ANALYSIS OF THE INFLUENCE OF PRODUCT QUALITY AND PRICE PERCEPTION ON PURCHASE DECISION OF MM COFFEE IN SURABAYA

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Abstract. The growth of the coffee beverage industry in Surabaya has shown a significant increase, prompting local businesses such as MM Coffee to better understand the factors that influence consumer purchasing decisions, especially in light of declining product sales between 2020 and 2023. This study aims to analyze the influence of product quality and price perception on consumers' purchasing decisions at MM Coffee. A quantitative approach was employed, using Partial Least Squares (PLS) based on Structural Equation Modeling (SEM), with data analysis conducted using SmartPLS 4.0 software. The study sample consisted of 91 respondents who are MM Coffee consumers in Surabaya, selected through purposive sampling. Data was collected via an online questionnaire. The results of the analysis show that product quality has a positive and significant effect on purchasing decisions. Similarly, price perception also has a positive and significant effect on purchasing decisions. These findings imply that MM Coffee must focus on improving product quality, including aspects such as taste and consistency, while maintaining a fair price perception that aligns with the value offered. Collectively, the two variables explain more than half of the variation in purchasing decisions. This emphasizes the importance of maintaining product quality and building a price perception that reflects the value perceived by consumers.

Keywords: *Product Quality; Price Perception; Purchase Decision*.

I. INTRODUCTION

In recent years, the coffee industry in Indonesia has experienced rapid growth, driven by changes in lifestyle, particularly among millennials and Gen Z, who have made coffee a part of their daily routine. According to data from the Indonesian Coffee Exporters and Industry Association (AEKI), domestic coffee consumption has increased by an average of 8% per year, making Indonesia one of the largest coffee markets in the world.

Figure 1. Coffee Consumption Diagram in Indonesia from 2020

2020/2021	4,450,000
2021/2022	4,750,000
2022/2023	4,771,000
2023/2024	4,785,000

Sumber: Cnbcindonesia.com (2024)

to 2024

This trend not only opens up significant opportunities for local coffee entrepreneurs but also brings increasingly intense competition, both from international brands and fellow local brands that are now proliferating in major cities, including Surabaya. This situation requires coffee businesses to offer competitive advantages, both in terms of product quality and pricing, that can meet consumer expectations. In this context, product quality and price perception have become two key factors widely studied, as they play an important role in influencing consumer purchasing decisions. Several studies have concluded that superior product quality can enhance consumer trust and loyalty, while a positive price perception contributes to faster and more consistent purchasing decisions. However, various studies have shown mixed results. For example, research by Saputra et al. (2017) found that product quality and price perception significantly influence purchasing decisions, whereas Fitria (2018) reported otherwise, stating that both variables did not have a significant impact in the retail context. These differing findings create an interesting research gap, indicating that the influence of these two variables is highly contextual and may vary depending on the type of product, market segmentation, and marketing area.

MM Coffee, as one of the local coffee industry players in Surabaya, faces similar challenges. Although known as a brand that offers quality coffee products with two main lines—premium ground coffee and roasted coffee beans—sales data indicates a significant decline during the 2020–2022 period. Preliminary survey results also show that most respondents perceive a decline in product quality and consider the price not aligned with the value received, which could negatively affect purchasing decisions.

This phenomenon indicates that consumer perceptions of quality and price are critical to the success of marketing strategies, especially in industries that are highly sensitive to customer preferences and experiences, such as coffee. Product quality is an essential aspect that not only reflects the performance and durability of the product but also the emotional experience felt by the consumer.

In a study by Susanto and Cahyono (2021), it was found that consistent quality significantly drives repeat purchase decisions. On the other hand, price perception is not only based on nominal figures but also on perceived value, competitiveness with similar products, as well as payment flexibility and discounts. If consumers feel that the price does not reflect the quality, it is highly likely that purchasing decisions will decline, even if the product has other advantages..

