

## ***Purchase Decision: Role of Price and Service Quality***

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### **ABSTRACT**

*The primary objective of this research was to examine the impact of pricing and service quality on consumer purchasing decisions specifically at the Noer Abadi store. This study was conducted with a carefully selected sample of 82 respondents, utilizing a purposive sampling technique to ensure the sample's relevance and suitability to the research question. Data collection was carried out using a mixed-method approach, incorporating both primary and secondary data to provide a comprehensive view. The data analysis was performed using a multiple linear regression technique, a robust statistical tool that can provide insight into the relationship between multiple variables. The findings of the study indicate that both price and service quality exert a significant and positive influence on purchase decisions. This effect was observed on both an individual level (partially) and when considered together (simultaneously), suggesting that both factors are crucial considerations for consumers at the Noer Abadi store.*

**Keywords :** Price, Service Quality, Purchasing Decisions

## **1. Introduction**

In the current marketplace, consumers have become increasingly discerning in their purchasing decisions, meticulously selecting and purchasing goods based on their specific needs. Consequently, entrepreneurs are striving to cater to these demands by offering high-quality products and services at affordable prices. Although the process of making a purchasing decision is fundamentally similar for most consumers, individual variations are inevitable. This process typically consists of five stages: problem identification, information research, evaluation of alternatives, the actual purchase decision, and a post-purchase evaluation.

A purchasing decision is often driven by a need or desire, as suggested by Winasis (2022). Among the factors influencing these decisions, price plays a crucial role. Prices not only determine consumer choices but also their buying intentions. Consumers are likely to familiarize themselves with a product and compare it with others before deciding to buy it. Therefore, the price becomes a significant consideration in the consumer's decision-making process.

Noer Abadi store, a retail business specializing in household goods, caters to both retail and wholesale consumers such as grocery stores, restaurants, hotels, and cafes. However, given the higher prices at this store compared to competitors, customers often engage in price comparisons. An analysis of several items sold at Noer Abadi store and other stores revealed disparities in pricing.

For instance, the prices for cooking oil, granulated sugar, wheat flour, soy sauce, and sweetened condensed milk at stores X, Y, and Z were found to be lower than those at Noer Abadi store. Even among wholesale customers, Noer Abadi store sets varying prices across outlets, as shown in Table 2. Factors such as outlet location, delivery facilities, credit purchases with varying maturities, and cash purchases contribute to these price differences.

Price is an important consideration for consumers when choosing a product. Cholikh et al. (2022) and Mukti & Aprianti (2021) suggest that if consumers perceive the price as fair, they are more likely to make repeat purchases of the same product.

Apart from price, service quality is another critical factor that influences purchasing decisions. Each consumer has unique expectations and evaluations of the services provided, making quality service essential for businesses to remain competitive. Noer Abadi store strives to offer the best possible service, including convenient delivery of goods. However, due to limitations such as a small store size and a limited number of delivery vehicles, there are challenges in providing prompt delivery and a comfortable shopping experience for customers.

Service quality is a prerequisite for a company's survival and to maintain customer trust. Santoso (2019) and Agustini & Suasana (2020) state that a company's ability to meet customer expectations and provide high-quality service is crucial for its market survival and customer trust. Various studies (Putra, 2022; Mukti & Aprianti, 2021; Enre et al., 2020; Agustini & Suasana, 2020; Arwin et al., 2020; Balhmar, 2021) have found that both price and service quality influence purchasing decisions, both partially and simultaneously.

However, some studies (Rakhmah et al., 2022; Karundeng et al., 2021; Kelvinia et al., 2021; Kurniawan, 2018) found that while price has a partial effect on purchasing decisions, service quality does not. Instead, price and service quality simultaneously influence purchasing decisions. Arisandra et al. (2021) found that although price does not partially affect purchase decisions, service quality does.

## **2. Literature Review**

### **Purchasing Decisions**

A purchasing decision, as suggested by Kusdiana (2023a), is a conclusion reached due to an individual's interest in a product, leading to the desire to buy, try, use, or own it. Karundeng et al. (2021) define it as the action taken by consumers when buying a product. Kelvinia et al. (2021) further elaborate that purchasing decisions are an integrative process where knowledge is synthesized to evaluate two or more alternative behaviors, ultimately leading to the selection of one. Kotler (2017) proposes a five-stage model of the purchasing decision process, which includes problem recognition, information search, evaluation of alternatives, the purchasing decision itself, and post-purchase behavior.

Kotler and Armstrong (2018) expand on this by identifying six components in consumer decisions to purchase a product: (1) the type of product, (2) the product's brand, (3) the seller's consideration, (4) the amount purchased, (5) the timing of the purchase, and (6) the method of payment.

