

# PRODUCT QUALITY AND PRICING INFLUENCE ON THE BRAND REPUTATION OF LOCO COFFEE FAST FOOD PRODUCTS

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## ABSTRACT

*The purpose of this study is to determine the impact of price and product quality on Kopi Loco brand reputation. This study includes three variables: price, product quality, and brand reputation. The researchers used quantitative methods, and the sample size for this study was 103 people who had purchased Kopi Loco. Purposive sampling, which is a type of non-probability sampling, was used in this study. According to research data analyzed with SPSS 25, the price variable has no effect on brand reputation, but product quality.*

**Keywords: price, Quality Product, Brand Reputation**

## ABSTRAK

Tujuan dari penelitian ini adalah untuk mengetahui pengaruh harga dan kualitas produk terhadap reputasi merek Kopi Loco. Penelitian ini meliputi tiga variabel yaitu harga, kualitas produk, dan reputasi merek. Peneliti menggunakan metode kuantitatif, dan jumlah sampel penelitian ini adalah 103 orang yang pernah membeli Kopi Loco. Purposive sampling, yang merupakan jenis non-probability sampling, digunakan dalam penelitian ini. Berdasarkan data penelitian yang dianalisis dengan SPSS 25, variabel harga tidak berpengaruh terhadap reputasi merek, melainkan kualitas produk.

**Kata Kunci : Harga, Kualitas Produk, Reputasi Merek**

## 1. INTRODUCTION

In today's globalized business world, competition is fierce, with every entrepreneur attempting to create

products that outperform their competitors. Entrepreneurs are competing in the midst of intense competition - a competition to create

every product innovation and implement various policies in order to attract market share attention. Opening a coffee shop is a popular type of business right now. This is supported by a large number of people starting at a young age as well as young adults, as well as an increase in the number of places that are currently only accessible to people from the middle and upper economic strata. Students and office workers alike want to find a place where they can relieve fatigue by resting or relaxing in a comfortable setting, such as a café. Cafes abound in today's big and small cities. This is further supported by the fact that starting a cafe business is one

of the more appealing business opportunities, with stiff competition. That is why the cafe owner acts in this manner.

Coffee commodities play an important role in the Indonesian economy as a source of foreign exchange and income for farmers through export and import trade activities. According to the International Coffee Organization (ICO), Indonesia is the world's fourth largest coffee producer, accounting for 7.07% of total global output. Brazil ranks first with an average of 39.28%, followed by Vietnam (16.52%) and Colombia (8.24%).

**Table 1: World Coffee Producing Countries in 2021**

| No | Negara Produksi (dalam | ribuan kantong @60kg) | Presentase (%) |
|----|------------------------|-----------------------|----------------|
| 1  | Brazil                 | 67.000                | 39,3%          |
| 2  | Vietnam                | 27.000                | 16,5%          |
| 3  | Colombia               | 13.300                | 8,1%           |
| 4  | Indonesia              | 12.400                | 7,1%           |
| 5  | Zimbabwe               | 7.264                 | 4,2%           |
| 6  | Lainnya                | 42.421                | 24,8%          |
|    | Jumlah                 | 175.647               | 100,0%         |

Source : 2020, ICO

Kopi Loco is a coffee beverage company that has helped to revitalize Indonesia's modern coffee market. Kopi Loco is thought to be successful in filling the price gap between expensive coffee at international retailers and packaged instant coffee served in coffee

shops. The reputation of the Kopi Loco brand is growing in tandem with the development of the Kopi Loco business, particularly since receiving funding from several venture capitalists, including Sequoia India, Arrive, Serena Ventures, and Alpha JWC Ventures.