The purchase decision, as the dependent variable in this study, serves as a tangible indicator of the success or failure of a marketing strategy. This decision is the result of a complex evaluation process by consumers, starting from the recognition of needs to repeat purchases. In the context of MM Coffee, the decline in sales over three consecutive years (2020–2022) may reflect a weakening in purchase decisions influenced by internal factors such as product quality and pricing, as well as external factors like competition and changes in consumer purchasing power.

Several previous studies have addressed this topic. For instance, Saputra et al. (2017) stated that product quality and price perception have a positive and significant influence on purchase decisions. However, Rahmawati and Sari (2020), who expected product quality and price perception to have an effect on purchase decisions, found that both variables did not have a significant influence. Similarly, Fitria (2018) found no significant influence of price perception and product quality on purchase decisions in the retail market.

Based on the aforementioned phenomena and research gaps, this study aims to analyze the influence of product quality and price perception on consumer purchase decisions at MM Coffee in Surabaya. This research is expected to provide a deeper understanding of the factors influencing consumer behavior in choosing local coffee products and serve as a practical reference for business operators in formulating more targeted marketing strategies. In addition, the findings of this study are expected to contribute to the academic literature related to consumer behavior in the food and beverage industry..

Product Quality

Product quality is the degree to which a good or service conforms to the standards or expectations desired by consumers. Kotler and Keller (2016) define product quality as the ability of a product to provide satisfaction through its functionality, durability, and performance. Product quality not only includes technical specifications but also involves emotional aspects that influence consumer perceptions of the product. Faozi (2024) states that product quality is an important factor in determining a consumer's choice of a product. The products offered must be thoroughly tested in terms of their quality, as consumers primarily prioritize the quality of the product itself. Product quality encompasses everything that can be offered to the market to gain attention, be purchased, used, or consumed, which can

satisfy wants or needs (Jamaludin, 2018). There are five indicators of product quality as described by Setiyana & Widyasari (2019) in Mari Ci & Raymond (2021), namely: level of differentiation, conformity to specifications, durability, reliability, and design.

Price Perception

According to Kotler and Keller (2016), price perception is how consumers view the value received from a product or service compared to the price they pay. Price perception is not only based on the nominal price but also involves considerations of the benefits, quality, and expected experience from the product. Hendratono (2017) defines price perception as a process in which customers interpret the value of price and attributes of a desired good or service. Additionally, according to Schiffman and Kanuk (2020), consumers often compare the price of a product with similar products before making a purchase decision. For example, when buying an airline ticket, consumers tend to compare prices among different airlines to ensure they get the best value within their budget. According to Prayogo (2016), indicators of price perception that can influence consumer purchase decisions include price affordability, payment flexibility, discounts, and price competitiveness

Purchase Decision

Purchase decision is a complex process carried out by consumers in selecting and deciding on products or services to be purchased in order to fulfill their needs and desires. This process not only involves the final decision to buy but also includes several stages that consumers go through before making a purchase. According to Kotler and Armstrong (2019), the purchase decision is a series of steps taken by consumers to choose products or services that match their needs and preferences. This process consists of five main stages, namely need recognition, information search, evaluation of alternatives, purchase decision, and post-purchase evaluation.

II. RESEARCH METHODS

This study is a quantitative research with an associative approach aimed at analyzing the influence of independent variables, namely product quality and price perception, on the dependent variable, which is the purchase decision of MM Coffee consumers in Surabaya. The type of data used is primary data obtained directly from respondents through the distribution of online questionnaires based on a Likert scale. Data collection was conducted using purposive sampling method, with respondent criteria being consumers domiciled in Surabaya, at least 17 years old, and having purchased MM Coffee products before. The sample size in this study was 91 respondents, determined based on the number of indicators multiplied by five to ten times, in accordance with the Partial Least Square (PLS) approach. Data analysis was performed using Structural Equation Modeling (SEM) based on Partial Least Square (PLS) with the assistance of SmartPLS software.

III. RESULT AND DISCUSSION

This study aims to analyze the influence of product quality and price perception on purchasing decisions of MM Coffee in Surabaya. The analysis was conducted using a path analysis approach based on Structural Equation Modeling (SEM), utilizing SmartPLS as the analytical tool.

