The Influence of Product Innovation and Service Quality to Buying Decision and the Impact to Repeat Buying at Progo Road Bandung

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Abstract. *The growth of culinary industry has encourage the entrepreneur to create more innovative product and excellent service that will affect customers buying decision and create customer engagement to repeat buying. Progo Road, one the culinary clustering in Bandung city have an attractive growth at the last year. Many housing now change to culinary industry and grow faster. Most of them have a very innovative product and serving customer well. The purpose of this research is to analyze the influence of product innovation and the service quality to buying purchasing decision and the impact to repeat buying. Survey conducted in the culinary industry along the Progo Road. This research is associative research using SEM-PLS. Samples taken as many as 384 people who come to Progo Road. By Using WarpPLS 3.0, this research found that product innovation and the service quality influence buying decision in the culinary industry along the Progo Road, but did not give an impact to repeat buying.*

Keywords: *Buying decision, culinary industry, product innovation, repeat buying, service quality.*

1. Introduction

Ridwan Kamil as the mayor of Bandung city state that Bandung is chosen as one from four best Asian destinations besides Bangkok, Seoul, and Mumbay (Kompas, 2015). Bandung which namely Parijs van Java has a beautiful culture, nature, resources, and climate for holiday, hang out and vacation. In 2014 more than six millions visitors came to Bandung for holiday and travelling (Prasetyo, 2014) whereas this numbers increase more and more every year and enforce entrepreneur thinking of the new model of business, new industry and perhaps new lifestyle.

One of the new sector created namely creative industries that is the sector depends on skill in manage idea, arts, and technology to creating sustainability. Creative industries also indicated as the main contributor in developing economics and employment of worker (Hermawati & Runiawati, 2015). So the resurrection of this industry plays a vital role for the growth of the city economic value, especially in Bandung city.

Bandung chosen as one of the Creative City on September 23th, 2013 by UNESCO (Parno, 2013). With the increasing of creative industries, the growth of city economic will be done (Badan Pusat Statistik Kota Bandung, 2015). UNESCO categorizes creative city by six sectors are design, music, culinary, art, literature and technology media. In Bandung city, culinary is one of the creative industry that should be developed as a superior product to become a tourism attraction as identity of the city.

Bandung culinary increase more and more makes this sector as the leading business around the city. Bandung changes to culinary city where visitors come. Culinary business increase from the small business until the big enterprise. Everyone can found food and snack in everywhere and be the place to go.

Lahindah, Djajadikerta & Aspiranti (2017) state that innovation influence organization performance in culinary industry on Bandung.

To achieve a good performance in the culinary industry, innovation playing essential roles. Innovation moves the implementation on introduction new product, process, marketing technique and reorganizing (Abouzeedan, 2011). Excellent performance in culinary entirely was heavily influenced by the innovations they do. The roles of innovation in the creative economy sectors closely related to the growth and development of world trends, changes in consumer behavior, purchase ability, and consumer educational background. Culinary industry dealing with the dynamic world market, where they challenged to survive, grow and develop (Lahindah & Mitra, 2017).

Bandung become more famous because of the growth of the culinary industry. Many places in Bandung now change to be a culinary area. The city of Bandung become a paradise place for food lover, Bandung has many types of snacks or foods. Therefore, many restaurants and food stalls found in Bandung City. Moreover, more domestic tourists came to spend their weekend season to visit the city of Bandung (Badan Pusat Statistik Kota Bandung, 2015). The development of the culinary industry in Bandung is increasingly making entrepreneurs have to create innovative products and excellent service for consumers. With innovative product and excellent service, people decided to remain loyal to the restaurants and cafes they have visited.

The current culinary attraction of Bandung is not only about the taste of various diverse foods and drinks menu. The culinary industry in Bandung continues to race in creating something unique and different from other competitors.

