

The Effect of Product Quality, Service Quality, and Price on Purchasing Decisions Through Consumer Trust As An Intervening Variable at PT. Freya First Indonusa Medan

Rizki Fajri Nasution¹, Adelina Lubis², Nur Aisyah³

^{1,2,3}Universitas Medan Area, Indonesia

Email: rizkifajri1@gmail.com

Abstract:

This study aims to determine the effect of product quality, service quality, and price on purchasing decisions through consumer trust as an Intervening variable at PT. Freya Frist Indonusa Medan. This study uses independent

variables: Product Quality (X1), Service Quality (X2), and Price (X3) dependent variable: Purchase Decision (Y) with intervening variable: Consumer Trust (Z). This study uses quantitative methods, and data collection techniques using questionnaires and observations with structural equation modeling-partial least squares (SEM-PLS) data analysis methods using SmartPLS software. The population in this study was 225 consumers and used the slovin formula technique with a significance level of 0.05, so the number of samples in this study was 144 respondents taken from part of the population. Based on the results of the hypothesis test, Product Quality (X1) has a positive effect on Consumer Trust (Z), with a coefficient value (Original Sample column) = 0.296, and significant, with T-Statistics = 3.486 > 1.96 and P-Values = 0.001 < 0.05. Service Quality (X2) has a positive effect on Consumer Trust (Z), with a coefficient value (Original Sample column) = 0.304, and significant, with T-Statistics = 3.577 > 1.96 and P-Values = 0.000 < 0.05. Price (X3) has a positive effect on Purchasing Decisions (Y), with a coefficient value (Original Sample column) = 0.158, and significant, with T-Statistics = 2.263 > 1.96 and P-Values = 0.024 < 0.05.

Keywords:

Product Quality, Service Quality, Price, Purchasing Decisions; Consumer Trust.

I. Introduction

In the era of globalization and increasingly tight business competition, companies are required to continue to improve their performance and competitiveness. In addition, every entrepreneur must be able to survive and continue to develop in the increasingly widespread competition in the business world. The increasingly rapid technology and increasingly broad knowledge cause differences in every aspect of life, the higher the changes in the business world and the conditions of uncertainty force entrepreneurs to compete in competition.

On the one hand, the era of globalization has expanded the market for Indonesian company products; on the other hand this situation has caused increasingly tight competition between domestic and foreign companies. As is the case in the furniture industry, the development of furniture in Indonesia continues to grow rapidly. In other words, marketing is the most important activity in the business world because it is closely related to the sales process. So, having knowledge about marketing is the most important thing for business owners when facing a problem that will be faced in the future.

The problems faced are usually in the form of decreasing income related to the decrease in consumer purchasing power for a product. This is where the right strategy is needed to

retain existing consumers so that they do not move to another place and have an impact on the business that continues to survive. In the marketing process, business owners can focus on consumer satisfaction, which is one of the keys to maintaining a business. As time goes by and technology develops, it triggers marketing in various forms to sell its products.

Table 1. Total revenue of PT. Freya Frist Indonusa Medan

No	Year	Amount
1	2021	Rp. 46,000,000,-
2	2022	Rp. 60,950,000,-
3	2023	Rp. 58,750,000.-

Source: PT. Freya Frist Indonusa Medan Revenue 2022-2023

It can be seen from the table data above explaining the income of PT. Freya Frist Indonusa Medan in 2021-2023. In 2021, it received an income of IDR 46,000,000, - and in 2022 it increased by IDR 60,950,000, - in 2023 it decreased by IDR 58,750,000. It can be seen that PT. Freya Frist Indonusa Medan experienced very rapid price fluctuations. So PT. Freya Frist Indonusa Medan must create innovations to be able to balance income from year to year. With the rise and fall of PT. Freya Frist Indonusa Medan's income due to the decreasing number of products sold, it means that there is a decrease in consumer purchasing decisions towards the store, because as it should be, if the factors run according to expectations, consumer satisfaction will also increase.