Kopi Loco intends to expand its international market by introducing the distinct flavor

Edward Tirtanata, James Prananto, and Cynthia Chaerunnisa founded Kopi Loco in 2017. The first store opened in Kuningan. Kopi Loco only sold 700 cups of coffee on its first day of operation. Kopi Loco has over 230 stores in Indonesia after only two years. Kopi Loco received Rp121 billion in funding from Alpha JWC in 2018. Kopi Loco received another IDR 288 billion injection in 2019, this time from Sequoia India's venture capital. With this amount of money, Kopi Loco hopes to have 1,000 locations by 2021. The name "Kopi Loco" was inspired by a product that Edward discovered. The word "Loco" appears in the product. Furthermore, the name "Loco" was chosen because it has a deep meaning. Kopi Loco must compete in that building with three other coffee shops that have established themselves as long-term players in the coffee industry. He is, however, confident and daring in his coffee shop concept. He also has a go-to recipe, Kopi Loco Mantan, which he discovered the night before the first outlet opened. Kopi Loco sells processed tea in addition to processed coffee. Prices range from Rp. 18 thousand to Rp. 42 thousand.

Kopi Loco also sold 700 glasses on the first day of its first store's opening, thanks to an online motorcycle taxi application. Coffee on the go Since then, people outside the Standard Chartered Tower have become familiar with Kopi Loco. However, online motorcycle taxi applications accounted for 60-70 percent of Kopi Loco's sales at the time. Because competition in the culinary industry is increasing, it is necessary to develop a strategy to attract customers by improving product quality in order to create customer satisfaction and set prices that are appropriate for today's society. Price, according to Kotler and Armstrong (2011), is the amount of money charged for a product or service or the amount of value that customers exchange for the benefits of owning or using a product or service.

Product quality is one of the factors that influence customer satisfaction. Product quality will always meet or exceed the needs and expectations of the customer. Product quality, according to Koetler and Armstrong (2012), is a product's ability to perform its functions, which includes overall durability, reliability, accuracy, ease of operation, and product repair, among other product attributes. A high-quality product outperforms

expectations. Quality is frequently regarded as a relative measure of the goodness of a product or service. The value of a person's subjectivity makes a difference in providing an understanding of quality.

The first factor influencing repurchase intent is reputation. When customers believe that the company selling goods or services will be honest and care about their customers, their reputation grows. When a brand fails to meet the needs of its customers, they may switch to a different brand (Afzal et al., 2010). In terms of brand reputation, Kopi Loco is experiencing a reputation that is enough to cause Kopi Loco's image to deteriorate slightly, as Kopi Loco is being discussed by citizens on social media. This occurred as a result of an alleged sexual harassment incident involving a Kopi Loco customer named Dinda Shafay. Initially, the consumer shared his experience with sexual harassment on social media. Customers reported on social media that one of Kopi Loco's employees went into the customer's toilet rather than the employee toilet, which is located on the second floor. According to customers, the employee broke the door to the toilet where the customer was. Following that, the employee emerged from the restroom, laughing with the other

baristas. Customers who were taken aback when the toilet door unexpectedly opened became enraged with the employee. This incident occurred at Kopi Loco's Medan branch and was addressed directly by Kopi Loco management.

Based on this incident, many residents reacted negatively to Kopi Loco's social media, and many consumers refused to buy Kopi Loco, harming Kopi Loco's reputation. Kopi Loco then issued an official statement about the incident, in which it expressed its deepest apologies to the customer Dinda Shafay and took serious action against Kopi Loco employees at the branch. The purpose of this study was to determine and analyze whether price and product quality influence Kopi Loco's brand reputation.

## **2. RESEARCH METHOD**

The population is a broad category that includes: objects/subjects with specific qualities and characteristics chosen by researchers to be studied and conclusions drawn (Sugiyono, 2018). The participants in this study were all Kopi Loco customers. In terms of size and composition, the sample is a subset of the population (Sugiyono, 2018). People who have purchased drinks at Kopi

Loco three times meet the inclusion criteria. Because the population size in this study is unknown, the sample technique employs the Wibisono formula (Riduwan and Akdon, 2015).

A sampling technique is a method for determining the sample to be used in research (Sugiyono, 2018). This study employed non-probability sampling with purposive sampling. Non-probability sampling is a sampling technique that does not provide equal opportunities or opportunities for each element or member of the population to be selected as a sample (Sugiyono 2018). While purposive sampling is a sampling technique with specific considerations (Sugiyono, 2018). Purposive sampling selects respondents based on specific criteria (Siregar, 2015). The researcher will use as a sample anyone who has purchased a drink at Kopi Loco three times.