### **Price**

Price is a key determinant used by customers when choosing a product, as it has the potential to influence both existing and potential customers' decision-making process (Cholikh et al., 2022). Price is defined as the amount of money exchanged for a product or service, or the value that consumers trade for the benefits derived from using the product or service (Kotler & Keller 2018). Tjiptono (2014) elucidates that the relationship between price and benefits in consumer purchasing decisions compels companies to set prices that are neither excessively high nor low,

but rather commensurate with the perceived value for the target customers. Suhardi et al. (2020) put forth four dimensions of price:

1. **Affordable Price:** Prices set by the company must be reachable by consumers. Under the same brand, there can be several types of products with varying prices, from the lowest to the highest. The set price plays a significant role in influencing the consumers' decision to buy the product.
2. **Price-Quality Conformity:** Consumers often use price as an indicator of quality. When deciding between two products, they usually opt for the one with the higher price due to the perceived difference in quality.
3. **Price-Benefit Compatibility:** Consumers decide to purchase a product if the perceived benefits outweigh or are equal to the expenditure incurred. If the benefits are deemed less than the money spent, the product is perceived as expensive, leading to hesitation in repurchasing.
4. **Price Competitiveness:** Consumers often compare the price of a product with that of others. In this scenario, the product's price is a crucial factor considered by consumers during the purchase.

### **Service Quality**

According to Abubakar (2017), service quality is defined as a company's ability to offer superior service compared to its competitors. Kotler & Keller (2016) identify five service quality indicators:

1. **Reliability:** This represents the company's ability to provide services as promised, consistently, accurately, and credibly.
2. **Responsiveness:** This refers to the promptness of service providers in attending to customers and addressing their issues.
3. **Assurance:** This encompasses the expertise and courtesy of employees, and their ability to instill trust and confidence in customers.
4. **Empathy:** This involves providing individualized attention to consumers and understanding their needs.
5. **Tangibles:** This pertains to the physical appearance of facilities and equipment used to provide services to consumers.

### **3. Research Methods**

This research method primarily employs a quantitative approach, utilizing primary data sources by distributing questionnaires to respondents who serve as informants for the research. The study focuses on 465 consumers of the Noer Abadi Store.

The sampling method used in this study is purposive sampling, a strategy where certain individuals or events are deliberately chosen to provide crucial information that cannot be obtained from other sources. The calculation of the sample size employs the Slovin formula, which considers the total population and the margin of error. In this study, the sample size was adjusted to 82 from a population of 465.

The technique for data analysis is multiple linear regression. In this study, it is known that the dependent variable, purchasing decision, is influenced by two independent variables: price and service quality. There are two types of hypothesis tests: the Partial Hypothesis Test (T-Test) and the Simultaneous Hypothesis Test (F-Test). The T-Test is a partial individual regression coefficient test used to determine whether the independent variables individually influence the dependent variable. The F-Test is necessary to determine whether all the independent variables formulated have a simultaneous effect on the dependent variable. An F statistical test is conducted to prove the influence of the independent variables on the dependent variable.

The coefficient of determination is used to explain the impact of the independent variable on the dependent variable, which is the square of the correlation coefficient. The coefficient of determination is a measure of how well the regression line fits the data and is used to determine the extent of the influence of X1 (price), X2 (service quality) on Y (purchasing decision), expressed as a percentage (%). The coefficient of determination lies between zero and one. A

small value of R2 signifies that the ability of the independent variable to explain the variation in the dependent variable is very limited. A value close to one indicates that the independent variable provides almost all the necessary information to predict the variation in the dependent variable.

#### 4. Results and Discussions

##### Multiple Linear Regression Analysis Results

Based on Table 3, the multiple linear regression equation is:

$$Y = 2.700 + 0,379 X_1 + 0,797 X_2 \quad (3)$$

Therefore the interpretation of the multiple regression equation is as follows:

1. The constant  $\alpha$  of 2,700 states that the price and quality of service are assumed to be zero or not, so the purchase decision is 2,700 units.
2. The b1 coefficient of 0.379 means that the purchase decision increases by 0.379 units for each increase in the individual price variable.
3. The b2 coefficient of 0.797 indicates that every one unit increase in the service quality variable increases the purchase decision by 0.797 units.

Tabel 3. Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	2.700	8.118	
	Price	.379	.104	.323
	Service quality	.797	.142	.497

Source: Processed Data (2023)

##### T Test

Tabel 4. T-Test

Model		t	Sig.
1	(Constant)	.333	.740
	Price	3.649	.000
	Service quality	5.614	.000

Source: Processed Data (2023)

The t test is used to determine whether the independent variable partially has a positive and significant effect on the dependent variable. Therefore:

1. Price with known values t count (3.649) > t table (1.990) and Sig.(0.000) < 0.05. This means that the price variable has a significant effect on purchasing decisions.
2. The quality of service is known by the value of t (5.614) > t table (1.990) and Sig. (0.000) < 0.05. This means that the service quality variable has a significant effect on purchasing decisions.