Table I. Respondent Characteristics

Karakteristik	Jumlah	Persentase
Jenis Kelamin		
Laki-laki	39	42%
Perempuan	52	58%
Berdasarkan Usia		
17 – 20 Tahun	11	14%
21 – 25 Tahun	35	37%
26 – 30 Tahun	25	26%
> 31 tahun	20	23%
Berdasarkan Pekerjaan		
Karyawan Swasta	34	37%
Pegawai Negeri	11	15%
Pelajar/Mahasiswa	24	27%
Lainnya	20	21%
Berdasarkan Pembelian		
1-4 kali	15	17%
4-6 kali	23	25%
6-10 kali	20	22%
>10 kali	33	36%

Source: Processed Primary Data, 2025

Measurement Model Analysis (Outer Model)

Realiability Instrument

Table 2. . *Construct Reability and Validity*

	Cronbach's alpha	*Composite reliability (rho_a)*	*Composite reliability (rho_c)*
Kualitas Produk (X1)	*0.793*	*0.824*	*0.857*
Persepsi Harga (X2)	*0.815*	*0.824*	*0.878*
Keputusan Pembelian (Y1)	*0.810*	*0.813*	*0.875*

Source: PLS Data Processing, 2025

Based on the test results presented in Table 3, all indicators used in this study show values greater than 0.70, thus it can be concluded that all variables used in this study have met the reliability criteria. Test the Inner Model R Square only based on nominal figures but also on perceived value, competitiveness with similar products, as well as payment flexibility and discounts. If consumers feel that the price does not reflect the quality, it is highly likely that purchasing decisions will decline, even if the product has other advantages..

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Test the Inner Model R Square
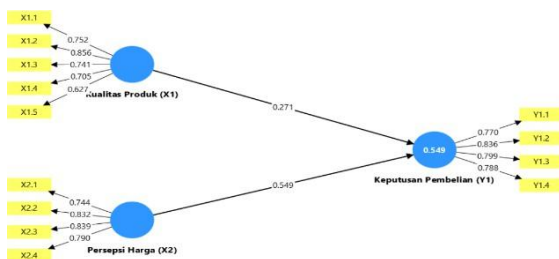
in his book *Introduction to Partial Least Squares Structural Equation Modeling (PLS-SEM)*, Dedi Rianto Rahadi (2023) explains that the outer model specifies the relationship between latent variables and their indicators. The evaluation of the outer model is carried out through tests of convergent and discriminant validity, as well as construct reliability, using metrics such as outer loadings, Average Variance Extracted (AVE), and Composite Reliability.

Validity Instrument

Tabel 3. *Average Variance Extracted (AVE)*

	Average variance extracted (AVE)
Kualitas Produk (X1)	0.547
Persepsi Harga (X2)	0.643
Keputusan Pembelian (Y1)	0.638

Source: Processed Primary Data, 2025

As shown in Table 2, The findings indicate that all variables in this study have an AVE value greater than 0.5. Therefore, it can be concluded that the variables in this research are considered valid and reflect good measurement, as they meet the required criteria.

Table IV. R-Square

	R-square
Keputusan Pembelian (Y1)	0.549

Source: Processed Primary Data, 2025

Base on table IV, It indicates that the R-Square value in this study is 0.549, which is considered moderate. Therefore, it can be stated that the independent variables are able to explain 54.9% of the variance in the dependent variable (purchase decision). This means that the ability of product quality and price perception to describe purchasing decisions is 54.9%, while the remaining 45.1% is influenced by other independent factors not analyzed in this study.

