

# ***The Influence of Brand Image, Price Level and Word of Mouth on Purchasing Decisions for "Nau Coffee" SMEs Products***

## ***(Study on Student of Accounting Department Universitas Pendidikan Ganesha)***

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### **ABSTRACT**

Consumers are very critical in making purchasing decisions and they are greatly influenced by the brand, the price level, and how the companies promote their products. The lifestyle has a change that is marked by the emergence of new trends that are utilized by SMEs as their business fields. The purpose of this study was to determine: 1) The influence of brand image on purchasing decisions at *Nau Coffee* SMEs, 2) The influence of price level on purchasing decisions at *Nau Coffee* SMEs, 3) The influence of word of mouth on purchasing decisions at *Nau Coffee* SMEs. This research is a causal quantitative research. The data collection techniques are observation and questionnaires. The data analysis technique in this study used multiple linear regressions and the T statistical test used SPSS ver. 20, with 93 respondents as a sample. The results of this study state that there is the influence of brand image and word of mouth variables on the purchasing decisions of *Nau Coffee* SMEs products and there is no influence of the price level variables on purchasing decisions of *Nau Coffee* SMEs products.

**Keywords:** *Brand image, Decision-making, Price level, Word of mouth*

### **1. INTRODUCTION**

Economic development is a process that aims to increase total income and income per capita by taking into account population growth and fundamental changes in the economic structure and equal distribution income for residents of a country [1]. There are many strategies implemented by the Indonesian government for national economic development. One of the priorities in national economic development is the development and empowerment of SMEs. [2] states that the development of Micro, Small, and Medium Enterprises (SMEs) in Indonesia is one of the priorities in national economic development. This is because Micro, Small, and Medium Enterprises (SMEs) are the main populist economic system that is not only aimed at reducing the problem of gaps between groups, income, and between business actors, or poverty alleviation and employment.

In the context of developing and empowering SMEs, the Government of the Republic of Indonesia provides a lot of support for SMEs in the form of taxation, namely reducing the UMKM Final PPh rate from 1 percent to 0.5 percent, accelerating licensing, business development, expanding market access, and low-interest loans. Related to low loan interest rates, Widodo [3] said that the Government is encouraging convenience in terms of capital by reducing loan interest, from 22 percent to 7 percent a year. So with that convenience provided by the government, the number of SMEs in Indonesia is growing rapidly. Here are the data regarding the development of SMEs in Indonesia for the period 2014 to 2019.

The increasing number of SMEs causes tight competition. The tight competition causes the selection of SMEs. There are SMEs that can develop quickly, develop slowly, or undeveloped.

**Table 1.** Number of SMEs Units in Indonesia 2014-2019

Year	Number of SMEs
2014	55.206.444 Unit
2015	56.534.592 Unit
2016	57.895.721 Unit
2017	59.262.772 Unit
2018	61.651.177 Unit
2019	62.922.617 Unit

Source: [www.depkop.go.id](http://www.depkop.go.id), 2020

Some SMEs can survive amidst tight competition; some cannot survive so they have to go out of business. So that to survive and develop amidst tight competition, SME players is required to have the right strategy in marketing their products. SME players must be able to understand and meet the needs and desires of their consumers. To meet the needs and desires of consumers, it is necessary to have an understanding of the needs and desires of consumers who are the target market for the product. If a product has been able to meet the needs and desires of consumers, the product will be purchased. Conversely, if the product is not able to meet the needs and desires of consumers, the product will not be purchased.

This time, consumers are very critical in choosing a product until making purchase decision products. This is because there are many products offered with various brands and qualities so that consumers in making purchases are strongly influenced by the brand, the price level, and how the company promotes its products. The demand for quality products makes a business always have to innovate and compete to improve product quality to maintain brand image of a product amidst the tough competition. Brand products have distinctive characteristics and these distinctive characteristics can differentiate between one product to another even though the products are of the same type. Besides brand image and quality, the price level also greatly influences purchasing decisions. For setting product prices, the price level and product quality must be equal so that consumers are satisfied with the goods that they buy. How to promote a product is the most determining thing in purchasing decisions, businessmen must be able to do product marketing with targeted promotions and convincing consumers to buy the products that they sell.

