purposive sampling is a sampling technique with certain considerations such as population traits or traits that knew beforehand [9]. According to Ferdinand, if the sample size is too large then the model becomes very sensitive so it is difficult to get good goodness of fit [10]. For this reason, it is recommended that the sample size be 5-10 times the number of variables (indicators) of the entire variable. In this study, the number of research indicators was 32 so the minimum number of samples was 5 times the number of indicators or as many as $5 \times 32 = 160$ and the maximum sample was $10 \times 32 = 320$. So this study used a sample of $5 \times 32 = 160$

1) *Partial least square analysis*: PLS (Partial Least Square), is a component of Variance Based Structural Equation Modeling analysis method in which data processing is a Partial Least Square (Smart-PLS) version 3.0 program. PLS (Partial Least Square) is an alternative model of SEM-based covariance. The purpose of PLS is to look for optimal predictive linear relationships that exist in the data. Although PLS can also be used to confirm the theory, it can also be used to explain the presence or absence of latent variable relationships. As stated by Wold in Ghazali, PLS (Partial Least Square) is a powerful analysis method because it is not based on many assumptions, so the data do not have to be normally multivariate distributed, and the sample does not have to be large [11].

2) *Evaluation of measurement model*: Outer models are often also called (outer relations or measurement models) defining how each Block of indicators relates to their latent variables.

a) *Convergent validity*: Convergent Validity Testing of each construct indicator calculated by PLS. An indicator is said to have good valid if the value is greater than 0.70 with the construct to be measured. However, for the initial research stage of developing a measurement scale loading values, 0.5 to 0.60 is considered sufficient [12].

b) *Discriminant validity*: Discriminant validity testing, measurement models with reflection indicators are assessed based on cross-loading measurements with constructs. The indicator can be declared valid if it has the highest loading factor to the construct to be addressed, which will be compared with the loading factor in other constructs. This shows that latent constructs have predicted indicators on their Block better than indicators on other Blocks. Another method for assessing discriminant validity is to compare the square root of average variance extracted (AVE) values of each construct with the correlation between constructs and other

constructs in the model, so it can be said to have a good discriminant validity value.

c) *Composite reliability or cronbach alpha*: Composite reliability testing aims to test the reliability of instruments in a research model. If all latent variable values have composite reliability and Cronbach's alpha values ≥ 0.7 , this means that the construct has good reliability, or the questionnaire used as a tool in this study has been reliable or consistent.

3) *Structural model testing or hypothesis testing (Inner model)*: Testing the inner model is a model development based on theoretical concepts in order to analyze the relationship between exogenous and endogenous variables that have been described in the conceptual framework. Testing of the inner model is done by looking at the R-square value which is a goodness-fit test of the model. Stages of testing that can be done are as follows:

a) *R-square value*: R-square value is a goodness-fit model test. The second test can be seen from the R-square results for endogenous latent variables of 0.67, 0.33 and 0.19 in the structural model indicating that the model is "good", and "weak".

b) *Goodness fit model*: Structural Goodness of Fit Model in the inner model uses predictive-relevance (Q2) value. R-square value > 0 which indicates that the model has a predictive-relevance value.

c) *Hypothesis testing (Path coefficient estimation)*: The estimated value for the relationship between paths in the structural model must be significant. This significant value is obtained by the bootstrapping procedure. See the significance of the hypothesis by looking at the value of the parameter coefficient and the significance value of t statistics on the bootstrapping report algorithm the value of the statistical significance must be more than 1.96.

IV. RESULTS AND DISCUSSION

A. Instrument Testing

1) *Convergent validity*: Outer models are often also called (outer relations or measurement models) defining how each Block of indicators relates to their latent variables.

