

THE INFLUENCE OF PRICE AND PRODUCT INNOVATION ON PURCHASING DECISIONS AT FROZEN FOODKU BATAM CITY

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Abstract

The purpose of this study was to determine the Effect of Price and Product Innovation on Purchasing Decisions at Frozen Foodku Batam City. The formulation of the problem in the study is Does Price have a significant effect on purchasing decisions at Frozen Foodku Batam City?, Does product innovation have a significant effect on purchasing decisions at Frozen Foodku Batam City?, Does price and product innovation affect simultaneously on purchasing decisions at Frozen Foodku Batam City. This research uses a quantitative research approach. This type of research includes causal associative research. The population in this study was 2.489 consumers. The sampling technique used in this study was an axidental sampling technique with 96 respondents as research samples. The analysis used in this study is a simple linear regression analysis and multiple liner regression analysis. The results of the t test analysis showed a significant level of X_1 was at the level of 0.000 ($0.000 < 0.05$) with a calculated t value of 2.505 while X_2 was at the level of 0.000 ($0.000 > 0.05$) with a calculated t value of 13,114, and based on the F test the variables X_1 and X_2 were both at the level of 0.00 ($0.000 < 0.05$). Based on the results of the study, it can be concluded that price has a significant effect on purchasing decisions and product innovation has a significant effect on purchasing decisions. And based on the F test, it is proven that price and product innovation have a significant effect on purchasing decisions. .

Keywords: *Price, Product Innovation, Purchase Decisions.*

1. INTRODUCTION

Competition in today's trading world is getting tougher. Moreover, it is supported by the increasing human needs which are increasing day by day. To attract consumers to buy the goods or services offered, it is necessary to have an accurate strategy to win the hearts of consumers. In the Batam City area itself, many *frozen food* businesses began to appear. One of the *frozen foods* that is quite successful is "My Frozen Food". Sales of products from these businesses have reached outside the city that is outside the province, such as Pekanbaru, Tanjungpinang, to Medan . For the Batam City area, Frozen Foodku also markets its products by entrusting them to supermarkets or minimarkets such as in the Batam City area and its surroundings. In addition to selling to sw a service the business also offers if anyone wants to become a *reseller*, but must meet several conditions that have been determined by Frozen Foodku.

Sangadji and Sopiah define satisfaction as the selection of an action from two or more alternative choices. A consumer who wants to choose must have an alternative choice. [1] According to Schiffman and Kanuk the purchase decision is the selection of two or more alternative purchasing decision options, meaning that if one can make a decision, there must be several alternative choices. [2] Fthe factors that influence purchasing decisions are product innovation and pricing policies. Innovation in products is considered to be able to eliminate the boredom or boredom of consumers towards product choices that tend to be less diverse and do not have uniqueness, while the right price policy or pricing on each product greatly affects the consideration process in making a decision to make a purchase.

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A factor influencing purchasing decisions is price. Prices that are too high or too low will affect consumers' purchasing decisions, too high prices will make consumers switch to other similar products, but at a lower price. On the other hand, if the price offered is too low, consumers are likely to buy the product. [3] In the research conducted [4] entitled *The Effect of Promotion and Price on purchasing decisions*, it is found that price variables positively affect purchasing decisions. In addition to price, one of the factors that influence consumers' purchasing decisions is product innovation, where product innovation is central to the success of a business. In this era of free trade and global competition, forcing every company to be ready to face fierce competition. This makes consumers' attitudes more critical in choosing products.

The impact is that companies must be more innovative in creating a product. In other words, companies must be able to offer a different product to attract consumers. All products offered by the company must have a price. In order for the product to sell well in the market, the company must set the right price. With prices, consumers can compare products with one another, thus helping consumers make purchase decisions. The price is said to be expensive, cheap or ordinary from each individual does not have to be the same because it depends on the perception of the individual which is motivated by the environment of life and and the conditions of the individual. According to Tjiptono, price is a monetary unit or other measure (including goods and services). [5] According to Kotler and Amstrong, the price is the amount of money consumers must pay to obtain products and services. [6] According to Basu Swastha and Irawan the price is a number of sacrifices made to obtain a combination of goods and services. From the description above, it can be concluded that price is a number of values that consumers exchange to be able to use goods or services. [7] The price offered by Frozen Foodku is more expensive when compared to some other frozen food businesses.

