

CHAPTER 1

INTRODUCTION

1.1 Background

This research attempts to replicate the previous study by Shukla (2009) that explores to find the better understanding of why and how the purchase decisions lead people in their certain behavior models. The most important thing to replicate this study is to explore the purchase decision and intention to buy in Indonesia is whether dominated by the factors of individuals and societies to affect the purchase decision in the future. To measure the purchase intention, there are variables that can be used to know such as the consideration of purchasing the brand and the repurchase intention of the same brand in the next future (Laroche and Zhou, 1996; Laroche and Sadokierski, 1994; Mackenzie and Belch, 1986). The key ingredient of many models is the behavioral intentions (Sheeran and Abraham, 2003; Dick and Basu, 1994).

In addition, purchase decision needs to be translating from the intentions for the consumer research as the main challenge (Sniehotta *et al.*, 2005; Mittal and Kamakura, 2001). The intention of customer to purchase a specific brand is not only influenced by the same brand attitude, but also by the attitude of the customer that leads to another brand when considering which brand to buy (Porter, 1994). The good effect on purchase decision is caused by the approach to a specific brand (Brown and Stayman, 1992; Homer, 1990; MacKenzie, 1986). Purchase decision is not about the price sensitivity for the type of a loyal customer, however they express their loyalty by giving positive recommendation and possible to invest their money for the brand to show their extreme loyalty and trust (Schoenbachler, 2004).

The customer buying behavior is depending on the existing level in competition within the industry (Porter, 1974). In the previous research also found that the intention from a consumer is affected by the attitude within the same brand or other brands that is appear during the consideration (Laroche and Sadokierski, 1994; Laroche and Zhou, 1996). The world today is having the consciousness from the society affected as one of the factors when they decided to make a purchase decision. It is important to have a deeper look for how the interaction within the consumers and the brands is developed and possible to establish the communities in their personal lives (Esch *et al.*, 2006).

In addition, according to the Global Youth Survey (2013), 43% young adult generation in the whole world are deciding their decision in buying a product through looking for the information in the internet, However, 40% of them are taking their decision based on the recommendation from their friends or family, and the remaining 17% are taking their decision based on the advertising on the media.

The recent development of the retail industries is one of the fastest growing sectors that affects most to the economy in Indonesia. Many people are moving to the Modern Trade, which are including Hypermarkets (e.g. Carrefour, Giant, Hypermart), Supermarkets (e.g. Carrefour Express, Gelael, Giant Supermarket, Hero), Supermarkets in Department Stores (e.g. Foodhall), Department Stores (e.g. Matahari, Ramayana, Sogo), Convenience Stores, Personal Cares, and Minimarkets (e.g. Alfamart, Indomaret, Starmart, Yomart).

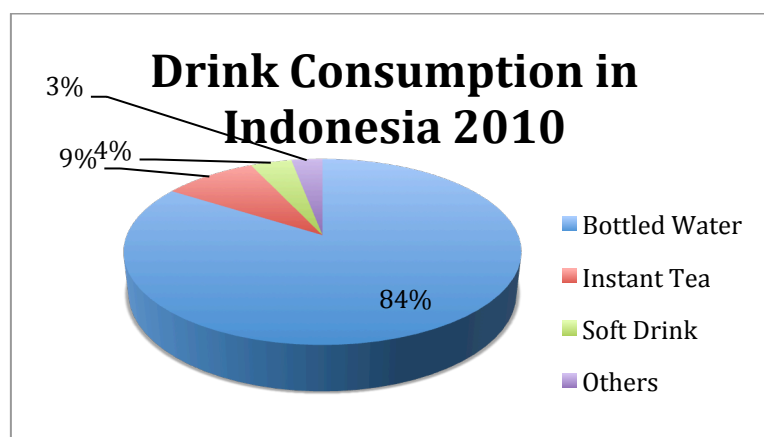
Table 1.1 Number of outlets of modern retailers in Indonesia, 2007-2011

Types of Retailers	2007	2008	2009	2010	2011*
Hypermarket	99	130	143	154	203
Supermarket	1,377	1,477	1,272	1,230	1,229
Mini-Market	8,889	10,289	11,297	15,538	16,720
Total	10,365	11,866	13,342	16,922	18,152
Growth (%)	-	14.5	12.4	26.8	10

Sources: Aprindo/Data Consult/ICN processed 2011

Note: *estimated

The table 1.1 above shows the hypermarket outlets keeps increasing since 2007 until 2011. On the other hand, the Supermarket outlets are decreasing since 2009. However, the outlets of Mini-Market are keep increase from 8,889 in 2007 to 16,720 in 2011.

**Figure 1.1 Drink Consumption in Indonesia 2010**

Source: Sumber Asosiasi Minuman Ringan Indonesia/2010

As can be seen on the pie chart of Drink Consumption in Indonesia 2010, the survey shows that mostly the consumption in Indonesia is bottled water (84%), followed by instant tea (9%), soft drink (4%), and others (3%).

