

CHAPTER 1

INTRODUCTION

1.1 Overview of Research Object

1.1.1 Company Profile



Figure 1. 1. Mixue Logo

Mixue Ice Cream & Tea is a franchise owned by Mixue Bingcheng company that serves soft serve ice cream and a variety of tea drinks originating from Zhengzhou, Henan, China. The company was founded in 1997 and is owned by the Zhang brothers. Currently, Mixue Ice Cream & Tea Outlets have spread across various countries in Southeast Asia.

Mixue Ice Cream & Tea has more than 20,000 locations in China, and there are more than 1,000 locations in other countries, including in Indonesia. In 2018, the firm, which has its headquarters in Zhengzhou, Henan, China, started to broaden its clientele to Southeast Asia. These stores are spread throughout the Philippines, Malaysia, Singapore, and Vietnam in addition to Indonesia. In Indonesia, the first location of Mixue Ice Cream & Tea was located in Cihampelas Walk Shopping Mall, Bandung, West Java and it was established in 2020. Due to its products' affordable pricing, Mixue Ice Cream & Tea has been able to expand especially among Indonesian customers. The items are priced between IDR 8,000 and IDR 22,000.

1.1.2 Company History

Mixue was first founded by its owner Zhang Hongchao in 1997 who at that time was still a student in Zhengzhou, Henan, China. With the capital lent by his grandmother of 4,000 Yuan, Zhang managed to set up a simple shaved ice shop with self-assembled production machines. The menu offered at this shop is still limited to shaved ice, ice cream and smoothies. However, the shaved ice shop is closed because the product is very affected by the season. Zhang re-established his shaved ice shop under the name Mixue Bingcheng in 1999 and the business managed to survive until finally in 2006 Mixue Bingcheng succeeded in producing cone ice cream products and was loved by many connoisseurs because of their low prices. Mixue Bingcheng also expanded its business in 2007 until now it has thousands of outlets in various countries in Southeast Asia (Rahayu, 2020).

1.1.3 Mixue Franchise Price

Franchise costs for Mixue vary. To cover all franchise and building investment costs, potential franchise owners must arrange an initial capital of IDR 700 million to IDR 900 million. This initial capital depends on the location of the opening whether in the provincial capital or in another city or district (Salsabilla, 2022).

1.2 Research Background

Ice cream is a type of dessert that can be enjoyed by all people and all ages. It tastes sweet and fresh with a soft texture and has a variety of flavors that make ice cream difficult for anyone to refuse. One type of ice cream that is currently popular is soft serve ice cream. Soft serve ice cream is basically milk that is frozen in a special ice cream machine, the texture of soft serve is also softer than other ice cream (Sari, 2022).

Not only is ice cream currently popular in the Food and Beverage industry in Indonesia, but also the latest drinks that are frequently popping up. Contemporary drink is a term used for innovative and popular drinks, both because of their unique taste and characteristics. Several types of contemporary drinks include boba drinks,

cheese tea, milk coffee with brown sugar, thai tea, and regal drinks (Listiorini, 2019). Indonesia is the biggest market for one of the contemporary drinks, namely Bubble Tea or commonly called Boba in the Southeast Asian region. This is evident in figure 1.2 which shows that Indonesia is the largest market for boba drinks in Southeast Asia



Figure 1. 2. Indonesia as The Biggest Market of Bubble Tea in Southeast Asia (2021)

Source: databoks.katadata.co.id

According to Databoks (2022), Indonesia is the largest market for boba drinks in Southeast Asia with an estimated market value of US\$ 1.6 billion. This figure is equivalent to 43.7% of the total boba market value in Southeast Asia. Thailand is the second largest market after Indonesia with an estimated market value of US\$ 749 million. Vietnam is in third place with a market value of US\$362 million. Singapore is in fourth place with an estimated market value of US\$ 342 million. Fifth place is Malaysia with an estimated market value of US\$ 330 million. under Malaysia there is the Philippines which is in sixth position with an estimated market value of US\$220 million.

Mixue is a beverage brand that provides soft serve ice cream products and contemporary drinks. The color of the Mixue outlet is identical to red and white, and is decorated with a snowman icon that steals the eye. In 2021, Mixue has become a boba drink and ice cream brand with the most outlets in Southeast Asia. This can be proven in the data in figure 1.3 below:

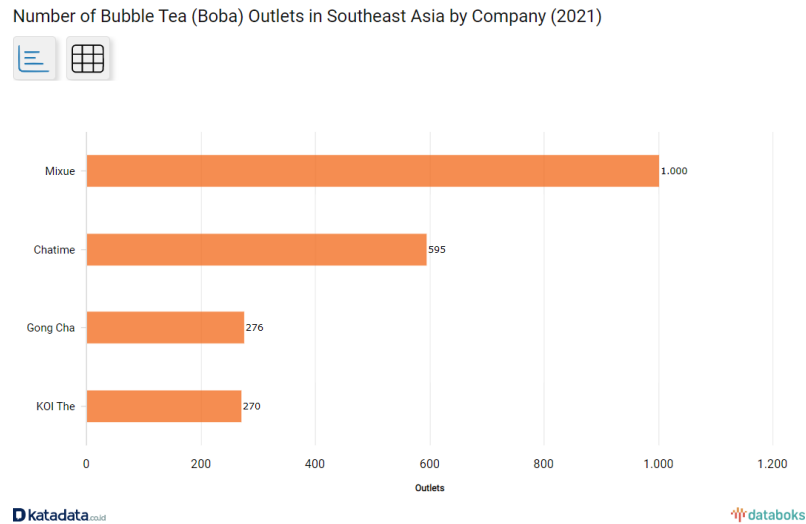


Figure 1. 3. Number of Bubble Tea (Boba) Outlets in Southeast Asia by Company (2021)

Source: databoks.katadata.co.id

According to Databoks (2022), there are four Bubble Tea companies that have the most outlets in Southeast Asia, namely Mixue, Chatime, Gong Cha, and KOI The. more than 1000 Mixue outlets spread across Vietnam, Thailand, Singapore, Malaysia, the Philippines and Indonesia. Furthermore, Chatime, which

originates from Taiwan, has 595 outlets in Southeast Asia. Gong Cha has 276 outlets and KOI The has 270 outlets in Southeast Asia.