Along with the times, the people's lifestyle has also changed, marked by the emergence of new trends that are used by SMEs as their business fields. Reference [4] states that a cup of coffee now becomes part of the urban lifestyle in the last decade, so coffee shops or cafes have always been their favorite places. Although the menu is different, coffee still is the favorite ordered drink. This can be seen from the data on the growth of

coffee drinkers in Indonesia, which increased by 8%, higher than the growth of coffee globally which was only 6%. [5] states that in the past, drinking coffee was often said to be an activity for old people. But nowadays with many cafes, drinking coffee has become something that many people do, from teenager till to adult. Public consumption supports more than half of the national economic growth. Furthermore, INDEF economist Bhima Yudhistira Adhinegara [6] considered that the global economic slowdown inevitably forced Indonesia to seek its own domestic sources of growth. Luckily, the country's economy is supported by public consumption with a population of 260 million people. This means that the need for food and beverages is a type of business that still has opportunities to grow, starting from corporate scale businesses to Micro, Small, and Medium Enterprises (SMEs).

The existence of the opportunity from the coffee beverage business has triggered the emergence of many coffee shops, with various names and brands that serve coffee with varied flavors. One of the coffee shops that are currently preferred by the public, especially in Singaraja, is Nau Coffee Shop.

Nau Coffee Shop is one of the coffee shops with various consumers, such as school students, university students, office employees, etc. Nau Coffee is a coffee shop name as well as a trademark that was founded on December 1, 2018. Nau coffee shop is growing very rapidly. Up to December 2019, the owner of the Nau coffee shop already has 16 outlets, with average daily sales of 3,200 cups. Theoretically, there are many factors that influence the development of a business. The brand image of a product has a positive and significant effect on consumer purchasing decisions. The price level and word-of-mouth have a positive and significant effect on consumer purchasing decisions for a product.

Based on the background description above, the researcher was interested in conducting research with the title "The Influence of Brand Image, Price Level and Word of Mouth on Purchasing Decisions for "Nau Coffee" SMEs Products in Accounting Study Program (Bachelor Level) Ganesha University of Education". This is because these students have received a financial management course that studies tactical decision making. Tactical decisions help students to make short-term decisions about a phenomenon, for example in Nau Coffee, "whether to buy or not?" Most students live far away with their parents and they are trained to manage expenses, so the researchers want to see how much interest students of the accounting study program students have in purchasing decisions for this Nau Coffee.

This research is expected to contribute theoretically in the form of a new understanding of situational and individual factors that influence planned decision

making. In practice, the results of the research are expected to provide opinions to give advantage to sellers, buyers, and researchers regarding factors that need to be considered in observed phenomenon.

## **2. LITERATURE REVIEW**

### **2.1. Purchasing Decision**

Reference [7] states that a purchasing decision is something related to a consumer's plan to buy a certain product, as well as how many product units are needed in a certain period. [8] states that purchasing decisions are decisions of consumers in forming preferences for brands that are in a collection of several choices, consumers can also make decisions to buy the most preferred brand. [9] states that this purchasing decision is considered an action taken by consumers after evaluating alternatives so that the apparent desire to buy.

### **2.2. Brand Image**

Consumers tend to repurchase for a well-known product or a product with a brand that is widely known in society regardless of whether the item is expensive or cheap, and whether the product has a good quality or not. That image or brand image is an important factor in loyalty. Brand image is defined as a perception or impression about a brand which is reflected by a set of associations that connect customers with the brand to remember. Consumers who are accustomed to using certain brands tend to have consistency with the brand image. If consumers think that a certain brand is physically different from competing brands, the brand image will be attached continuously and in the end will form loyalty to that brand. The consumers' brand impression increases along with the increasing number of consumer experiences in consuming the brand. Furthermore, when the associations of these brands are interconnected, then it makes a strong brand. This is what underlies consumers to make repurchases and to become loyal to the. The importance of developing a brand image in buyer satisfaction.