Even so, many consumers prefer to buy products from Frozen Foodku. On average, in one day, my Frozen Food is able to sell 50 products. For comparison with other competitors, you can say that my Frozen Food is superior. In a day my *Frozen Food* competitors on average are only able to sell 10-30 products. In addition to price, no less important thing influencing purchasing decisions is product innovation. Innovation is a product or service that is perceived by consumers as a new product or service. In simple terms, innovation can be interpreted as a breakthrough related to new product products. But Kotler added that innovation isn't just limited to developing new products or services. Innovation also includes new business thinking and new processes. [8] According to Buchari, innovation means observing consumers to find and satisfy their consumers by delivering new products. [9].

Can innovation results in faster growth, enhances market segments, and creates a better corporate position. Without innovation, the company will not be able to survive long or compete in the market. This is due to the ever-changing needs, wants and demands of customers. Customers will not always consume the same product. Customers will look for other products from other companies that are perceived to be able to satisfy their needs, something related to goods, services. Frozen Foodku itself offers a variety of new products and innovative products, such as cireng, oreo ice, vegetable chicken nuggets, and others. But the products that are more popular with consumers are old products.

Based on the background above, the author is interested in conducting research at Frozen Foodku Batam City with the title "**THE INFLUENCE OF PRICE AND PRODUCT INNOVATION ON PURCHASING DECISIONS**".

Based on the background that has been carried out, the researcher formulates the research problem as follows:

1. Does the price significantly affect the purchasing decision at Frozen Foodku Batam City?
2. Does product innovation have a significant effect on purchasing decisions at Frozen Foodku Batam City?
3. Do prices and product innovations affect purchasing decisions at Frozen Foodku Batam City?

1. IMPLEMENTATION METHODS

Purchasing decisions are a stage in the process towards making buyer decisions where consumers are actually going to buy. Consumer decision-making is essentially a problem-solving process. Most consumers, both individual consumers and organizational buyers go through almost the same mental process of deciding what product or brand of product to buy. [10] According to Kanuk the purchase decision is a settlement process between two or more alternatives that results in the decision to buy or not to buy. [3] Alternative options should be available when consumers are about to make a decision. The decision-making process requires searching and receiving different information. According to Kotler the purchase decision is the process by which the consumer decides to choose the brand to buy. Consumers will buy the most preferred brand, but can be influenced by two different factors between purchase intention and purchase decision namely the attitude of others and unexpected situations, purchase intention can be changed if the situation faced by consumers hinders or forces to cancel the purchase or switch to other alternative options. [9].

According to Basu Swastha and Irawan, the factors that influence purchasing decisions are product innovation and pricing policies. Innovation in products is considered to be able to eliminate the boredom or boredom of consumers towards product choices that tend to be less diverse and do not have uniqueness. while the price policy or the right pricing of each product greatly affects the consideration process in making a decision to make a purchase. [7] Kotler and Keller have developed a "level model" of the consumer purchasing decision process through five stages: problem recognition, information retrieval, alternative evaluation, purchase decision, and post-purchase behavior. [8] According to Kotler and Armstrong the indicators in purchasing decisions are stability in a product, habits in buying products, giving recommendations to others, and making repurchases. [6].

According to Kotler and Armstrong the price is an amount of money charged for the cost of a product or service, or the amount of value that customers exchange to benefit from owning or using a product or service. The price is used as a benchmark for the suitability of the benefits of the product. [6] Menurut Tjiptono, in simple terms price can be interpreted as an amount of money containing certain utilities/uses that are used to obtain a good or service. [5] From some of the opinions above, it can be implied that price is a sum of money that has value and usefulness to obtain goods or services. Price is one of the important aspects in marketing mix activities. Price is an amount of money handed over in exchange for obtaining a good or service. Price change is very important to pay attention to, considering that price is one of the sales or not of the products

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offered. Wrong in determining the price will be fatal to the products offered and result in the unsoldness of the product in the market.

The steps that need to be taken in setting the right price for a product are: determining the purpose of pricing, estimating demand, cost, and profit, choosing a pricing strategy to help determine the base price, and adjusting the base price with a harg setting tactic. [10] After that, the price indicators according to Kotler and Amstrong are as follows: affordability, price competitiveness, price conformity to product quality, and price conformity to product benefits. [6].