### 3. RESULT AND DISCUSSION

#### Hypothesis Test Results Analysis

#### Coefficient of Determination Test Results Analysis (R<sup>2</sup>)

The Coefficient of Determination Test was used to determine the percentage of influence of Price and Product Quality variables on Brand Reputation. The Coefficient of Determination Test was performed

using the SPSS program.

**Tabel 2. Hasil Uji Koefisien Determinasi (R<sup>2</sup>)**

| Model | Square R | Adjusted R |
|-------|----------|------------|
| 1     | 0,217    | 0,202      |

Source: Results of SPSS

Data Processing

According to Table 1. The Adjusted R square value of 0.203 is obtained from the Coefficient of Determination Test. This means that price and product quality have only a 20.3% impact on brand reputation. This means that, in this study, other variables influencing Brand Reputation account for 79.7% of the variance outside of the regression equation.

#### T-test analysis

The t-test was used to answer the hypothesis questions in this study, specifically to determine the effect of the Price variable and Product Quality variable on Brand Reputation. The test criteria are to compare the calculated t value to the t table value. If the value of t count is greater than the value of t table, the independent variable influences the dependent variable partially. Furthermore, the significance value can be compared to a value of 0.04. If sig. is less than 0.04 then the effect of the independent variable on the

dependent variable is only partially significant. The greater the effect, the lower the significance value. Based on the number of respondents, 103, and the number of independent variables, 2, the t table value in this study was 1.984. The SPSS program was used to compute the value of t arithmetic.

**Tabel 3. Parsial Test**

| <b>Model</b> | <b>t</b>     | <b>Si</b> |
|--------------|--------------|-----------|
|              | <b>accou</b> | <b>g.</b> |
|              | <b>nt</b>    |           |
| Const        | 6,927        | 0,0       |
| ant          |              | 0         |
| Price        | 0,133        | 0,8       |
| (H)          |              | 94        |
| Produ        | 5,242        | 0,0       |
| ct           |              | 00        |
| Qualit       |              |           |
| y            |              |           |

*Source: SPSS Data Processing Results*

The t-value for the price variable is 0.133, as shown in table 2 of the t-test results. This value is less than the t table value of 1.984. As a result, the price variable has no effect on the Brand Reputation variable. Meanwhile, the t-count for the Product Quality variable is 5.242, which is greater than the t-table value of 1.984. Furthermore, the significance value obtained is 0.000, which is less than 0.05. As a result, it is possible to conclude that the Product Quality

variable has a significant impact on Brand Reputation.

### **Analysis of Mean Value**

The t-value for the price variable is 0.133, as shown in table 2 of the t-test results. This value is less than the t table value of 1.984. As a result, the price variable has no effect on the Brand Reputation variable. Meanwhile, the t-count for the Product Quality variable is 5.242, which is greater than the t-table value of 1.984. Furthermore, the significance value obtained is 0.000, which is less than 0.05. As a result, it is possible to conclude that the Product Quality variable has a significant impact on Brand Reputation.

### **Analysis of the Mean Values of**

The following results were obtained based on respondents' responses to the Brand Reputation variable::

“ According to table 4, the statement of brand reputation variable with the highest mean value is "I prefer Loco Coffee products over other coffee products." As a result, the Kopi Loco brand has a good reputation, particularly in the product category. Because Kopi Loco, a palm sugar coffee variant, is a popular product among consumers. While the statement item "Loco Coffee provides better service than competitors" has the lowest mean value. This explains

why customers believe competitors' services are superior. Furthermore, the incident involving one of Kopi Loco's employees harmed the brand's reputation.

#### 4. CLOSING

##### Conclusion

As stated in Chapter 1, the goal of this study is to determine the impact of price and product quality on the Kopi Loco brand reputation. Based on the findings of the research discussed in Chapter 4, it is possible to conclude that the price variable has no partial significant effect.

##### Suggestion

This study was carried out in the hope of providing benefits to several parties for the results obtained, including the results of this study can be used as consideration and evaluation of the price and quality of Loco coffee and the brand reputation that has been carried out so far, Identification of Loco coffee regarding various kinds of problems can be used as a reference for future improvements.

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