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Analysis of the impact of price and brand image on consumer decisions to purchase Baturaja cement products in Palembang City

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ABSTRACT

The Indonesian Cement Association (ASI) projects growth for cement companies in 2022, but challenges persist, including declining demand and overcapacity in the national cement industry, leading to intensified price competition. This research was conducted with the aim of determining the influence of price and brand image on consumer purchasing decisions for Baturaja cement products in the city of Palembang, offering valuable insights into consumer behavior within the cement market. The study employed a quantitative approach, specifically utilizing multiple linear regression analysis to determine the influences of price, brand image, and purchasing decisions. The results show that price has a positive and significant effect on consumers' purchasing decisions in buying Baturaja cement products. Brand image is a significant influencer on consumer decisions.

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INTRODUCTION

The development of the business world after Covid-19 is getting more rapid, causing business competition conditions in Indonesia to be more intense. The number of companies working in the same business field and selling similar goods, the same specifications and the same brand and model makes competition inevitable. The competition that occurs even more leads to unfair competition, with companies that carry out price war and discount strategies that do not consider the company's health which ultimately makes the company experience difficulties in finance and cash flow. In addition, the rise of companies that dare to provide payment tempos for a long time damages the competitive climate. Companies no longer think about their own business performance in order to win the competition (Wibowo & Sudarwati, 2023).

The cement industry faces significant competition, exacerbated by an oversupply of products due to the emergence of new producers following a property sector boom from 2010 to 2014. The government's state infrastructure development program aims to bolster both the real and financial sectors, recognizing cement as a crucial component in construction. The Indonesian Cement Association (ASI) projects growth for cement companies in 2024, yet challenges persist, including declining demand and overcapacity in the national cement industry, leading to intensified price competition. To enhance consumer purchasing decisions, cement producers must focus on aligning their pricing strategies with consumer expectations amidst this competitive landscape.

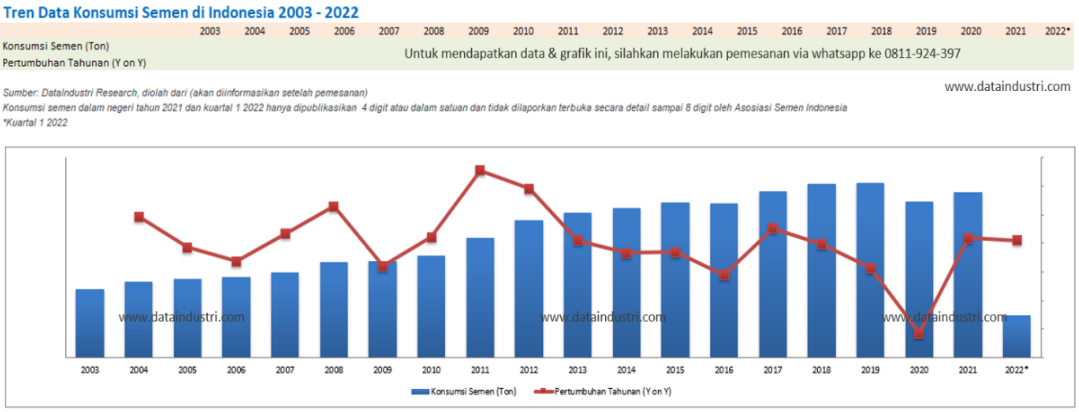

Figure 1. Trends in Cement Consumption Data in Indonesia in 2003-2022
Source: www.dataindustri.com/produk/tren-data-konsumsi-semen-di-indonesia/, 2023

Based on the data in Figure 1, it shows the trend of cement consumption data in Indonesia from 2003 to 2022. It can be seen that this cement consumption trend fluctuates every year. Cement consumption in Indonesia in the 1st quarter of 2022 reached 17.12 million tons or grew 5.5 percent (year-on-year) compared to cement consumption in Indonesia in the 1st quarter of 2021.

The prospects for the cement industry in 2023 are considered brighter. PT Semen Indonesia (Persero) Tbk and PT Indocement Tunggal Prakarsa Tbk, showing positive performance since the beginning of 2023. In the first quarter of 2023, Semen Indonesia posted a net profit of IDR 562 billion or grew 11 percent compared to the same period in 2022. Meanwhile, Indocement posted a net profit of IDR 371.4 billion or grew 103 percent compared to the same period the previous year. Cement companies have prospects for growth in 2023. However, in general, it will still remain oversupply because many cement producers are new after the property sector began to boom in 2010 to 2014 so that competition is increasing and new cement factories have emerged (Primantoro, 2023).