Kotler stated that product innovation is a combination of various processes that influence each other. So innovation is not a concept of a new idea, a new inventor or not from a new market development, but rather innovation is a gamabaran of all these processes. [8] From some of the opinions above, it can be concluded that product innovation is a collection of processes carried out to create or modify products. According to Simamora, Innovation has 4 (four) characteristics: m has a peculiarity / special, m has a cirri or element of novelty, the innovation program is carried out through a planned program, and the innovation that is rolled out has a goal, the innovation program carried out must have a direction to be achieved, including the direction and strategy to achieve these goals . [11] After that, the indicators I of product innovation according to Setiadi are as follows: relative advantage, harmony/suitability, complementarity, and trialability. [12].

The formulation of the problem in the study is as follows:

1. Does price (X_1) have a positive and significant effect on purchasing decisions (Y)?
2. Does product innovation (X_2) have a positive and significant effect on purchasing decisions (Y)?
3. Do price (X_1) and product innovation (X_2) simultaneously (together) affect purchasing decisions (Y)?

Based on the formulation of the problem above, a research hypothesis can be formulated as follows:

1. There is a positive and significant influence of the price (X1) on the purchase decision (Y).
2. There is a positive and significant influence of product innovation (X2) on purchasing decisions (Y).
3. There is a positive and significant influence of price (X1) and product innovation (X2) together (simultaneously) on purchasing decisions (Y).

This research uses a quantitative research approach. Quantitative research is an objective research approach that includes data collection and cantitative data analysis and uses statistical testing methods. [13] The type of research used in the preparation of this research is field research whose data and information can be obtained from activities in the field where the research is conducted. The research pattern used in this study is Causal Associative research. [13] This study uses primary data, which is data obtained and processed directly by the object. [14] Primary data in this study were obtained through interviews and the dissemination of questionnaires. The location used in this study is Frozen Foodku which is located in Batam City, Riau Islands. The population in this study is my Frozen Food products who bought it from August

2019 to February 2021. This figure was obtained from researchers' interviews with the owner of Frozen Foodku. Then the samples determined in this study were 96 samples which were obtained from the *Slovin* formula [13].

The sampling technique used in this study is an axidental sampling technique, which is a sample determination technique based on spontaneity factors, meaning that anyone who accidentally encounters the researcher and according to his characteristics (characteristics), then the person can be used as a sample / respondent. [13] In this study, the research instrument used was a questionnaire. For quantitative type research data, a questionnaire measurement scale is needed. In this study, the shortatan used for questionnaire measurement was an approach with a *Likert* scale. [13] The data collection method was carried out with questionnaires and interviews. Then the data processing technique was studied using multiple linear regression analysis.

RESULTS AND DISCUSSION

Instrument Testing

Validity Test

The results of the price variable instrument validity test (X_1) can be seen in Table 1

Table 1 Price Variable Validity Test Results (X_1)

No	Indicators	R count	R table	Sig	Conclusion
1	X1.1	0,741	0,361	0,000	Valid
2	X1.2	0,692	0,361	0,000	Valid
3	X1.3	0,497	0,361	0,000	Valid
4	X1.4	0,684	0,361	0,000	Valid
5	X1.5	0,900	0,361	0,000	Valid
6	X1.6	0,684	0,361	0,000	Valid
7	X1.7	0,741	0,361	0,000	Valid
8	X1.8	0,900	0,361	0,000	Valid

Sumber : Data penelitian diolah (2023)

Based on Table 1, it shows that all price variable indicators (X_1) qualify for instrument validity because they have a significance level value smaller than $\alpha = 0.05$ or 5%

The results of the instrument validity test for the product innovation variable (X_2) can be seen in Table 2

Tabel 2 Test Results Validitas Variabel Inovasi Produk (X_2)

No	Indicators	R count	R table	Sig	Conclusion
1	X2.1	0,726	0,361	0,000	Valid
2	X2.2	0,720	0,361	0,000	Valid
3	X2.3	0,726	0,361	0,000	Valid
4	X2.4	0,633	0,361	0,000	Valid
5	X2.5	0,619	0,361	0,000	Valid
6	X2.6	0,613	0,361	0,000	Valid
7	X2.7	0,720	0,361	0,000	Valid
8	X2.8	0,740	0,361	0,000	Valid