TABLE I. CONVERGENT VALIDITY TEST RESULTS

Variables	Indicators	Outer Loading	Description
Product Quality	KP1	0.163	Invalid
	KP2	0.843	Valid
	KP3	0.816	Valid
	KP4	0.882	Valid
	KP5	0.874	Valid
	KP6	0.823	Valid
	KP7	0.832	Valid
	KP8	0.854	Valid
	KP9	0.776	Valid
	KP10	0.805	Valid
Price Perception	PH1	0.891	Valid
	PH2	0.905	Valid
	PH3	0.762	Valid
	PH4	0.847	Valid

Variables	Indicators	Outer Loading	Description
	PH5	0.866	Valid
	PH6	0.871	Valid
	PH7	0.873	Valid
	PH8	0.818	Valid
Promotion	P1	0.874	Valid
	P2	0.817	Valid
	P3	0.822	Valid
	P4	0.747	Valid
	P5	0.224	Invalid
	P6	0.134	Invalid
	P7	0.060	Invalid
	P8	0.724	Valid
	P9	0.822	Valid
Purchase Decision	KPN1	0.761	Valid
	KPN2	0.617	Valid
	KPN3	0.712	Valid
	KPN4	0.742	Valid
	KPN5	0.764	Valid
	KPN6	0.798	Valid
	KPN7	0.715	Valid
	KPN8	0.623	Valid
	KPN9	0.756	Valid
	KPN10	0.702	Valid

Source: PLS Data Processing Results, 2018

Based on Table 1 above, it appears that indicators KP1, PH3, P4, P5, P6, P7, P8, P9, KPN2, KPN6, KPN7, KPN8, KPN9, KPN10 have a factor loading value of less than 0.50 which is declared invalid and insignificant. Therefore, the indicator will be removed from the model or deleted. The following results from the removal or deletion of indicators and recalculation:

TABLE II. TEST RESULTS FOR CONVERGENT VALIDITY (MODIFICATION)

Variables	Indicators	Outer Loading	Description	
Product Quality	KP2	0.846	Valid	
	KP3	0.817	Valid	
	KP4	0.885	Valid	
	KP5	0.874	Valid	
	KP6	0.826	Valid	
	KP7	0.836	Valid	
	KP8	0.857	Valid	
	KP9	0.766	Valid	
	KP10	0.799	Valid	
	Price Perception	PH1	0.890	Valid
PH2		0.907	Valid	
PH4		0.854	Valid	
PH5		0.873	Valid	
PH6		0.875	Valid	
PH7		0.876	Valid	
PH8		0.825	Valid	
Promotion		P1	0.917	Valid
	P2	0.904	Valid	
	P3	0.891	Valid	
	Purchase Decision	KPN1	0.827	Valid
		KPN3	0.767	Valid
KPN4		0.856	Valid	
	KPN5	0.867	Valid	

Source: PLS Data Processing Results, 2018

The results of the modification of the Convergent validity test in Table 2 can be seen that all indicators meet the convergent validity because it has a factor loading value above 0.50.

2) *Discriminant validity*: Discriminant Validity is done to ensure that every construct of each variable that cannot be measured directly is a variable or commonly called a latent variable that is different from other variables. A concept that has good Discriminant Validity if the loading factor value is the largest with another loading value for other latent variables. Discriminant Validity test results are obtained as follows:

TABLE III. DISCRIMINANT VALIDITY TEST (FORNELL LACKER)

Variables	Purchase Decision	Product Quality	Price Perception	Promotion
Purchase Decision	0.721			
Product Quality	0.740	0.834		
Price Perception	0.718	0.849	0.855	
Promotion	0.825	0.791	0.829	0.804

Source: PLS Data Processing Results, 2018

From Table 3 above it can be seen that some loading factor values for each indicator of each latent variable have a loading factor value that is greater than the loading value if it is associated with other latent variables. This means that each latent variable has not had good discriminant validity, therefore the indicators of the variables that have the smallest value must be removed from the model and indicator variables omitted, namely: KP1, P7, P6, P5.

TABLE IV. DISCRIMINANT VALIDITY TEST (FORNELL LACKER) (MODIFIED)

Variables	Purchase Decision	Product Quality	Price Perception	Promotion
Purchase Decision	0.830			
Product Quality	0.723	0.835		
Price Perception	0.651	0.809	0.872	
Promotion	0.720	0.720	0.826	0.904

Source: PLS Data Processing Results, 2018

After modifying the construct contained in the modeling, it can be seen from Table 4 that some loading factor values for each indicator of each latent variable have a loading factor value that is not the greatest compared to the loading value if it is associated with other latent variables.

