

# CHAPTER I

## INTRODUCTION

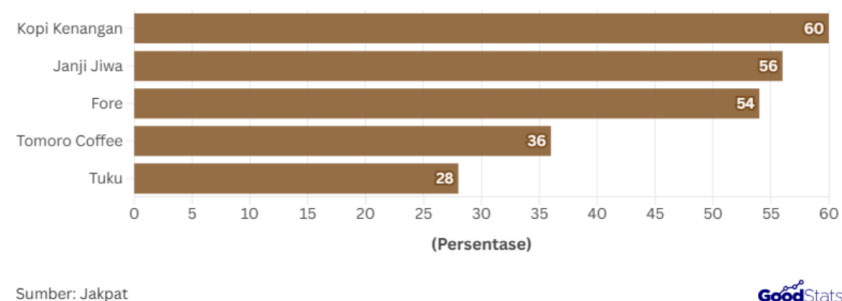
### 1.1 Background

The coffee beverage industry in Indonesia is showing very rapid growth, driven by trends such as increased digital engagement, rising disposable incomes, and a shift towards specialty coffee among Generation Z. Changes in people's lifestyles, especially among the younger generation, are driving an increase in the consumption of ready-to-drink coffee. The growth of coffee shops in Indonesia is not only demonstrated through the expansion of existing outlets but also through the rising number of digital transactions, which is increasing alongside the development of online food delivery services and independent ordering applications created by the companies. Along with the development of the current digital ecosystem, consumer behavior is also changing, particularly in the younger age group.

Generation Z is a group that plays a major role in the growth of the modern coffee industry. This generation consists of the most active users of food ordering applications and digital services, and they have a high interest in brands that are innovative, of high quality, and recommended by influencers. For example, surveys show that 65% of Generation Z prefers coffee brands that offer unique flavors or limited-edition products. The characteristics and preferences of Generation Z serve as both opportunities and challenges for coffee brands that want to remain relevant amidst the competition. This is reinforced by the presence of 23 Fore Coffee outlets in Surabaya, which are strategically located close to educational areas and campuses. Generation Z is driven more by personal desires,

a curiosity to try new products, and the influence of others, where the majority of Generation Z finds that product innovation itself is strong enough to attract their purchasing interest compared to personal recommendations, which generate the lowest interest (Tanuwijaya et al., 2022).

Fore Coffee is one of the rapidly growing local coffee brands in this industry. This brand is known for its modern concept, menu innovation, and digital-based ordering experience through the Fore Coffee application as well as third-party platforms. Fore's position among Generation Z is also evident through the following consumption data, such as 70% of their orders coming from mobile app users aged 18-24, highlighting the importance of digital engagement. This focus on digital convenience aligns with Generation Z's preference for seamless online experiences and supports the brand's relevance in this demographic.



**Picture 1.1 Graph of Local Coffee Consumed by Generation Z in 2024**

Source : GoodStats.id

Based on GoodStats data (2024), Fore Coffee ranks third as the most consumed local coffee by Generation Z, with a percentage of 54%. The positions below Kopi Kenangan (60%) and Janji Jiwa (56%) highlight the need for strategic focus to strengthen market share. Despite being in the top three, the data indicates

that competition among local coffee brands is extremely tight, so Fore must ensure that their digital marketing strategies are highly effective in driving purchases through the app. In facing this increasingly fierce competition, Fore Coffee does not solely rely on pricing strategies but also strives for innovation. One form of this effort is demonstrated by Fore Coffee's participation in the World Coffee 2025 event under the theme Discover The Unseen, which emphasizes sustainable product innovation by providing a platform for local baristas to introduce Indonesian coffee beans, thereby enhancing a positive image among consumers (PT Fore Kopi Indonesia, 2025).

To improve purchasing decisions, the use of the Fore Coffee app plays a crucial role in technology adoption by consumers. Ease of navigation and app usability can enhance user convenience, which in turn influences product purchase intentions. Therefore, optimizing app features and actively addressing user feedback are essential to improve app usability. Online mobile applications play a vital role in increasing customer loyalty. Enhancing app features and user experience is key to strengthening customer engagement with the product (Kholifah et al., 2023).

Fore Coffee's position remains below that of its competitors, so the company's focus must be on converting buyer interest into purchase decisions. According to Schiffman & Wisenblit (2021), a purchasing decision is the selection between two or more choices where an individual can make a decision provided that alternative options are available. Increasing purchase frequency is a key strategy to boost sales and counter the dominant competition from Kopi

Kenangan, whose sales have risen significantly. Several factors can influence purchasing decisions, namely product innovation, product quality, and influencer marketing, all of which are essential to increasing sales and winning the competition (Gwi-Gon & Pidada, 2024).