Source : Research data processed (2023)

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Based on Table 2, it shows that all indicators of the product innovation variable (X_2) qualify the validity of the instrument because it has a significance level value smaller than $\alpha = 0.05$ or 5%

The results of testing the validity of the instrument for the purchasing decision variable (Y) can be seen in the Tabel 3

Tabel 3 Result Uji Validitas Variabel Purchasing Decisions(Y)

No	Indikator	R hitung	R tabel	Sig	Kesimpulan
1	Y.1	0,719	0,361	0,000	Valid
2	Y.2	0,571	0,361	0,000	Valid
3	Y.3	0,806	0,361	0,000	Valid
4	Y.4	0,719	0,361	0,000	Valid
5	Y.5	0,575	0,361	0,000	Valid
6	Y.6	0,732	0,361	0,000	Valid
7	Y.7	0,806	0,361	0,000	Valid
8	Y.8	0,606	0,361	0,000	Valid

Source : Research data processed (2023)

Based on Table 3, it shows that all indicators of the purchasing decision variable (Y) qualify for instrument validity because they have a significance level value smaller than $\alpha = 0.05$ or 5%

a. Test Reliabilitas

Reliabilitas It is consistency if the test if tested many times the results are relatively the same, meaning that after the results of the first test with the next test are correlated there are significant correlation results. Reliability Test results can be seen in Table 4

Tabel 4 Uji Reliabilitas Instrumen

No	Variabel	Alpha Cronbach	Batas Reliabel	Keterangan
1	Harga (X_1)	0,871	0,60	Reliabel
2	Inovasi Produk (X_2)	0,839	0,60	Reliabel
3	Keputusan Pembelian (Y)	0,850	0,60	Reliabel

Source : Research Data, processed

Based on Table 4 above the overall results of the reability test of the three variables, namely price (X_1), product innovation (X_2) and purchasing decision (Y) obtained a Cronbach Alpha value greater than 0.60 which means that the question items on the questionnaire in the study were considered reliable or feasible.

b. Uji Normality

Normality test is a test to measure whether our data has a normal distribution so that it can be used in parametric statistics, if the data is not normally distributed, non-parametric statistics can be used. Normality test results can be seen in Table 5

**Tabel 5 Test Results Normalitas
One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		96
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	1.10083696
Most Extreme Differences	Absolute	.085
	Positive	.072
	Negative	-.085
Kolmogorov-Smirnov Z		.837
Asymp. Sig. (2-tailed)		.486

Source: Data primer processed, 2023.

The normality test results in Table 5 show that the significance level value of the Kolmogorov-Smirnov test is 0.486 greater than 0.05. So it can be concluded that the assumption of normality is met.

1.1 Testing Hipotesis

Hypothesis testing is carried out by conducting a t test and an F test where the t test is used to determine the influence partially and the F test is used to determine the influence simultaneously. The results of hypothesis testing in this study are as follows:

- a. Partial hypothesis testing (Test t)

Tabel 6 Pengujian Hipotesis Secara Parsial

Model	Unstandardized Coefficient		Standardized Coefficient	T	Sig
	B	SE.B	B		
	Konstanta	.081	.980		
Price (X ₁)	.161	.064	.157	2,505	0,014
Product Innovation (X ₂)	.840	.064	.820	13,114	0,000

Source : Data Processing with SPSS 24 (2023)

Based on Table 6 above, it can be known the calculated t value of each variable as follows: the first hypothesis is known to be the price (X₁) against the purchase decision (Y) Based on the table above, a calculated t value of 2.505 with a sig value of 0.014 is obtained. This indicates that the calculated t value is greater than the table t value of 1.66 and the sig value is smaller than 0.05 (5%). **Thus Ho was rejected and H1 was accepted. This means that the price variable (X₁) has a positive and significant influence on purchasing decisions at Frozen Foodku Batam.**