##### Simultaneous Test Results (F Test)

The F test is used to determine whether the independent variables (price and quality of service) together have a significant effect on the dependent variable (purchasing decision). The significance level is set at 5% and degrees of freedom (df) = n-k-1. So (df) = 82 - 2 - 1 = 79. It is known that F count (25.218) > F table (3.11) with Sig. (0.000) < 0.05. This means that the variable price and service quality together have a significant effect on purchasing decisions.

Tabel 4. Simultaneous Test Results (F Test)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	918.828	2	459.414	25.218	.000 <sup>a</sup>
	Residual	1439.184	79	18.218		
	Total	2358.012	81			

Source: Processed Data (2023)

### Coefficient of Determination Results ( $R^2$ )

Tabel 5. Coefficient of Determination ( $R^2$ )

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.624 <sup>a</sup>	.390	.374	4.268

Source: Processed Data (2023)

The adjusted r-squared coefficient of determination is 0.390. This means that 39.0% of the purchasing decision variable is influenced by price and service quality. While the remaining 61.0% is influenced by other variables not included in this regression model.

### The effect of price on purchasing decisions at the Noer Abadi Store

The partial test shows that price has a positive and significant effect on purchasing decisions. Price plays an important role in the consumer's decision to buy a product or service. Price is one of the important variables in marketing, where prices can influence consumers in purchasing decisions for a product for various reasons. In addition, because the product or service to be purchased is a daily necessity such as food, drinks and other basic needs, buyers will pay close attention to price. In determining prices, Noer Abadi Store needs to pay attention to the prices set by competitors. The more competitive the price offered by Noer Abadi Store to consumers, the more it will increase consumer decisions to repurchase. The high price offered must be in accordance with the benefits and quality of the product received. Conversely, if the price offered is too low, consumers will doubt the benefits and quality of the product offered, which will make them delay buying the product. Therefore, the price offered must be adequate and reasonable.

This study supports the results of research conducted by (Yudiana & Indiani, 2022), (Kusdiana, 2023) which states that price partially has a significant effect on purchasing decisions. This study does not support the research conducted by (Cahya et al., 2021), (Rozi & Khuzaini, 2021), (Nuraini & Novitaningtyas, 2022), that price has no partial effect on purchasing decisions.

### The Influence of Service Quality at Noer Abadi Stores on Purchasing Decisions

Service quality is a factor that determines the success of a company, with the company's ability to provide quality service to consumers and the company's strategy to defend itself to achieve success. Companies must be able to meet the expected service from consumers to perform quality services. Consumers who are satisfied with the services provided tend to be more loyal and make repeat purchases. This is in accordance with research conducted by (Andriani, 2021), (Putra, dkk, 2022), stating that service quality partially has a positive and significant effect on purchasing decisions. This study is different from the results of previous research conducted by (Rakhmah et al., 2022) that service quality partially has no influence and is not significant on purchasing decisions.

### The Effect of Price and Service Quality on Purchasing Decisions at the Noer Abadi Store

Companies now have to be more responsive to the market to get consumers to buy their products, which cannot be separated from intense competition, especially in similar industries. The price factor is very important in making purchasing decisions. Abadi Noer Store is often confronted with price changes or in response to price changes by competitors. However, consumers can compare the prices of products sold at Noer Abadi with other stores, thus helping consumers in making purchasing decisions.

Noer Abadi Store tries to provide better service for customer satisfaction by delivering products that consumers buy even though delivery takes a long time due to limited vehicles. Cheap and affordable prices with good service quality will influence consumer purchasing decisions.

With the presence of good service will create customer satisfaction. After being satisfied with the company's products and services, consumers will compare the services offered, consumers will compare the services offered. If customers really feel satisfied, they will buy again or use the company's services (Hidayat, 2022).

Simultaneously, price and service quality influence the purchasing decision of Noer Abadi's store. This study supports the results of research that has been conducted by (Enre et al., 2020), (Arwin et al., 2020), (Cholik et al., 2022), (Kusdiana, 2023b), price and service quality partially have a positive and significant effect on purchasing decisions.

This study does not support the research conducted by This research is not in line with previous research conducted by (Cahya et al., 2021), that service quality does not partially influence purchasing decisions.

## 5. Conclusion

The findings of this study suggest that both price and service quality exert a partial and simultaneous influence on purchasing decisions. Service quality can be understood as a comparison between the actual service received and the consumer's expectations of that service. When the price paid aligns with consumer expectations and is complemented by high-quality service, it inevitably enhances consumer confidence in purchasing a product.

The compatibility of the price with the product's quality, the competitiveness of the price, and the affordability of the diverse products offered by Noer Abadi Store are key factors likely to shape purchasing decisions. This is further bolstered by the fact that superior service quality provided by Noer Abadi Store encourages consumers to consider repeat purchases.

Looking ahead, researchers are keen to explore more about the variables that influence purchasing decisions. These could include factors such as consumer behavior, marketing strategies, product placement, and the impact of social media on purchasing decisions, among others. This would provide a more comprehensive understanding of the dynamics that govern purchasing decisions.

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