### **2.3. Price Level**

Price has an important role for consumers in considering purchases. This is because the price is one of the factors that consumers take into account in determining purchase intensity. The amount that is billed for a product or the amount of value that is exchanged by customers to get benefit from owning or using a product or service. That price is an economic sacrifice made by customers to obtain products or services. Price becomes a determinant of the product quality. The more expensive products, the better the product offered. That the price paid by customers has a

significant effect on customer loyalty, where the more expensive the price to be paid, the more unfaithful customers tend to be. Decisions about the right price can fulfill all business interests. Therefore entrepreneurs must fully understand the factors that will directly affect the determined price level. These factors are: 1) economic conditions, 2) company goals, 3) legal and ethical factors, 4) marketing mix, 5) costs, 6) business size, 7) competition, 8) market characteristics, 9) products characteristics, and 10) supply and demand.

### **2.4. Word of Mouth**

According to The Word of mouth Marketing Association (WOMMA) [10] state it a marketing effort that triggers consumers to talk about, promote, recommend, and sell products or brands to others. In line with the definition developed by The Word of mouth Marketing Association, [11] state that word of mouth is the dissemination of information about a product or brand carried out by customers to other customers, due to their experience in consuming a product or brand and getting satisfaction. [8] states word of mouth communication refers to the exchange of comments, thoughts, and ideas between two or more consumers who are neither marketer. The effect of word of mouth was twice as effective as radio advertising, four times as effective as personal selling, and seven times as effective as newspapers and magazines.

### **2.5. Research Hypothesis Formulation**

#### **2.5.1. The influence of brand image on purchasing decisions**

Brand image is defined as a perception or impression about a brand which is reflected by a set of associations that connect customers with the brand. Consumers who are accustomed to using certain brands tend to have consistency with the brand image. If consumers think that a certain brand is physically different from competing brands, the brand image will be attached continuously and, in the end, will form loyalty to that brand. Along with the rising number of user experiences in buying the brand, the brand perception that customers recall increases. Furthermore, when the associations of these brands are interconnected, then it makes a strong brand. This is the reason why customers make repurchases and become loyal to the product. Consumers who are accustomed to use certain brands tend to have consistency with the brand image. This can be stated that the brand image has a significant effect on purchasing decisions for Nau Coffee products. The hypothesis of this study are in line with the research of [12] which states that the brand image variable partially has a significant effect on purchasing decisions. So can be concluded the following hypothesis:

H<sub>1</sub>: Brand image has a positive and significant effect on purchasing decisions for Nau Coffee SMEs products in students Accounting Study Program (a bachelor level) Ganesha University of Education.

### 2.5.2. *The Influence of Price Level on Purchasing Decision*

Price is the amount that is billed for a product or the amount of value that is exchanged by customers to get benefit from owning or using a product or service. That the price paid by customers has a significant effect on customer loyalty. The more expensive the price to be paid, the more unfaithful customers tend to be. Decisions about the right price can fulfill all business interests. Therefore, entrepreneurs must fully understand the factors that will directly affect the determined price level. Price becomes a determinant of the product quality. The more expensive products, the better the product offered. The price level is one of the factors that influence consumer purchasing decisions. [13] states that the price variable affects purchasing decisions. So can be concluded the following hypothesis:

H<sub>2</sub>: Price level has a positive and significant effect on purchasing decisions for Nau Coffee SMEs products in students Accounting Study Program (a bachelor level) Ganesha University of Education.

### 2.5.3. *The Influence of Word of Mouth on Purchasing Decisions*

According to the Word of Mouth Marketing Association (WOMMA) in [10], word-of-mouth is a marketing effort that triggers consumers to talk about, promote, recommend, and sell products or brands to others. [8] states word of mouth communication refers to the exchange of comments, thoughts, and ideas between two or more consumers who are neither marketer. The effect of word of mouth was twice as effective as radio advertising, four times as effective as personal selling, and seven times as effective as newspapers and magazines. It can be stated that Word of mouth (WOM) has a significant effect on purchasing decisions. The results of this study are relevant to [7] research which states that the Word of mouth (WOM) variable partially has a significant effect on purchasing decisions. So the hypothesis can be summarized below:

H<sub>3</sub>: *Word of mouth (WOM)* has a positive and significant effect on purchasing decisions for Nau Coffee SMEs products in students Accounting Study Program (a bachelor level) Ganesha University of Education.