**Table 1.1 Fore Coffee Sales Data**

<b>Year</b>	<b>Sales Per Cup</b>
2020	48.270 Cup
2021	96.470 Cup
2022	113.290 Cup
2023	126.205 Cup
2024	46.450 Cup

Source : Fore Coffee Surabaya, 2024

Based on the table above, there is such a large number of Fore Coffee enthusiasts that a fairly significant increase occurs almost every year. From the table above, there was a significant increase from 2020 to 2023, but in 2024, there was a drastic decline in sales per cup. This decline could be due to various factors, such as increased competition among coffee brands, shifts in consumer preferences, or a decline in purchases, but further analysis is needed to identify the primary drivers. Therefore, it is important for Fore Coffee to evaluate its marketing strategy with the goal of increasing sales.

Based on the book *Marketing 4.0: Concepts and Its Implementation* written by Romli et al. (2022), consumer purchasing decisions are influenced by product innovation. Engaging consumers in innovation processes can foster trust and shared purpose. Product innovation needs to be carried out by adapting to

consumer preferences. In today's digital era, product innovation does not only focus on the company but also involves consumers so that the resulting innovations can align with market needs and preferences (Kotler et al., 2020).

According to research by Saputra & Budiarti (2024), product innovation is one of the main factors in purchasing decisions, where product innovation has a positive and significant effect, indicating that consumers will be interested in buying when a company is creative in creating new products. These findings also reinforce that innovation is an important element in maintaining the purchasing interest of Generation Z. In the F&B industry, innovation is crucial because the preferences of Generation Z tend to get bored quickly and favor new things. Product innovation that includes modifications in taste, quality, and packaging appeal is proven to have a significant effect on Generation Z's purchasing interest in coffee beverage products, meaning that menu updates and packaging innovations are crucial elements for brands like Fore Coffee to constantly attract the attention of young consumers (Tanuwijaya et al., 2022). Therefore, product innovation is proven to play an important role in influencing the purchasing decisions and interest of Generation Z, especially in the F&B industry, where updates in taste, quality, and packaging innovation become crucial strategies for brands like Fore Coffee to maintain their appeal to young consumers.

In addition to innovation, product quality requires attention. Product quality is a characteristic of a product or service that relates to its ability to satisfy customer needs. Product quality reflects the extent to which a product delivers benefits in line with consumer expectations (Kotler et al., 2020). Good product

quality will increase competitiveness and directly influence buyers to make purchases, as Generation Z tends to be more loyal to brands that provide consistent taste quality, a good coffee aroma, and a consistent consumption experience, making product quality one of the important factors that companies must maintain. This is supported by research by Wulandari et al. (2025) on Fore Coffee consumers, which found that product quality, with indicators of taste, aroma, and consistency, has a dominant influence on purchasing decisions, meaning that maintaining raw material quality standards is a major determinant of consumer preference. Therefore, Fore Coffee needs to maintain both innovation and quality to sustain its competitiveness.

Fore Coffee must always be able to adapt to changing market trends and buyer demands in the face of increasingly fierce competition in the current era. Product selection innovation, distribution strategies, and marketing are factors that must be considered to help the brand stay relevant and valued by consumers. Therefore, with today's intense competition, Fore Coffee must always follow ever-changing trends to remain relevant and competitive.

After innovating and maintaining product quality, influencer marketing is essential to showcase these qualities to potential buyers. Influencer marketing can spark curiosity among consumers and encourage others to try the product. For Generation Z, influencer marketing is especially influential, as influencers play a key role in shaping purchasing decisions by inspiring trust and action among their followers.

According to Uyuun (2022), as cited in Rosalia and Alam (2025),

influencer marketing is the ability to influence others in making purchasing decisions because influencers can help others determine a product's specifications and provide information about that product. Influencers, or influential individuals, can be celebrities, social media Pictures, or even those with a large number of followers who are active on platforms such as Instagram, TikTok, X, or YouTube. Influencers typically have a loyal audience and are emotionally connected to their followers, allowing them to influence the purchasing decisions of that audience.

According to Verma et al. (2024), influencer marketing has become a primary strategy in the Food & Beverage (F&B) sector, replacing traditional advertising with more personal and dynamic content. Data presented in the 2024 F&B Influencer journal indicates that every dollar invested in influencers generates an ROI of \$18, demonstrating its high efficiency (Digital Marketing Institute, 2024). Research conducted by Misra et al. (2024) emphasizes that an influencer's size should not be the sole consideration because each influencer has a different content presentation style; for example, macro-influencers are more effective when presenting entertaining content, whereas micro-influencers have an equivalent impact with informational content. Therefore, it is necessary to match the type of influencer with the desired content type to maximize the influence on the audience.

Verma et al. (2024) state that demographic alignment and value alignment between influencers and the audience increase consumer trust, which then has an impact on mediating food choices and brand recommendations. Martínez-Falcó et al. (2024) argue that influencer marketing can increase a company's social

legitimacy, which will contribute to economic performance in the long term. Based on these two studies, the success of a campaign does not depend solely on exposure but on the influencer's ability to build trust and legitimacy in consumers' eyes.