Product quality is one of the key factors in influencing customer satisfaction. According to Kotler and Armstrong (2018), Product quality is a characteristic of a product or service that depends on its ability to determine stated or implied customer purchasing decisions. PT. Freya Frist Indonusa Medan has tried to improve the quality of its products, but still faces challenges in terms of consistency.

Service quality also plays an important role in shaping customer satisfaction. Parasuraman et al. (2017) asserted that service quality is the difference between customer expectations and their perceptions of actual service performance. PT. Freya Frist Indonusa Medan faces challenges in improving the speed and effectiveness of their customer service.

Price is a factor that affects the level of customer satisfaction and is also an important factor in sales. According to research conducted by Setiawan and Irawati (2023), price plays an important role in the marketing mix, because price determination is directly related to the income received by the company.

II. Review of Literature

According to Sinulingga (2021) product quality is an element of business that we need to pay attention to by consumers or customers, but there are especially for consumers or customers who want to maintain the quality of our products that we want to market. Maramis (2018) states that product quality is "the ability of a product to demonstrate its function; this includes overall durability, reliability, accuracy, ease of operation, and product repair as well as other product attributes".

Based on the above understanding, it can be concluded that product quality is the overall features, characteristics and specifications of a good or service that depend on its ability to meet consumer needs.

According to Nasir (2021), it can be concluded that there are several indicators of product quality as follows:

1. Product in how long in the use of the product that we can use as a product improvement that is Performance
2. Range and type of features
3. Reliability or durability
4. Sensory characteristics
5. Ethical profile and image

Service quality is a crucial aspect in the increasingly competitive modern business world. This concept has become a major focus for many organizations seeking to excel in an increasingly challenging market. According to Hamirul (2020), service quality is a comparison between the reality of the service that will be received and the expectations of the service that consumers or customers want to receive. According to Ariani (2020), service quality is a quality that can be determined by customers, and where a customer wants a product or service that will be in accordance with the needs of the existing expectations of the level of product value. Based on several definitions that have been described above, it can be concluded that service quality is a form of behaviour that can provide fulfilment of needs from customers for the products or services they have used so that customers can provide an assessment of the quality of the service that has been provided.

According to Jeany and Siagian (2020), there are several indicators of service quality as follows:

1. *Tangible*
2. *Realizability*
3. *Responsiveness*
4. *Assurance*
5. *Empathy*

According to Abubakar (2020), price is the amount of money that consumers must spend to obtain the products or services they buy to meet their needs and desires. According to Mardia (2021) price is the amount of money spent on a product or service, or the amount of value exchanged by consumers to obtain benefits or use of a product or service. Based on the explanation above, it can be concluded that price is a character in the form of an amount of money that can be exchanged for an item or service by buying it so that it is useful for meeting the needs and desires of consumers.

According to Tambun (2023), there are three price indicators, namely:

1. Affordable prices for consumer purchasing power,
2. Competitive prices with other brands,
3. Giving discounts or price cuts.

The definition of a purchasing decision is an attitude that can be considered to buy a product or not a good or service (Aditya & Krisna, 2021). According to Bancin (2021), the definition of a purchasing decision is a decision-making process that can be influenced by consumer or customer behavior. Based on several definitions that have been described above, it can be concluded that a purchasing decision is a decision-making process carried out by consumers to use a good or service that involves a consideration process such as what product or service will be purchased and its quality, how much, how to buy the goods or services.