## 3. METHOD

This research was conducted in Buleleng Regency. This is quantitative research. This research uses

instruments in its measurement and statistical data processing and numerical form. This research used primary data that a structured statement or questionnaire to collect data or information about the object under study. After that, it will be processed, analyzed and in the end, it will provide an answer to the problem formulation that has been determined. The research designs in this study are: (1) formulating problems; (2) theoretical basis; (3) formulating hypotheses; (4) collecting data; (5) analyzing data; and (6) compiling reports and concluding. The population in this study was Undiksha Undergraduate Accounting Study Program (bachelor level) students at the Ganesha University of Education who became customers of "Nau Coffee". The sample in this study was Ganesha University of Education, Undergraduate Accounting Study Program (bachelor level) students who had bought "Nau Coffee". The number of samples was obtained using the Slovin formula with an error limit of 10% (0.1) as below:

$$n = N/(1+N(e)^2) \quad (1)$$

Explanation :

n = the number of samples taken

N = the number of population

e = Percentage of sample error, e =10%

According to the Slovin formula above, the number of samples studied is as follows:

$$n = 1300/(1+1300(0,10)^2)$$

$$n = 1300/14$$

$$n = 92,8 \text{ rounded to } 93.$$

The results above calculations, the researcher determined 1300 students as the population of this study while the research sample would be taken after the questionnaire results from the respondents had been received by the author.

This study uses a purposive sampling technique. The sample is selected based on certain criteria that can support this research. The sample criteria used in this study are: (1) Students who are still actively studying in the Undiksha Accounting Study Program (bachelor level). (2) Undiksha Accounting Study Program (bachelor level) students who have bought or are like "Nau Coffee".

The data in this study were collected through observation, documentation, questionnaires, and literature study.

## 4. RESULTS AND DISCUSSION

The total number of responses received via google form was 111 respondents, while those used in this study were 93 respondents. Data is grouped according to the semester of the respondent. Data about the respondent's semester is presented in the following table:

**4.1. Classic Assumption Test**

Before verifying the regression model, classic assumption tests need to be carried out on the regression model. Classic assumption test for testing the research model to avoid biased assessment results.

**Table 2.** Respondents Frequency Distribution by Semester

No.	Semester	Total	Percentage (%)
1	First Semester	11 people	12%
2	Third Semester	10 people	11%
3	Fifth Semester	11 people	12%
4	Seventh Semester	61 people	65%
Total		93 people	100%

Source: Primary data processed, 2020

**Table 3.** Normality Test

		Unstandardized Residual
N		93
Normal Parameters <sup>a,b</sup>	Mean	0E-7
	Std. Deviation	1,74895759
Most Extreme Differences	Absolute	0,109
	Positive	0,10
	Negative	0,109
Kolmogorov-Smirnov Z		1,054
Asymp. Sig. (2-tailed)		0,217
a. Test distribution is Normal.		
a. Calculated from data.		

**Table 4.** Multicollinearity Test Results

Variable	Tolerance	VIF	Explanation
Brand image	0,296	3,381	There are no multicollinearity indication
Price Level	0,382	2,615	There are no multicollinearity indication
Word of mouth	0,346	2,893	There are no multicollinearity indication

Source: Primary data processed, 2020

**Table 5.** Heterokedacity test

Variable	Sig	Explanation
Brand image	0,648	There are no heteroscedasticity indication
Price level	0,565	There are no heteroscedasticity indication
Word of mouth	0,000	There are heteroscedasticity indication

Source: Primary data processed, 2020

**Table 6.** Multiple Linear Regression Analysis

	Unstandardized Coefficients B
Constanta	-1,841
Brand image	0,326
Price level	0,022
Word of mouth	0,580

Source: statistical data processed, 2020

**Table 7.** Result of Determination Coefficient Test (R2)

R	R Square	Adjusted R Square
<b>0,827</b>	<b>0,684</b>	<b>0,674</b>

Source: statistical data processed, 2020

The results of the normality test show that Asymp. Sig value obtained 0.217 if compared with the probability it's greater than 0.10, which means that the data used in this study are normally distributed.

The table above shows that the tolerance value for each independent variable is (0.296) for the brand image, (0.382) for the price level, and (0.346) for the word of mouth. Then, the tolerance value of each variable is > 0.10, this can be concluded in this regression model there is no multicollinearity indication. Then the VIF value for each independent variable is (3.381) for the brand image, (2.615) for the price level, and (2.893) for the word of mouth. The VIF value is <10, it means in this regression model there is no multicollinearity indication.