On December 2010, based on the research conducted by Nielsen (2011), according to the gross rate card:

Table 1.2 Top 10 Product in 2010

<u>Product</u>	<u>Category</u>
Aqua	Mineral Water
Mizone	Mineral Water
Coca-Cola	Soft Drink
SGM Eksplor 3	Growing Up Milk
Nutrilon Royal 3	Growing Up Milk
Bendera	All Growing Up Milk
Marjan Boudoin	Syrup
Dancow	All Milks
Milo	
Fanta	Soft Drink

Source: Nielsen Advertising Information Services/2011

These are the TOP 10 products in Indonesia that shows Aqua as the mineral water is in number 1 followed by Mizone that taking place of the Coca Cola in 2010 became number 3. Aqua is a bottled water brand that produces by PT. Aqua Golden Mississippi in Indonesia and as the market leader in this industry that owned about 50% market share in Indonesia market.

1.2 Scope

This research is intended to find out the impact of customer society involvement that influence young-adult on their purchase intention as well as the behavioral intentions. The study is focused on analyzing the impact of contextual factors, brand loyalty, and brand switching on purchase decisions. This research was conducted in the area of Jakarta, which especially targeting the young adult market with the range age from 18 to 24 years old. The respondents' questionnaires were conducted from April 2013 to May 2013.

1.3 Problem Statement

The author will be examining the issues that influencing the purchase intention of the customers in choosing the brand. The research will be focusing on three most important issues, which are the main issues to the phenomena of the behavioral intentions and decision to purchase. As mentioned earlier, this study will be observed from the studies that related to the previous study by Shukla (2009) that mentioned about (1) behavioral intentions is the key to measure the overall satisfaction with the purchase intention (Spreng *et al.*, 1996) that gives affect towards the brand loyalty or the switching behavior; (2) behavioral intentions that have been determined by the assessment of consumers' attitude towards the product or service to the marketing mix variables such as advertisements and promotions.; (3) clearly separated the into groups of loyals and switchers customers (Dekimpe *et al.*, 1997; Yim and Kannan, 1999).

1.4 Aims and Benefits

The research is aiming to explore the contextual factors that influence young adult market on their decision to purchase mineral water along with the impact of the behavioral intentions i.e. brand loyalty and brand switching on their purchase decision. The second aim is to analyze the effect of contextual factors, brand loyalty, and brand switching toward the purchase decisions.

There are three benefits that are expected to gain from this research. First, it will help the companies to have a better focus on their approach to the young adult market from their contextual factors perspective. The second is to provide an insight for the business practitioners on how to maintain their consumer loyalty. Lastly, it is expected to give another insight on how Indonesian young adults perceive the mineral water industry.

1.5 Research Questions

The following sets of questions is the guideline in determining how purchase decision is affected by the contextual factors, brand loyalty, and brand switching:

RQ1: Do the contextual factors, brand loyalty, and brand switching have a significant impact on purchase decisions?

RQ1a: Do the contextual factors have a significant impact on purchase decisions?

RQ1b: Does the brand loyalty have a significant impact on purchase decisions?

RQ1c: Does the brand switching have significant impact on purchase decisions?

1.6 Structure

CHAPTER 1: INTRODUCTION

This first chapter is covering the background of this study and the general information as well as the facts about the purchase intention and the relation towards contextual factors, brand loyalty, and brand switching of mineral water industry in minimarket. It is including the brief explanation from the secondary data that will be used to support the variables, the scope and limitations, the aims and benefits, the questions to be answered, and the methodology explanation in how to conduct this research.

CHAPTER 2: LITERATURE REVIEW

On this second chapter will be discussing about the framework of purchase decisions along with the explanation of the framework model that being used. It shows the definitions and related findings that will give valuable contribution to this particular study. The previous findings gained from the previous study conducted by the academic researchers will be included in this chapter.

CHAPTER 3: RESEARCH DESIGN

This chapter will provide deeper information and explanations on how this research will be conducted. The chapter covers from the data collection methods, questionnaires model, sampling method, and the method of analysis.

CHAPTER 4: RESULT AND ANALYSIS

The results of the research conducted will be covers in this chapter. The result will be discussed and analyzed in this chapter, which was measured using: Cronbach

Alpha to measure the reliability of the questionnaires, Confirmatory Analysis to measure the validity of the data, and Multiple Regression Analysis to analyze the hypotheses.

CHAPTER 5: CONCLUSION AND RECOMMENDATION

In this final chapter, summarize of conclusion and recommendation of the findings will be discussed. It will provide the suggestions to the future researchers that have similar interest related to the purchase decisions. The managerial implications as well as the limitations faced when this research was conducted will also be discussed in this chapter.