The Purchasing Decision Process, according to Kotler and Armstrong (2018), is known as the 5-stage model purchasing decision process (The buyer decision process), namely:

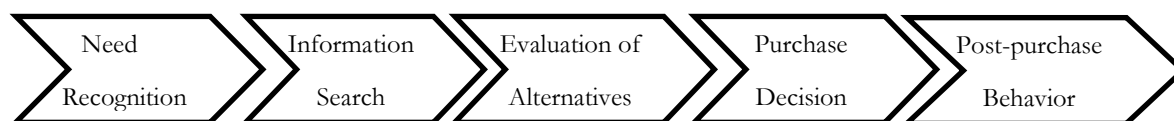


Figure 1. Purchasing Decision Process

Source: Kotler, Armstrong (2018)

According to Ashari (2022), customers divide purchasing decisions into three indicators, namely:

1. *benefit association*,
2. *priority* in purchasing and
3. *frequency* purchase

Trust is the basic building block of business; a business transaction involving two or more parties will occur if each party trusts the other. According to Gultom (2020) Customer trust is a full contributor to customer loyalty. Customer Trust is the willingness of customers to trust a company or brand to meet their expectations (Siregar, 2021). Thus, consumer trust is the willingness of one party to accept the risk from another party based on the belief and hope that the other party will take action as expected, even though both parties do not know each other. According to McKnight in the book Priansa (2017) states that there are two dimensions of consumer trust, namely:

1. *Trusting Belief*
2. *Trusting Intention*

III. Research Methods

The type of research used in this study is quantitative research. According to Sugiyono (2022), the quantitative method is a research method based on positivism to study a certain population or sample and random sampling with data collection using research instruments and statistical data analysis with the aim of testing the established hypothesis. While this type of research uses an associative research type, According to Sugiyono (2022), associative research is research with the aim of determining the effect of two or more variables. The research was conducted at PT Freya Frist Indonusa, which is located at the Ringroad Business Center in Ruko, Jl. Ring Road Jl. Gagak Hitam No.B6, Tj. Sari, Kec. Medan Selayang, Medan City, North Sumatra 20133. In this study, the population in this study were consumers who shopped at PT Freya Frist Indonusa, the number of which from July to December 2023 was 225 customers. From the population of 225 customers, the number of samples was determined using the Slovin formula, and the sample studied had 144 respondents. The data collection techniques used were questionnaires, observations, and literature studies. The data analysis method used is structural equation modeling-partial least squares (SEM-PLS) using SmartPLS software.

IV. Results and Discussion

4.1 Research result

Convergent validity is part of the measurement model (measurement model) which in SEM-PLS is usually called the outer model while in covariance-based SEM it is called confirmatory factor analysis (CFA). There are two criteria to assess whether the outer model (measurement model) meets the requirements for convergent validity for reflective constructs,

namely (1) loading must be above 0.7, and (2) the p-value is significant (<0.05). However, in some cases, the loading requirement above 0.7 is often not met, especially for newly developed questionnaires. Therefore, loading between 0.40-0.70 must still be considered to be maintained.

Indicators with loadings below 0.40 should be removed from the model. However, for indicators with loadings between 0.40 and 0.70, we should analyze the impact of the decision to remove the indicator on the average variance extracted (AVE) and composite reliability. We can remove indicators with loadings between 0.40 and 0.70 if the indicator can increase the average variance extracted (AVE) and composite reliability above its threshold. The threshold value for AVE is 0.50 and composite reliability is 0.7. Another consideration when removing indicators is the impact on the content validity of the construct. Indicators with small loadings are sometimes retained because they contribute to the content validity of the construct. Table 2 presents the loading values for each indicator.

Table 2. Validity Test based on Outer Loading

	Price	Consumer Trust	Purchasing decision	Service Quality	Product Quality
HG1	0.827				
HG2	0.858				
HG3	0.850				
KK1		0.796			
KK2		0.780			
KK3		0.744			
KK4		0.820			
KP1			0.845		
KP2			0.799		
KP3			0.828		
PEL1				0.830	
PEL2				0.841	
PEL3				0.883	
PEL4				0.848	
PEL5				0.833	
PRO1					0.841
PRO2					0.824
PRO3					0.881
PRO4					0.799
PRO5					0.846