One of the region in Bandung city that is getting famous for many attractive culinary is Progo Road. Restaurants and cafes on Progo Road offering various types of food such as; Indonesia, Western, Japan, and Middle East. Progo Road is one of the roads in Bandung which is located close to the government building called "Gedung Sate," which was built since the Dutch era and is an old

residential area. Progo Road was once a residential area of ITB and UNPAD dormitory housing that changed into commercial area due to the emergence of Jonas Photo and then followed by many cafes that also caused the atmosphere at Progo Road crowded with visitors who come to restaurants and cafes (Asri & Humairo, 2015). Restaurants and cafes on the Progo Road have different nuances & themes, service quality, and product innovation. Some of the cafes and restaurants on the Progo Road as follows: Giggle Box, Hummingbird, Coffee Progo, Tokyo Connection, Qahwa, Mom's Bakery, Sejiwa, Please Please Please, Monster Bite, Ngorea.

The increasing of culinary business in Progo area causes culinary entrepreneur create creative ideas and attract consumer's attention and become purchasing decisions, in order to compete with competitors among another. With product innovation and good service quality, culinary at Progo Road are expected to survive and develop to support the economy of the city. In reality, only 25% culinary industry can survive more than five years (Ciputraentrepreneurship, 2011). This condition should be understand by the entrepreneur and government to make culinary getting stronger.

The purpose of this study is to find out how big the effect of product innovation and service quality to purchase decisions and their impact on repeat purchase. With understanding of the factors influenced culinary industries entrepreneur can achieve their goal and support the government to increase the economic value of the Bandung city.

2. Literature Study

Product Innovation
Abouzeedan (2011) state that innovation is the instrument to realize enterpreneurship economy. Product or service innovation is the company's ability to improve product design, features, or specifications as per the

customer's wishes or enhance the value of products or services by creating new products or services (Pejabat Pengelola Informasi dan Dokumentasi, 2016). The higher the company's product innovation will improve the company's performance through increased buying decision. In the global competition, companies must be able to modify their products to add value to the products they produce and must meet the needs and tastes of consumers. The added value of the resulting product may be the design or model of the product to produced and the service of the product being sold (Firdausi, 2016). Product innovation specifically a set of new idea in creating product or services which achieve competitive advantage to organization (Polder, Leeuwen, Mohnen, & Raymond, 2010)

Service Quality

Service Quality is an activity that offers services perceived by customers who already use the service. Service Quality is essential to customer satisfaction and trust (Rahmani-Nejad, Firoozbakht, & Taghipoor, 2014). Service Quality is a capital that gets describes the condition of the customer by comparing the service they expect with what they receive in evaluating the quality. Good service quality is one of the most important factors for determining purchasing decisions. Service Quality can be said good or quality if the services provided a company can satisfy its customers (Wibowo & Soedjono, 2014). Kotler, and Keller (2016) describe five dimension of service quality are tangible, Responsiveness, Reliability, Assurance, and Empathy.

Buying Decision And Repeat Buying

Kotler, and Armstrong (2012) states that the purchase decision is the consumer's decision to buy the most desired brand. Purchasing Decision is an activity or action that evaluates two or more behaviors and chooses one as a choice as a form of behavioral desire (Mardhotillah & Saino, 2013). Purchasing decisions are the stage of the decision process in which the consumer purchases the product. Consumers as the main actors in the buying process have always been a concern of the

producer. Purchase decisions made by consumers can occur if the customer has received services from the provision of services and after that consumers feel the satisfaction and dissatisfaction (Wibowo & Soedjono, 2014). In acting, consumers must take a decision; consumer purchasing decisions can be influenced by many factors. If businesspeople want to successfully sell their products, they must actively influence buyers about the benefits, benefits, and prices of the products they sell because they can influence potential buyers in the decision making process (Nofiawaty & Yuliandi, 2014)

Consumers who have decided to buy will experience satisfaction and will re-purchase. Here are the elements in measuring consumer satisfaction, namely (Kotler & Keller, 2012): (1). Overall customer satisfaction, which concerning how satisfied they are with the company's products. (2). Interest in re-purchase, when consumers will repurchase the company's products and (3). Willingness to recommend where willingness to recommend a product to a friend or family becomes an important measure for analysis and follow-up.