The results of the heteroscedasticity test using the Glejser test based on table 5 show the sig value of the brand image variable is (0.648), the price level is (0.565), and word of mouth (0.000). This means the brand image sig value and the price level > 0.10 and the sig of word value of mouth <0.10. The conclusion of this heteroscedasticity test is that there is a problem of heteroscedasticity in the word of mouth variable.

**4.2. Results of Multiple Linear Regression Analysis**

In this analysis, the test can be used to analyze the effect of the independent variables for brand image, price level, and word of mouth on the dependent variable of purchasing decisions. The results of multiple linear regression analysis using SPSS 20 showed in this table below:

According to the table above, then the regression equation can be arranged below:

$$Y = \beta_0 + \beta_1BI + \beta_2TH + \beta_3WOM \tag{2}$$

$$= -1,841 + 0,326BI + 0,022TH + 0,580WOM$$

According to the regression equation that has been arranged above, it can be interpreted below:

- 1) The value of  $\beta_0$  or a constant is -1,841 its means that the variable brand image, price level, and word of mouth are constant (0), it will decrease the value of the purchasing decisions by 1,841.
- 2) The regression coefficient for the brand image variable (b1) is positive at 0.326. This shows that if the brand image is increased by 1 unit. If the variable price level and word of mouth are considered constant, then purchasing decisions will increase by 0.326.
- 3) The price level variable regression coefficient (b2) is positive at 0.022. This shows that if the price level is increased by 1 unit. If the brand image and word of mouth variables are considered constant, it will increase the purchasing decisions by 0.022.
- 4) The word of mouth variable regression coefficient (b3) is positive at 0.580. This shows that if word of mouth is increased by 1 unit. If the brand image variable and the price level are considered constant, it will increase the purchasing decisions by 0.580.

**4.3. Model Accuracy Test**

**4.3.1. The coefficient of determination (R2)**

The purpose of the determination coefficient test is to see how much influence the independent variable brand image, price level, and word of mouth have on the dependent variable. From the results of data analysis, the following results were obtained:

According to the results of tests carried out using the SPSS program, in Table 7 the coefficient of determination (R2) of this test is 0.684 or 68.4%. The meaning of this coefficient is there is an effect given by the combination of brand image (BI), price level (TH) and word of mouth (WOM) variables on purchasing decisions (KP) is 68.4% while 31.6% is influenced by other variables outside the study.

**4.3.2. Hypothesis Testing**

**Table 8.** Results of Hypothesis Test Analysis (T Test)

Variable	t <sub>value</sub>	Sig	Explanation
Brand image	3,568	0,001	There is an effect of brand image on purchasing decisions
Price Level	0,151	0,880	There is no effect of the price level on purchasing decisions
Word of mouth	4,654	0,000	There is an effect of word of mouth on purchasing decisions

Source: statistical data processed, 2020

Based on table 8, the t-test results were carried out using the SPSS 20 program, then filed hypothesis is carried out as below:

- 1) The brand image variables testing

According to the t-test, it was found that the t-value of 3.568 was greater than the t-table of 1.293 with a significance value of 0.001 <0.10. The significance level is smaller than 0.10, this indicates that H1 is accepted, the meaning is brand image affects purchasing decisions.

- 2) The price level variable testing

According to the t-test, the result shows that the t-value of 0.151 is smaller than the t-table 1.293 with a significance value of 0.880 > 0.10. The significance level is greater than 0.10, this indicates that H2 is rejected, it means that the price level does not affect purchasing decisions.

- 3) Variable word of mouth (WOM) testing

According to the t-test, the result shows that the t-value of 4.654 is greater than the t-table of 1.293 with a significance value of 0.000 <0.10. The significance level is smaller than 0.10, this indicates that H3 is accepted, it means that word of mouth (WOM) affects purchasing decisions.

**5. CONCLUSION**

The conclusions of this study are: (1) There is the influence of brand image and word of mouth (WOM) variable on purchasing decisions of Nau Coffee SMEs products; (2) There is no influence of the price level variable on purchasing decisions for Nau Coffee SMEs products.

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