TABLE V. AVERAGE VARIANCE EXTRACTED (AVE) TEST RESULTS

Variables	Average Variance Extracted (AVE)
Purchase Decision	0.689
Product Quality	0.697
Price Perception	0.760
Promotion	0.818

Source: PLS Data Processing Results, 2018

From Table 5 above, it can be concluded that the square root of Average Variance Extracted (AVE) for each construct is higher than the correlation between constructs and other constructs, therefore the constructs in the estimated model meet the Discriminant Validity criteria.

B. Composite Reliability and Cronbachs Alpha

Composite reliability testing and Cronbach's Alpha aim to test the reliability of the instrument in a research model. If all latent variable values have composite reliability value and Cronbach's Alpha or Cronbach alpha ≥ 0.7 , it means that the

construct has good reliability, or the questionnaire used as a tool in this study has been reliable or consistent. Following are the Composite Reliability and Cronbach's Alpha values in the output:

TABLE VI. COMPOSITE RELIABILITY AND CRONBACH'S ALPHA TEST RESULTS

Variable	Composite Reliability	Cronbach's Alpha	Explanation
Purchase Decision	0.898	0.849	Reliable
Product Quality	0.954	0.945	Reliable
Price Perception	0.957	0.947	Reliable
Promotion	0.931	0.889	Reliable

Source: PLS Data Processing Results, 2018

Based on the table 6, it can be seen that the results of Composite Reliability processing show very satisfying values, namely all latent variables have been reliable because all latent variable values have Composite Reliability and Cronbach's Alpha values ≥ 0.70 . So it can be concluded that the questionnaire used as a research tool has been reliable or consistent.

C. Structural Model Testing / Hypothesis Testing (Inner Model)

Testing the inner model is a model-based development of theoretical concepts in order to analyze the relationship between exogenous and endogenous variables that have been described in the conceptual framework. Testing of the inner model is done by looking at the R-square value which is a goodness-fit test of the model. Stages of testing that can be done are as follows:

1) *R-Square value*: It can be seen the R-square value which is a goodness-fit model test.

TABLE VII. R² VALUE OF ENDOGENOUS VARIABLES

Variables	R-Square(R ²)
Purchase Decision	0.610

Source: PLS Data Processing Results, 2018

From the table 7, it can be concluded that the R-square value of 0.610 which means the variability of Purchasing Decisions that can be explained by the three variables in the model are Product Quality, Price Perception, and Promotion 61.0% while 39% is explained by other variables not examined by this model.

2) *Goodness of fit model*: The goodness of Fit The structural model in the inner model uses the value of predictive relevance (Q²). R-square value ≥ 0 which indicates that the model has a predictive relevance value. R-square value on each endogenous variable in this study can be seen in the following calculation: Predictive-relevance value is obtained by the formula:

$$Q^2 = 1 - (1 - R^2)$$

$$Q^2 = 1 - (1 - 0,610)$$

$$Q^2 = 1 - (0,39)$$

$$Q^2 = 1 - 0,39$$

$$Q^2 = 0,610$$

The calculation results above show the predictive relevance value of $0.610 \geq 0$. It is that 61.0% of the variation in the Purchase Decision variable (dependent variable) is explained by the variables used, thus the model is said to be feasible to have the relevant predictive value.

3) *Hypothesis testing results (Path coefficient estimation):* The estimated value for the relationship between paths in the

structural model must be significant. This significance value is obtained by the bootstrapping procedure. See the significance of the hypothesis by looking at the value of the parameter coefficient and the significance value of t statistics on the bootstrapping report algorithm the value of the statistical significance must be more than 1.96.