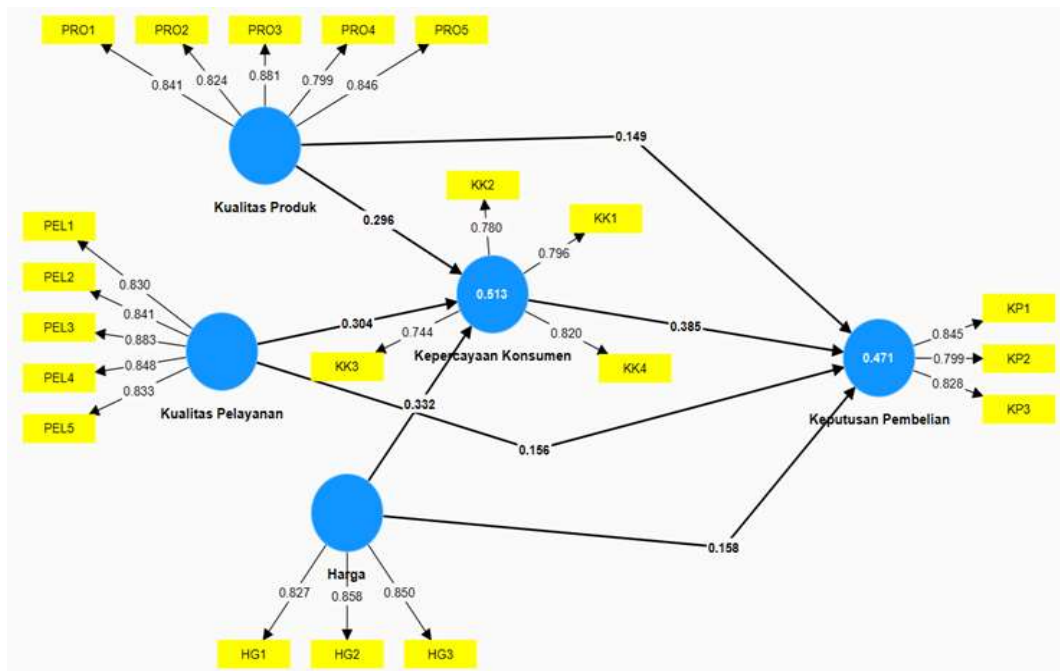


Figure 2. Research Model (Outer Loading)

Based on the outer loading validity test in Table 2 and Figure 2, it is known that all outer loading values are > 0.7 , which means that they have met the validity requirements based on the loading value. Furthermore, validity testing is carried out based on the average variance extracted (AVE) value.

Table 3. Validity Test based on Average Variance Extracted (AVE)

	Average variance extracted (AVE)
Price	0.714
Consumer Trust	0.617
Purchasing Decision	0.679
Service Quality	0.718
Product Quality	0.703

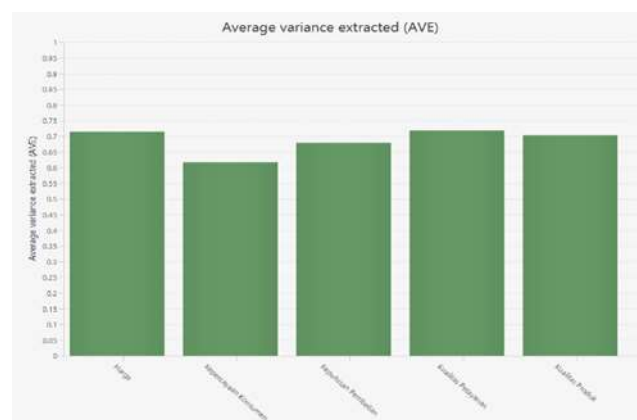


Figure 3. Validity Test based on Average Variance Extracted (AVE)

The recommended AVE value is above 0.5. It is known that all AVE values are > 0.5 , which means that they have met the validity requirements based on AVE. Furthermore, reliability testing is carried out based on the composite reliability (CR) value.