Hypothesis Development

Culinary is one of the attractions offered by the city of Bandung for domestic and foreign tourists. This condition causes entrepreneurs in the field of culinary should be able to create business in this culinary field as attractive as possible in order to keep his business survive (Irawan R. , 2016). Businesses that have the advantage will being the choice of consumers in deciding on purchases. This condition because the actions of consumers in deciding to buy a product is influenced by various factors, as; Service quality, store atmosphere, or product innovation from the company (Nofiawaty & Yuliandi, 2014). Product innovation is the organization's ability to improve design, quality, and new products.

Product Innovation will create value from the product and make the consumer decide to buy. Innovation is a generic factor that adds value to the organization through strategy,

behavior, and motivation and encouragement in conducting various activities (Kusumawardhani, Mc Carthy, & Perera, 2012), so innovation encourages consumers to decide to buy.

Service quality is the action or performance of the employee to the consumer because the quality of good service is one important factor to determine the purchase decision (Wibowo & Soedjono, 2014). Good service quality makes consumers feel comfortable so that consumers will feel happy and make purchasing decisions because it has felt the quality of service from the restaurant or cafe they have visited. At the end of their purchasing behavior, consumers who have decided to buy will experience satisfaction and will re-purchase. Their satisfaction develop when cosumers satisfied with the company's product. Their satifaction will bring up the interesting to re-purchase and follow with their willingness to recommend a product to their friend or family (Kotler & Keller, 2012).

Based on research framework there are three hypotheses on this research:
H₁: Product Innovation influence Buying Decision
H₂: Service Quality influence Buying Decision
H₃: Buying Decision influence Repeat Buying

3. Methodology

This research uses the descriptive and verification method of approach to the survey, with data collection through questionnaire (question form), interview, observation, and documentation. Where descriptive format aimed at explaining, summarizing the various conditions, circumstances, also there are variables, while verification is the research aimed to verify the truth of the results of previous research. The survey approach is a method of research that aims to get a conclusion that can describe and explain an idea against the results of the verification of the sample being studied. This research will study how product innovation and service quality effects the buying decision, and how its impact in repeat buying.

Product innovation describes a set of new idea in creating product or services which achieve competitive advantage to organization (Polder et al., 2010). It is indicated with three indicators that are the ability to create new product line, diversivied product line and expand different product. Service quality measure with five indicators are tangible, responsiveness, reliability, assurance and empathy. Buying decision are the stage of the decision process in which the consumer purchases the product in this research buying decision measured with five indicators. Moreover, repeat buying describes with three indicators — all the questions design in linkert scale to fit with the tools.

The sampling frames of this study consisted of consumers in Progo Road. Respondents select after their buying behavior along Progo streets by using questionnaires. Based on the results of the data collecting, there are 384 questionnaires valid to analyses. Data analyzed by using WarpPLS 3.0, and hypothesis verified with observation and in-depth interview. By using WarpPLS to identify the influence between variables and how the relation each other.

WarpPLS is a software to analyze Structural Equation Modelling (SEM) for variance-based or Partial Least Square (PLS) and factor-based methods. WarpPLS also identify output combined loading and cross loading to report validity convergent and validity discriminant. From the data all the questioners are valid. Result of the data show that all the questioners are reliable.

4. Findings and Discussion

In this study *model* developed were operationalized using existing scales identified in the literature and tested using some measurement. Product innovation indicated with three indicators that explain the organization ability to improve their product, expand their variety and create new product. Service quality represented by fifteen question that were describe tangible, responsiveness,

reliability, assurance, and empathy of the service. Purchase decisions occurs if the customer has received services from the provision of services and after that consumers feel the satisfaction and dissatisfaction (Wibowo & Soedjono, 2014). Purchase decisions represent with five question and repeat buying with three question.

