

# Literature Review 1

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## LITERATURE REVIEW: ANALYSIS OF FACTORS INFLUENCING PURCHASING DECISIONS, PRODUCT QUALITY AND COMPETITIVE PRICING

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### ABSTRACT

Product quality is a combination of properties and characteristics that determines the extent to which the output can meet the conditions of customer needs. The purpose of this study is to analyze the factors that influence purchasing decisions, including product quality and competitive prices. This scientific article was written using qualitative methods, literature study, and library research. Reviewing literary books that are in accordance with the theory being discussed, especially in the context of strategic management. This includes reviewing both respected and less respected scientific articles from journals. Mendeley and Google Scholar serve as the sources for all scientific articles. Based on the discussion in this article, it can be concluded that: (1) product quality has a significant positive effect on purchasing decisions (2) Price has a significant positive effect on purchasing decisions.

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### 1. INTRODUCTION

In the age of globalization, free trade is a phenomenon that must be confronted with the maturity of sharing the factors of production owned by a business. Companies need to prepare themselves as much as possible so they are not squeezed by the globalization of the world today because the influence of free trade is now difficult to stop and will affect all countries.

According to (Schoffman and Kanuk, 2008), purchasing decisions are decisions made between two or more alternative consumers regarding purchases. While everyone's decision-making process will be influenced by personality traits, age, income, and lifestyle factors, the general buying process is the same for everyone. Consumers are in a position to make a decision because they have the choice to make a purchase or not make a purchase or to use their time.

Every day, customers make decisions about every aspect of their lives. However, there are times when we make these decisions without considering how they are made or the steps involved in making them. When making a decision, a person must have other options available to them (Schiffman and Kanuk, 2008).

Consumers are in a position to make a decision because they have the choice to make a purchase or not make a purchase or to use their time. Conversely, decisions are not made when consumers are forced to make certain purchases or take certain actions because they have no other choice (Schiffman and Kanuk, 2008).

Product quality, as defined by (Tjiptono, 2008), consists of eight factors: performance, durability, compliance with specifications, features, reliability, aesthetics, perceived quality, and serviceability. Product quality is a combination of properties and characteristics that determines the extent to which the output can meet the conditions of customer needs. The best way for a business to get a customer's attention is to offer high-quality goods. Product quality is the action taken by a company to compete with its competitors in the market by establishing a series of significant differences between the products or services it offers and those of its competitors. This allows customers to see or believe that a quality product offers the added value they expect.

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Price is the amount of money needed to buy a certain amount of goods, services, or a combination of both. When it comes to pricing decisions, the second controlling factor that can be controlled by sales or marketing management is price. Prices that are too high will make customers believe that our products are of high quality and superior luxury.

## 2. LITERATURE REVIEW

### 2.1. Buying decision

According to (Kotler and Armstrong, 2018), purchasing decisions are influenced by unforeseen circumstances. Expected revenue, expected costs, and anticipated benefits of a product are all factors that consumers can use to formulate their purchase intentions. Sudaryono (2014) defines purchasing decisions as the act of selecting one option from two or more. In other words, the person taking on the problem must be able to choose one option from a number of others. A person is in a position to make a purchase decision when presented with two options to buy or not to buy and then decides to buy.

Knowing a problem, finding out more about a product or brand, and evaluating how well each alternative can solve the problem are the first steps in a series of processes that culminate in a purchasing decision (Tjiptono, 2014). In addition, (Kotler and Keller, 2012) state that consumers go through a five-stage process when making purchases. These stages include problem recognition, information search, evaluation of alternatives that can solve the problem, purchase decision, and post-purchase behavior, which begins long before the consumer actually makes a purchase and lasts a long time.

### 2.2 Product quality

Product quality, according to (Kotler and Armstrong, 2008), is a potential strategic weapon to beat competitors. In addition, (Kotler, 2009) lists all the characteristics of a good that significantly affect its capacity to meet the expressed/concluded needs. According to Luthfia, "product quality" refers to a product's capacity to perform its functions, which may include strength, ease of packaging, product repair, reliability, or progress. Product quality, as defined by (Sudaryono, 2016), is a comprehensive customer evaluation of the good performance of goods or services. A product is something that can be sold, used, or consumed to satisfy a want or need and can be offered to a market to attract attention. According to (Keller and Keller, 2009), goods, services, experiences, events, people, places, properties, organizations, information, and concepts are examples of products.

According to David Garvin, to determine the dimensions of product quality, you can go through the following eight dimensions (Umar, 2002: Lupiyoadi, 2001):

1. Performance: this relates to the functional aspects of an item and is the main characteristic that is considered by customers in buying the item.
2. Features, namely performance aspects that are useful for adding basic functions, related to product choices and their development.
3. Reliability: matters relating to the probability or possibility of an item successfully carrying out its function every time it is used within a certain period of time and under certain conditions.
4. Conformance: this is related to the level of conformity to the specifications that have been previously set based on the wishes of the customer.
5. Durability, namely, a reflection of economic age in the form of a measure of the durability or service life of goods.
6. Serviceability, namely characteristics related to speed, competence, convenience, and accuracy in providing services for goods repair.
7. Aesthetics, is a subjective characteristic of aesthetic values related to personal considerations and a reflection of individual preferences.
8. When it comes to perceived quality, consumers do not always have complete information about product attributes. However, usually consumers get information about the product indirectly.