Table 4. Reliability Test based on Composite Reliability (CR)

	Composite reliability (rho_c)
Price	0.882
Consumer Trust	0.865
Purchasing decision	0.864
Service Quality	0.927
Product Quality	0.922

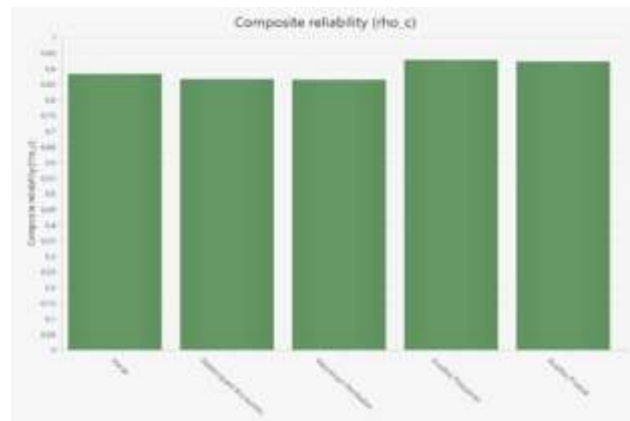


Figure 4. Reliability Test based on Composite Reliability (CR)

The recommended CR value is above 0.7. It is known that all CR values are > 0.7 , which means that they have met the reliability requirements based on CR. Furthermore, reliability testing is carried out based on the Cronbach's alpha (CA) value.

Table 5. Reliability Test based on Cronbach's Alpha (CA)

	Cronbach's alpha
Price	0.800
Consumer Trust	0.793
Purchasing decision	0.764
Service Quality	0.902
Product Quality	0.894

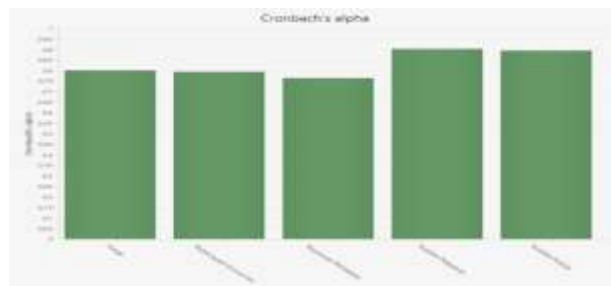


Figure 5. Reliability Test based on Cronbach's Alpha (CA)

The recommended CA value is above 0.7. It is known that all CA values are > 0.7, which means that they have met the reliability requirements based on Cronbach's alpha. Furthermore, discriminant validity testing is carried out using the Fornell-Larcker approach. Table 6 presents the results of discriminant validity testing.

Table 6. Discriminant Validity Test: Fornell & Larcker

	Price	Consumer Trust	Purchasing decision	Service Quality	Product Quality
Price	(0.845)				
Consumer Trust	0.556	(0.785)			
Purchasing decision	0.486	0.640	(0.824)		
Service Quality	0.361	0.546	0.485	(0.848)	
Product Quality	0.385	0.549	0.485	0.412	(0.839)

Note: The values between “()” are the square roots of AVE.

In discriminant validity testing, the AVE square root value of a latent variable is compared with the correlation value between the latent variable and other latent variables. It is known that the AVE square root value for each latent variable is greater than the correlation value between the latent variable and other latent variables. So it is concluded that it has met the requirements of discriminant validity.

Table 7. Discriminant Validity Test: HTMT

	Price	Consumer Trust	Purchasing decision	Service Quality
Consumer Trust	0.695			
Purchasing decision	0.616	0.812		
Service Quality	0.425	0.641	0.583	
Product Quality	0.453	0.647	0.588	0.459

Based on the results of the discriminant validity test using the HTMT approach, it is known that all values are <0.9, which means that it is concluded that the discriminant validity requirements based on the HTMT approach have been met.