Hypothesis Test Analysis

Tabel VI. Inner Model Path Coefficients (Mean, STDEV,T-Values)

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Kualitas Produk (X1) -> Keputusan Pembelian (Y1)	0.271	0.280	0.095	2.848	0.004
Persepsi Harga (X2) -> Keputusan Pembelian (Y1)	0.549	0.552	0.080	6.869	0.000

Source: Processed Primary Data, 2025

The hypothesis stating that Product Quality (X1) has a positive influence on Purchase Decision (Y) of MM Coffee is accepted, with a path coefficient of 0.271 (positive) and a T-statistic value of 2.848 > 1.96 (based on the table value at α = 0.05), or a P-value of 0.004 < 0.05, indicating a significant result. The hypothesis that Price Perception (X2) has a positive effect on Purchase Decision (Y) of MM Coffee is accepted, with a path coefficient of 0.549 (positive) and a T- statistic value of 6.869 > 1.96 (based on the table value at α = 0.05), or a P-value of 0.000 < 0.05, indicating a significant result.

The Influence of product quality on Purchase Decision

Based on the research findings, product quality has a positive and significant effect on purchasing decisions for MM Coffee in Surabaya. Better product quality leads to higher purchasing decisions. The key factor influencing this is the product's conformity with its composition, which makes consumers prefer MM Coffee because it meets their needs, including suitable packaging sizes. According to Tjiptono (2001), product quality is about meeting consumer needs and expectations from the first experience. Maintaining high quality is essential for companies to gain and keep consumer trust, especially as consumer lifestyles evolve.

In conclusion, the conformity with composition is a crucial indicator of product quality that influences consumers' purchase decisions. Companies should carefully consider these aspects,

as consumers tend not to buy products that do not meet their needs or expectations. The better the quality of MM Coffee, the stronger its impact on purchasing decisions. These findings are consistent with previous studies by Tritama et al. (2021), Aryam & Nastiti (2021), Anggraini et al. (2020), Mukti & Aprianti (2021), and Natasha Grandhis (2022), all of which show that product quality positively and significantly affects purchasing decisions.

The Influence of Price Perception on Purchase Decision

Consumers pay close attention to certain factors, so these need to be carefully considered. Based on the research findings, price perception has a positive and significant effect on the purchasing decisions of MM Coffee in Surabaya. This means that the better the company's price perception, the higher the purchasing decision for MM Coffee. Descriptive analysis shows that the most influential indicator of price perception on purchasing decisions is discounts. Consumers are motivated to buy MM Coffee because it often offers discounts, making the product more attractive and aligned with customer needs. This indicates that the more discounts given, the higher the purchasing decisions by consumers. These findings are consistent with studies by Ramadhan & Suprihhadi (2021), Amirudin M. Amin (2021), and Qelbi et al. (2023), which show that price perception has a positive and significant impact on purchasing decisions. However, this study also supports research by Dinka Wardah Robiah (2022) and Rahmawati & Maskur (2023), who concluded that price perception has a positive but not significant influence on purchasing decisions.

In conclusion, price perception affects purchasing decisions for MM Coffee in Surabaya. Discounts offered by MM Coffee are an important factor influencing consumers to increase their purchase decisions. Therefore, the stronger the positive price perception, the greater its impact on purchasing decisions for MM Coffee.

IV. CONCLUSION

Based on the findings, it can be concluded that both variables have an influence on purchasing decisions. Product quality has proven to be the main factor driving consumers' decisions to make a purchase. Consumers highly consider important elements of quality, such as the consistency of the coffee taste, high-quality raw materials, attractive and functional packaging design, as well as service during the purchasing process. When consumers' experiences with the product are rated positively, there tends to be a willingness to make repeat purchases and recommend the product to others. Therefore, product quality not only plays a role during the transaction moment but also in building long-term loyalty to the MM Coffee brand. Besides quality, price perception also has a significant influence on purchasing decisions. Consumers assess price not merely by its nominal value but by the appropriateness between the price paid and the benefits received. If the price is perceived as reasonable and reflects the quality and service received, the purchasing decision becomes more confident. Conversely, if there is a mismatch between price and quality, consumers tend to consider other alternatives. Therefore, creating a positive price perception becomes an important strategy in winning consumers' hearts, especially in a competitive market like the local coffee industry in Surabaya.

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