Social media now plays a central role in digital marketing strategies for building brand awareness and driving sales. Fore Coffee actively collaborates with food influencers, TikTok content creators, and runs collaborative campaigns to attract Generation Z consumers. This approach's effectiveness is demonstrated by how partnerships with credible influencers with relevant images can foster emotional connections, build customer loyalty, and increase sales volume among younger audiences (Nasution & Effendi, 2025).

According to Kaufman in his book *The Personal MBA*, the understanding of product quality must be reviewed comprehensively through eight main dimensions, namely performance, features, reliability, conformance, durability, serviceability, aesthetics, and perception. Product innovation through the application of quality signals is an effort to design tangible indicators, such as visuals or the sensation of use, so that consumers can immediately realize the product's value and benefits. If these perceptions and quality signals are communicated appropriately, influencer marketing will become crucial in building reputation and social validation, which will collectively shape consumer confidence and encourage purchasing decisions.

The research conducted offers new insights by integrating product innovation, product quality, and influencer marketing variables within the digital

ecosystem, specifically the Fore Coffee application. Highlighting this novelty can inspire marketing professionals to identify opportunities for strategic improvements, especially given the significant decline in sales per cup at Fore Coffee Surabaya in 2024, underscoring the need for targeted digital marketing strategies to convert interest into actual sales among Generation Z.

In addition, competition in Surabaya's coffee industry is very tight, with Fore Coffee in third place (54%), below its main competitors, namely Kopi Kenangan (60%) and Janji Jiwa (56%). To win this competition, Fore Coffee is supported by a strong infrastructure in Surabaya, with 23 outlets across strategic locations. This large number of outlets should be an encouragement for consumers to make transactions more easily through the application, but the data shows a major challenge in maintaining sales volume. Therefore, this research is crucial for evaluating which factor is most dominant in driving Gen-Z purchasing decisions in Surabaya, so that Fore Coffee can once again improve its sales performance through digital platforms.

With the increasingly fierce competition in the coffee industry and Fore Coffee's position still being below its competitors despite having implemented product innovation, further study is needed regarding the factors that influence purchasing decisions. Generation Z as Fore Coffee's main segment has unique consumption characteristics, particularly regarding the use of digital applications and their engagement with product innovation, product quality, and influencer marketing. Therefore, based on the explanation provided, the researcher feels it is necessary to conduct a study entitled, "**The Influence of Product Innovation,**

**Product Quality, and Influencer Marketing on Purchasing Decisions Through the Fore Coffee Application (A Study on Generation Z in Surabaya),".**

**1.2 Problem Statement**

Based on the background description explained previously, the author has formulated several research problems as follows:

1. Do product innovation, product quality, and influencer marketing have a simultaneous effect on purchasing decisions through the Fore Coffee application among Generation Z in Surabaya?
2. Does product innovation have a partial effect on purchasing decisions through the Fore Coffee application among Generation Z in Surabaya?
3. Does product quality have a partial effect on purchasing decisions through the Fore Coffee application among Generation Z in Surabaya?
4. Does influencer marketing have a partial effect on purchasing decisions through the Fore Coffee application among Generation Z in Surabaya?

**1.3 Research Objectives**

In accordance with the formulated research problems, the objectives of this study are as follows:

1. To determine and analyze the simultaneous effect of product innovation, product quality, and influencer marketing on purchasing decisions made via the Fore Coffee application among Generation Z in Surabaya.
2. To determine and analyze the partial effect of product innovation on purchasing decisions made via the Fore Coffee application among

Generation Z in Surabaya.

3. To determine and analyze the partial effect of product quality on purchasing decisions made via the Fore Coffee application among Generation Z in Surabaya.
4. To determine and analyze the partial effect of influencer marketing on purchasing decisions made via the Fore Coffee application among Generation Z in Surabaya.

## **1.4 Research Objectives**

### **1. Theoretical Benefits**

This research is expected to contribute to the development of scientific knowledge in the fields of digital marketing and consumer behavior, particularly regarding the influence of product innovation, product quality, and influencer marketing on purchasing decisions made via the Fore Coffee application among Generation Z in Surabaya.

#### **a. For Future Researchers**

This study is expected to provide contributions and serve as a reference for future researchers in the fields of digital marketing and consumer behavior, specifically focusing on the impact of product innovation, product quality, and influencer marketing on purchasing decisions made via the Fore Coffee application among Generation Z in Surabaya.

### **2. Practical Benefits**

- a. For the F&B Industry or MSMEs (Micro, Small, and Medium Enterprises)**

The results of this study are expected to serve as a benchmark for other brands in implementing innovation and digital marketing strategies, as well as to provide insights into how influencers and product quality influence the purchasing decisions of young consumers.

**b. For the Company**

The results of this study are expected to serve as evaluation material for improving menu innovation, product quality, and influencer collaboration strategies. Therefore, it is hoped that moving forward, the company can prioritize the factors that most strongly influence purchasing decisions