The second hypothesis is known to be product innovation (X₂) on purchasing decision interest (Y) Based on the table above, a calculated t value of 13.114 with a sig value of 0.000 is obtained. This indicates that the calculated t value is greater than the table t value of 1.66 and the sig value is smaller than 0.05 (5%). **Thus Ho was rejected and H1 was accepted. This means that the product innovation variable (X₂) has a positive and significant influence on purchasing decisions.**

- b. Simultaneous Hypothesis Testing (Test F)

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Tabel 7 Pengujian Hipotesis Secara Simultan

Model	Sum of Squares	df	Mean of Squares	F	Sig
Regresion	1413,615	2	706,807	570,971	,000
Residual	115,125	93	1,238		
Total	1528,740	95			

Source : Data Processing with SPSS 24 (2023)

Based on Table 7 above, a calculated F value of 570.971 with a sig value of 0.000 was obtained. This indicates that the calculated F value is greater than the table F of 3.09 and the sig value is smaller than 0.05 (5%). **Thus Ho was rejected and H1 was accepted. This means that price and product innovation affect together (simultaneously) the purchase decision at Frozen Foodku Batam City.**

1. Discussion

1. The Effect of Price on Purchasing Accuracy at Frozen Foodku

The results of this study obtained that price variables have a significant influence on the interest in using electronic money services in Indonesia. Ho's statement was rejected and H1 was accepted. The price indicators are affordability, the suitability of price to quality, the competitiveness of prices, and the suitability of prices with benefits. This means that variable prices have a significant influence on purchasing decisions at Frozen Foodku Batam City. The results of the study are in accordance with the hypothesis that price has a significant effect on purchasing decisions at Frozen Foodku Batam City.

In a study conducted by [15] entitled "The Effect of Product Innovation and Price on the Purchasing of Daihatsu Grand Prix Cars in 2018". The results obtained are that the price partially has a positive and significant effect on the purchase decision of the Daihatsu Grand Max car. Harga is the highest and most dominant variable that influences purchasing decisions.

1. The Effect of Product Innovation on Purchasing Decisions at Frozen Foodku Batam

The results of this study obtained that the variable of product innovation has a significant influence on product purchasing decisions at Frozen Foodku Batam. Ho's statement was rejected and H1 was accepted. The indicators of product innovation are relative superiority, harmony/suitability, complementarity, and trialability. This means that the product innovation variable has a positive and significant influence on product purchase decisions at Frozen Foodku Batam City.

The results of this study are supported by a study conducted by [16] entitled "The Effect of Product Innovation and Price on Motorcycle Purchasing Decisions (Case Study in CW Astra Siliwangi). The conclusion of product innovation has a significant influence on the purchase decision of the Honda Supra X 125 motorcycle, this can be seen from the results of the coefficient of determination test, which is 17.6%.

1. The Effect of Price and Product Innovation Affects Together on Purchasing Decisions at Frozen Foodku Batam City

The results showed that there was a simultaneous influence (together) between price and product innovation on purchasing decisions at Frozen Foodku Batam City. Evidenced by *R Square* of 0.825%. This means that the purchase decision at Frozen Foodku Batam City is 82.5% influenced by price factors and product innovation. Meanwhile, 17.5% is influenced by other variables outside of price and product innovation.

The results of this study are supported by research conducted [4] entitled "The Effect of Product Innovation and Price on Purchasing Decisions" which found that variabel price and product innovation influence together on purchasing decisions.

CONCLUSIONS AND SUGGESTIONS

4.1 Conclusion

Based on the formulation of the problem and the results of the hypothesis test that has been proposed with the multiple linear regression analysis model, the following conclusions can be drawn:

1. Based on the results of the partial test (t test) shows that the price variable has a positive and significant influence on purchasing decisions.
2. Based on the results of the partial test (t test) shows that the product innovation variable has a positive and significant influence on product purchasing decisions.
3. Based on the results of simultaneous tests (F test) shows that price variables and product inovasi together have a significant influence on product purchasing decisions.

4.2 Suggestion

Based on the results of the analysis that has been described, the author can provide suggestions including the following:

1. For subsequent researchers, it is hoped that they can examine other variables beyond the variables of price and product innovation. Because there are still several factors that influence purchasing decisions, including social factors, family factors, cultural factors, etc.
2. For companies to pay more attention to research research conducted by students asagai basis for developing companies so that they can be more competitive in the era of globalization.

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