Direct survey and interview did to the respondent and found 384 questionnaires valid to analyses. The validity and reliability were supported and can be used to measure the constructs. First step in analize the data is make sure that the model fit. Table 1. shows that model is fit, model developed show the p-value of Average Path Coefficient (APC), Average R-square (ARS) less than 0.05 and Average Variance Inflation Factor (AVIF) less than 5.

Table 1.
Model Fit Indices and P-Value

APC=0.242	P<0.001
ARS=0.186	P<0.001
AVIF=1.219,	Good if < 5

Table 2 is Output path, and P values show the result of path coefficien estimation.

Table 2.
Output Path Coefficiens and P values

Path Coefficien				
	IP	**SQ**	**BY**	**RB**
IP				
SQ				
BY	0.149	0.530		
RB			0.047	
P values				
IP				
SQ				
BY	0.005	<0.001		
RB			0.304	

Structural Equation Modeling technique used to measure model and hypothesis. The result indicates that model fit to continue analyse.

From figure 1 the research model showed. Table 2 show the p-value of innovation product to buying decision is 0.005. P-value of innovasi product to buying decision is significantly, and the hypothesis is accepted, the model show that innovation product effect positively to buying decision with coefficien 0.149. This condition show that the numbers of customer's coming depends on the number of product innovation did. Product innovation give a positive impact in increasing customers to buy at Jalan Progo.

P-value of service quality to buying decision is <0.001. P-value of service quality to buying decision is significantly, and the hypothesis is accepted, the model show that service quality effect positively to buying decision with coefficient 0.530. This result that every additional service quality created buying decision will increases. P-value of buying decision to repeat buying is <0.30. P-value of buying decision to repeat buying is not significantly at α 5%, and the hypothesis is rejected, the model show that buying decision do not affect to repeat buying. Figures one show R^2 of buying decision and repeat buying. R^2 show 0.37 or 37 persen. This result mean that innovasion product and service quality simultaneuos effect decision buying. Mean that 37 percent of buying decision are influence by innovasion product and service quality.
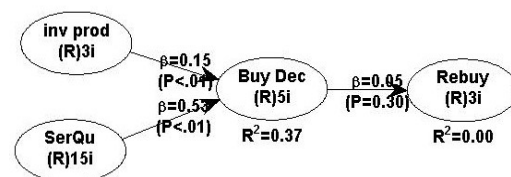

Figure 1.
Research Model

5. Conclusions

Based on the data analysis found that product innovation and service quality significantly effect buying Decision, but buying decision did not impact repeat buying. This result

supports some previous study that state of the influence of innovation product and service quality on buying decision. R^2 of the data show the numbers of the effect of product innovation and service quality on buying decision as simultaneously. From the analysis the impact of both product innovation and service quality as simultaneously variable is 37%, it means that there is another factors influence buying decision of consumer in their purchasing behaviour. Product innovation of culinary on Jalan Progo were so attractive. Customer can found some variety of western. Korean, Japanese and Indonesian. Moreover, the most attractive is the creativity of the entrepreneur in creating comfort place to eat. Entrepreneur also create a competitive service quality on their services to customers. So people come not only for the food but also come because of the service and another innovation things. On the next analysis found that buying decision is not influence repeat buying.

This fact is fascinating to investigate because when consumers do not repeat their purchasing, it means their satisfaction are not achieve. Nevertheless culinary on Jalan Progo is growing. So the fact that reality of this industry growth, but repeat buying does not achieve. Bandung is a very unique city; it has a complexity situation that increase creative industry especially culinary. This conditions supported with the depth interview result. The result of depth interview describes that consumers decide to buy because of their curiosity of new menu or new place. However, the engagement of costumers has not been built in culinary of Jalan Progo. People comes and join the culinary euphoria in Bandung city without engagement with the product. They always come to something new and satisfy with a new one. For the long strategic planning, many policies should be developed to increase the sustainability of culinary industry in Bandung city. Moreover, as the backbone of the city culinary should compete with many global players. Culinary should be aware that this phenomena could be change because of the shifted age. So all the culinary should do innovation to sustain.

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