PT Semen Baturaja Tbk (SMBR) is a company engaged in the cement industry in Indonesia which was established in 1974 where PT Semen Baturaja Tbk is a subsidiary of PT Semen Indonesia (Persero) Tbk. The company has a factory with an installed production capacity of 3.85 million tons of cement, namely 1 (one) integrated factory in Baturaja and 2 (two) bagging and distribution units in Palembang and Panjang. To support its business activities, the company also has a representative office in Jakarta. At the end of 2022, the integration process of SMBR into PT Semen Indonesia (Persero) Tbk (SIG) was successfully completed and has completed all stages of the formation of the SOE holding Cement Sub-cluster which was marked by the signing of the Deed of Share Transfer Agreement on December 19, 2022 between the State of the Republic of Indonesia and PT Semen Indonesia (Persero) Tbk where as many as 7,499,999,999 (seven billion four hundred and ninety nine million nine hundred ninety nine thousand nine One hundred ninety-nine) Series B shares owned by the State of Indonesia in SMBR changed their ownership to PT Semen Indonesia (Persero) Tbk, so that the current status of SMBR changed to Non-Persero to PT Semen Baturaja Tbk.

PT Semen Baturaja Tbk (SMBR) projects that the company's revenue until the end of 2023 can grow 12% and net profit can grow 23% from last year. VP of Corporate Secretary SMBR Basthony Santri said that previously SMBR's cement sales revenue for the 1-2023 semester period still grew 2.5% when compared to the previous year's period. The retail segment market is still negative 12% from the first semester of last year, although the project segment market grew 21%. SMBR's revenue was dominated by cement sales to third parties which reached IDR 437.02 billion. Revenue from the sale of cement to this party shrank by 45% from the original Rp 806.55 billion. Revenue from third-party transportation services also plummeted by 84.08% from the original IDR 1.08 billion to only IDR 172.65 million (Rhamadanty, 2023).

PT Semen Baturaja Tbk (SMBR) recorded a new revenue post, namely the sale of cement to related parties. Throughout the first six months of 2023, SMBR recorded revenue from PT Semen Indonesia Tbk (SMGR), PT Semen Padang, and PT Solusi Bangun Indonesia Tbk (SMCB) worth IDR 395.03 billion. Regarding the challenges that the Company still has to face until the last quarter of this year. The condition of oversupply is still a big homework in the cement industry. To overcome the side effects of this challenge, SMBR implements several strategies, one of which is by implementing innovation and continuous improvement in the production process through Total Productive Maintenance (TPM), the goal is to increase efficiency, reduce downtime and optimize production quality.

PT Semen Baturaja Tbk is also trying to use alternative fuels that have economic value. For additional information, until the end of August 2023, the Company has absorbed the capital expenditure budget or capital

expenditure (capex) of IDR 76 billion. This year's capex allocation is prioritized for development investment and industry 4.0 transformation programs (Rhamadanty, 2023).

This research was conducted with the aim of determining the influence of price and brand image on consumer decisions in buying Baturaja cement products in the city of Palembang. The research examines the impact of price and brand image on consumer purchasing decisions for Baturaja cement products in Palembang, offering valuable insights into consumer behavior within the cement market. By highlighting the significance of these factors, the study informs marketing strategies for Baturaja cement and similar companies, enabling them to optimize pricing and enhance brand positioning. Additionally, the localized focus on Palembang contributes to a deeper understanding of regional consumer dynamics, aiding marketers, suppliers, and policymakers in making informed decisions that cater to specific market needs.

METHOD

The research employed a quantitative approach, specifically utilizing multiple linear regression analysis to determine the influence of price and brand image on consumer decisions regarding Baturaja cement products. The survey was included structured questionnaires to capture information on consumer perceptions of price, brand image, and purchasing decisions.

The population in this study is all consumers who purchase Semen Baturaja products in the city of Palembang in 2023-2024. The sample in this study is all consumers who purchase Semen Baturaja products in the city of Palembang in 2023. Sample measurement guidelines according to (Hair, 2010), can be specified as follows:

1) It depends on the number of parameters estimated. The guideline is 5-10 times the estimated number of parameters.
2) The number of statements used is as many items. So that the number of samples used in this study with a minimum limit of respondents is 15 items x 5 = 75, while the maximum limit is 15 items x 10 = 150. Thus, 100 respondents will be taken. This number is considered to be sufficient to represent the population to be studied because it has met the maximum limit of the research sample.