Table 8. Path Coefficient Test & Significance of Influence

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values	R-Squares	Q-Squares	SRMR
Price -> Consumer Confidence	0.332	0.338	0.082	4.052	0.000	0.513	0.304	0.058
Service Quality -> Consumer Trust	0.304	0.302	0.085	3,577	0.000			
Product Quality -> Consumer Trust	0.296	0.293	0.085	3.486	0.001			
Price -> Purchase Decision	0.158	0.165	0.070	2.263	0.024	0.471	0.302	

Service Quality -> Purchase Decision	0.156	0.164	0.067	2,339	0.020			
Product Quality -> Purchase Decision	0.149	0.151	0.060	2,469	0.014			
Consumer Confidence -> Purchasing Decision	0.385	0.371	0.102	3,768	0.000			
Price -> Consumer Confidence -> Purchase Decision	0.128	0.125	0.044	2,906	0.004			
Service Quality -> Consumer Trust -> Purchase Decision	0.117	0.112	0.046	2,523	0.012			
Product Quality -> Consumer Trust -> Purchase Decision	0.114	0.109	0.045	2,508	0.012			

Based on the results in Table 5.7, the following results were obtained:

1. Price has a positive effect on Consumer Trust, with a coefficient value (Original Sample column) = 0.332, and is significant, with T-Statistics = 4.052 > 1.96 and P-Values = 0.000 < 0.05 (Hypothesis Accepted).
2. Service Quality has a positive effect on Consumer Trust, with a coefficient value (Original Sample column) = 0.304, and is significant, with T-Statistics = 3.577 > 1.96 and P-Values = 0.000 < 0.05 (Hypothesis Accepted).
3. Product Quality has a positive effect on Consumer Trust, with a coefficient value (Original Sample column) = 0.296, and is significant, with T-Statistics = 3.486 > 1.96 and P-Values = 0.001 < 0.05 (Hypothesis Accepted).
4. Price has a positive effect on Purchasing Decisions, with a coefficient value (Original Sample column) = 0.158, and is significant, with T-Statistics = 2.263 > 1.96 and P-Values = 0.024 < 0.05 (Hypothesis Accepted).
5. Service Quality has a positive effect on Purchasing Decisions, with a coefficient value (Original Sample column) = 0.156, and is significant, with T-Statistics = 2.339 > 1.96 and P-Values = 0.020 < 0.05 (Hypothesis Accepted).
6. Product Quality has a positive effect on Purchasing Decisions, with a coefficient value (Original Sample column) = 0.149, and is significant, with T-Statistics = 2.469 > 1.96 and P-Values = 0.014 < 0.05 (Hypothesis Accepted).
7. Consumer Trust has a positive effect on Purchasing Decisions, with a coefficient value (Original Sample column) = 0.385, and is significant, with T-Statistics = 3.768 > 1.96 and P-Values = 0.000 < 0.05 (Hypothesis Accepted).
8. Consumer Trust significantly mediates the relationship between Price and Purchase Decision, with T-Statistics = 2.906 > 1.96 and P-Values = 0.004 < 0.05 (Mediation Hypothesis Accepted).

9. Consumer Trust significantly mediates the relationship between Service Quality and Purchase Decision, with T-Statistics = $2.523 > 1.96$ and P-Values = $0.012 < 0.05$ (Mediation Hypothesis Accepted).
10. Consumer Trust significantly mediates the relationship between Product Quality and Purchase Decision, with T-Statistics = $2.508 > 1.96$ and P-Values = $0.012 < 0.05$ (Mediation Hypothesis Accepted).

V. Conclusion

The R-Squares value of Consumer Trust is 0.513, which means that Product Quality, Service Quality, Price are able to influence Consumer Trust by 51.3%. The Q-Squares value of Consumer Trust is $0.304 > 0$, which means that Product Quality, Service Quality, Price have predictive relevance to Consumer Trust. The R-Squares value of Purchasing Decision is 0.471, which means that Product Quality, Service Quality, Price, Consumer Trust are able to influence Purchasing Decision by 47.1%. The Q-Squares value of Purchasing Decision is $0.302 > 0$, which means that Product Quality, Service Quality, Price, Consumer Trust have predictive relevance to Purchasing Decision.

It is known that based on the results of the SRMR goodness of fit test, the SRMR value = $0.058 < 0.1$, so it is concluded that the model is FIT.

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