### 2.3 Competitive Price

Keller and Kotler characterized cost as one component of the promotion mix that generates revenue while the others create costs. In addition, (Hasan, 2008) argues that the term "price" refers to all forms of monetary costs that consumers are willing to pay to obtain, own, and utilize various products and services. In 2007, then Fandy Tjiptono (2007) the price can change quickly because it is flexible.

Price, as defined by (Suharno and Sutarso, 2010), is the amount of money paid for goods or services. According to (Sumarwan, 2011), price is a characteristic of a product or service that is most often used by

consumers to evaluate it. Therefore, price is the main consideration when selecting products and services. According to Kotler and Armstrong (2018, p. 308), price is the sum of the value that customers provide in exchange for the benefits of having or using a product or service.

According to (Tjiptono, 2016), price is a factor that has a direct impact on company profits. The quantity sold is affected by the set price level. Because the quantity sold affects costs incurred in connection with production efficiency, prices also have an indirect effect on these costs.

According to Fandy Tjiptono, price plays two main roles in influencing purchasing decisions: (1) The function of price in assisting buyers in determining how to obtain the highest expected benefit or utility based on their purchasing power is the role of price allocation. As a result, the fact that prices exist can assist consumers in allocating their purchasing power to various goods and services. Buyers decide how they want to spend their money after comparing the prices of several options (2) The importance of price information, especially its role in educating customers about aspects of product quality such as price. This is especially helpful when a buyer is having trouble objectively evaluating a product's features or advantages. A number of previous studies have examined the cost, including those conducted by Iswayanti (2010), Labora (2010), Kumar (2012), Christina Catur Widayati et al., (2020), Widayati C.C. et al., (2020), (Ali, Narulita, and others, (Richardo et al., 2018b), (Ikhsani & Ali, 2017), (2020), Brata et al. Anggita and Ali, 2017a), and Novansa and Ali, 2017).

### 3. METHOD

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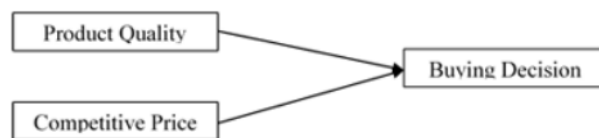


Figure 1. Conceptual Framework

### 4. RESULT AND DISCUSSION

#### 4.1. Purchase Decision on Product Quality

This shows that purchasing decisions are strongly influenced by product quality. Quality of goods can be considered a property of goods in the sense that it can meet specific and immediate needs. As a result, the customer's decision to buy a product can be influenced by their perception of product quality. The characteristics and overall nature of goods and services that affect their ability to fulfill stated or

implied needs and desires, which are manifested directly or face-to-face between sellers and potential customers during product presentations, can also provide an explanation of product quality (Purnama & Rialdy, 2021). Consumers must first check the quality of the product before making a purchase transaction. They can find out the quality of the product by reading the reviews left by a number of people who have previously purchased the product. As a result, it can have an impact on the decision to buy. Contrary to the findings (Supriadi et al., 2018), the findings of this study are consistent with the findings (Wulandari & Iskandar, 2018); (Hestyani & Astuti, 2017); (Ernawati, 2019); (Lesmana & Ayu, 2019); (Gunawan, 2021); and (Devi, 2019).

#### 4.2. Purchase Decision Against Commodity Prices

Price is a factor that has an important impact on pricing. In addition, the amount required to obtain the right to use the product is included in the price. The decision about what to buy is influenced by price. Pricing policy is significantly influenced by consumer perceptions of price. Customers may have assumptions about the relationship between cost and quality. Price size is the focus of consumer comparison in this case, the relationship that exists between the quality of a product and its price; consumers often use the price of a product as an indicator of its quality due to the fact that they often charge higher prices for products of varying quality. Price matching benefits: Consumers will buy a product if the benefits are greater than or at least equal to the price of the product. When buying something, consumers will assume that a product is expensive and will only consider it if it provides benefits that are cheaper than the product's price. The results of research that are in accordance with this study include (Rasyid & Indah, 2018), (Gunawan, 2021), and (Devi, 2019), as well as with (Rosmaniar et al., 2021), (Marpaung & Melaniwati, 2020), and are consistent with Sujatmika's findings in 2017 that price has no effect on purchasing decisions.

#### 5. CONCLUSION

Based on the discussion in this article, it can be concluded that: Product quality has a significant positive effect on purchasing decisions, and competitive prices have a significant positive effect on purchasing decisions.

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