TABLE VIII. HYPOTHESIS TESTING RESULTS

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P- Values
KP→KPN	0.493	0.494	0.081	6.108	0.000
PH→KPN	-0.152	-0.150	0.111	1.372	0.171
P→KPN	0.491	0.491	0.088	5.550	0.000

Source: PLS Data Processing Results, 2018

From Table 8 above, several things are explained as follows:

- Product quality has a significant effect on purchasing decisions. Because T statistic > T table (6,108 > 1.96) and hypothesis can be accepted, it means that if product quality is perceived well, it can increase the desire to decide to buy Sari Roti products.
- Price perception influence is negative or insignificant to the purchase decision because T statistic > T table (1,372 > 1.96) and the hypothesis is not accepted, meaning that if a perceived price is perceived well, then it can increase consumers to decide on Sari Roti products.
- The promotion has a significant effect on purchasing decisions because T statistics > T table (5,550 > 1.96) and hypothesis are accepted, meaning that if a promotion is perceived well, then it can increase consumers to decide on Sari Roti products.

D. Statistical Testing Results

1) *Product quality towards purchasing decisions:* Based on the hypothesis test in this study, the results show that Product Quality has a significant positive effect on Purchasing Decisions. The results of this study are reinforced from the research of Gain, Herdinata, and Sienatra, which shows that the product quality variable shows a valid or positive influence on purchasing decisions and price has a positive effect on purchasing decisions for Vodkasoda shirts [13]. And a statement from Rahmawaty's research results that shows brand image does not have a significant or positive effect on purchasing decisions while product quality and prices have a significant or positive effect on consumer purchasing decisions of Sari Roti [2]. Then the higher the quality value of the product, the higher the purchase decision for Sari Roti.

2) *Price perception to purchase decisions:* Based on the results of hypothesis testing in this study, the results show that the perception of price is a negative or insignificant influence on the Purchasing Decision. The results of this study are strengthened from the results of Setyarko's research that shows price perception, promotion, service quality, and ease of use,

which is a negative or insignificant influence on Online Product Purchasing Decisions [14]. Therefore, I conclude that price perception is not a reference for consumers in making decisions in buying Sari Roti products because if the price offered does not match the quality of existing products, consumers may not necessarily be able to decide to buy Sari Roti products.

3) *Promotion of prices towards purchase decisions:* Based on the results of hypothesis testing in this study, the results show that the promotion has a significant positive effect on Purchasing Decisions. The results of this study are reinforced from the results of research Ichwanul Akbar, prices and promotions have a significant or positive effect on consumer purchasing decisions on Cola-cola beverage products [15]. And a statement from the Prayoga and Samosir research results shows that price perception and promotion have a significant or positive effect on consumer purchasing decisions for Enervon-C products [3]. Therefore if Sari Roti has an attractive promotion strategy, consumers will decide to buy the product.

V. CONCLUSIONS AND SUGGESTIONS

A. *Conclusions*

After the researcher has conducted research and discussion in the previous chapter on the Effects of Product Quality, Price Perception and Promotion on the Sari Roti Purchase Decision, the following conclusions can be obtained:

- Product quality has a positive and significant influence on the purchasing decision of Sari Roti. From these results, it can be concluded that consumers look good about the quality of the Sari Roti product because it is in accordance with its quality and can compete with other similar products.
- Price perception has no significant effect on Sari Roti purchasing decisions. This indicates that when consumers perceive that the price offered by the product is high, the Purchase Decision decreases. Or the price offered is so high that demand for products decreases.

- The promotion has a positive and significant influence on the purchasing decision of Sari Roti. From these results it can be concluded that consumers are interested in promotions conducted by Sari Roti, this can be made possible because of the way of promotion such as the provision of lunch box souvenirs for consumers, so that promotion increases the purchasing decision of Sari Roti.

B. Suggestions

- In Product Quality, Sari Roti products are advised to continue to maintain the superior quality of raw materials that do not use preservatives to maintain clean and healthy product quality. In addition, Sari Roti products are expected to be able to innovate to create more modern flavors and packaging in accordance with consumer expectations.
- In the Price Perception, although overall it is good, Sari Roti products are advised to set prices with consideration to adjusting consumer demands, so consumers are more satisfied in consuming Sari Roti products.
- Based on the results of research show that promotion has a positive and significant effect on purchasing decisions of Sari Roti, so PT Nippon Indosari Corpindo Tbk should maintain its creativity in promoting its products.

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