The data analysis involved multiple linear regression analysis to assess the relationships between the independent variables (price and brand image) and the dependent variable (consumer purchasing decisions). The significance of the relationships was evaluated using statistical significance tests, with a focus on p-values.

RESULTS AND DISCUSSION

Results

1) The price variable (X1), has a beta value of 0.210 with a significant value of 0.010 which is less than 0.05. This shows that price variables have a positive and significant influence on consumer decisions in buying Baturaja cement products in the city of Palembang. This proves that the first hypothesis on the price variable has a positive and significant effect is acceptable.
2) The brand image variable (X2), has a beta of 0.644 with a significance value of 0.000 which is less than 0.05. This shows that the brand image variable has a positive and significant influence on consumer decisions in buying Baturaja cement products in the city of Palembang. This proves that the second hypothesis on the brand image variable has a positive and significant effect is acceptable.

Discussion

The Effect of Price on Consumer Decisions in Buying Baturaja Cement Products in Palembang City

Price has a positive and significant effect on consumer decisions. These results are in line with the results of research from Ernawati et al. (2021), Setyani & Prabowo (2020), Haqiqi & Khuzaini (2020), Anwar & Andrean (2020), Nasution et al. (2020), Islam (2020), Amalia (2019), Firmanto (2019), Irana & Hidayat (2019), Hakim & Saragih (2019), Rafdinal & Rafdinal (2019), Tulanggow et al. (2019), Novansa & Ali (2018), Polla et al. (2018), Hendro & Hidayat (2018), Pratama & Santoso (2018), Soebakir et al. (2018), Maindoka et al. (2018), Hanifati & Waluyo (2018), Wangarry et al. (2018), and Hendrianti (2018) showing the results that price has a positive and significant effect on the purchase decision.

The respondent's response to my indicator is interested in buying and using Semen Baturaja because the price offered is cheaper than competitors showing the lowest value. Based on interviews conducted by the author with several respondents, respondents said that with the increasing number of competitors of cement companies in Indonesia and also the variety of prices given, there are more and more choices for consumers in choosing products. This shows that some consumers say they are more interested in buying products that are considered cheaper but have good quality. Meanwhile, the price indicator of Semen Baturaja offered in accordance with the quality of the products provided shows the highest score. Consumers said that the quality of cement produced by Semen Baturaja is of good quality and has various types of variations in the type of cement according to consumer needs.

The Influence of Brand Image on Consumer Decisions in Buying Baturaja Cement Products in Palembang City

Brand image has a positive and significant effect on consumer decisions. These results are in line with the results of research from Wu et al. (2022), Ahmad et al. (2021), Kebkole (2021), Ernawati et al. (2021), Tyas & Hartelina (2021), Fransiska & Madiawati (2021), Haqiqi & Khuzaini (2020), Anwar & Andrean (2020), Nasution et al. (2020), Amalia (2019), Firmanto (2019), Novita et al. (2019), Hakim & Saragih (2019), Foster (2018), Novansa & Ali (2018), Hendro & Hidayat (2018), Utomo & Waluyo (2018), Pratama & Santoso (2018), Mahanani (2018), Soebakir et al. (2018), Hanifati & Waluyo (2018), and Hendrianti (2018) shows the results that brand image has a positive and significant effect on purchase decisions.

The responses of PT Semen Baturaja respondents provided various types of online and offline ordering service options, showing the lowest value. This shows that some consumers say they agree with the choice of booking service. Consumers said that there was a lack of online service options, where consumers had limited time if they made purchases offline. Meanwhile, the indicators of Semen Baturaja products that are familiar to the general public show the highest value. This shows that the image that has been built by PT Semen Baturaja (Persero), especially in the city of Palembang, is very well known.

CONCLUSION

The research findings indicate that both price and brand image significantly influence consumer decisions in purchasing Baturaja cement products in Palembang. Future studies could investigate the complex interactions between these factors and additional elements like product quality and customer service. Comparative research across different regions may reveal how geographic and cultural differences impact consumer behavior. Moreover, examining the long-term effects of brand loyalty and consumer views on sustainability could provide insights beneficial for marketing strategies and product development. Finally, employing qualitative methods, such as focus groups or interviews, could enhance understanding of consumer motivations and attitudes regarding price and brand image in this context.

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