Even though it has been established since 1997, Brand Mixue has entered Indonesia in 2020. In Indonesia, currently Mixue outlets are estimated to have reached more than 300 outlets. Now the opening of outlets in Indonesia is still being intensified by Mixue (Dwi, 2022). Franchise costs for Mixue vary. To cover all franchise and building investment costs, potential franchise owners must arrange an initial capital of IDR 700 million to IDR 900 million. This initial capital depends on the location of the opening whether in the provincial capital or in another city or district (Salsabilla, 2022). Its presence, which has opened branches in almost every region in Indonesia, has made the Mixue Ice Cream and Tea brand viral and very popular in Indonesia (Kurniawan, 2023). This is evidenced by the large number of media and people who talk about Mixue's massive expansion on social media. which can be seen in figure 1.3 below.

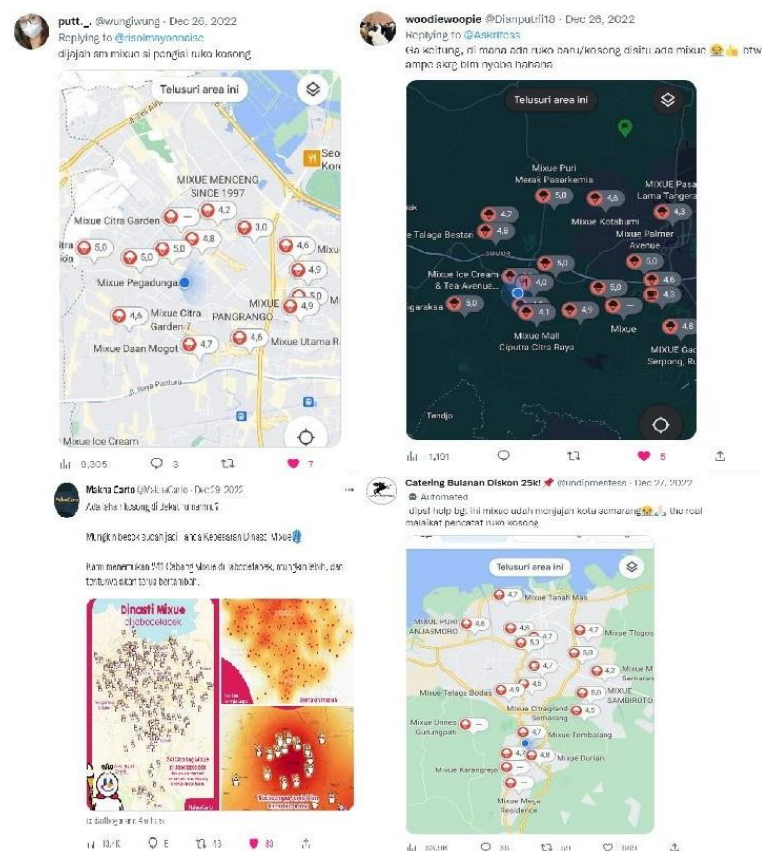


Figure 1. 4. Reaction of social media users to Mixue expansion in Indonesia

Source: *Twitter* accessed on 30 December 2022

Prices for Mixue products are in the range of IDR 8,000 to IDR 22,000. With a relatively affordable price, consumers can get a product experience that seems premium. This can be seen from the attractive and clean product packaging, and the delicious taste (Foodizz, 2022).

After entering the Food and Beverage industry in Indonesia for two years, Mixue has managed to boom and become a trend in 2022 (Arsyantie, 2022). This is supported by Mixue's excellent viral marketing strategy. Mixue's consumers is very active in sharing reviews about Mixue through various social media, such as the Tiktok application, Instagram, and others. This is also supported by well-known food vloggers who participate in covering the Mixue brand on their social media, thus attracting the attention of the public to try it (Arsyantie, 2022). This can be proven in figure 1.3 which shows the incessant activity of Mixue consumers in disseminating information related to Mixue products on social media.



Figure 1. 5. Electronic Word of Mouth of Mixue in Tiktok Source: Tiktok accessed on 28 December 2022

The marketing mix includes tactics and programs that support product, pricing, distribution, and marketing communications strategy. (Kotler & Keller, 2016). Product, price, place and promotion are the four broad groups of marketing mix. The firm must first build a market offering that meets needs in order to deliver on its value proposition. It must choose the price it will charge for the offering and the distribution method for the providing to the intended market. Finally, it must

inform and persuade target customers about the benefits of the offering (Kotler & Armstrong, 2018).

According to Kotler & Keller (2016), Viral Marketing or what is commonly referred to as electronic word of mouth encourages consumers to disseminate information about a product and service with audio, video, or written information to others online. With user-generated content sites and social media, consumers and advertisers can upload ads and videos to share with millions of people. Word of mouth is a powerful marketing tool. Fay in Kotler & Keller (2016) states that Word of Mouth has proven to be highly credible and linked to sales.

Hafidzoh & Kuswanto (2022) conducted a study that found that product, price, promotion, and e-WOM collectively explain 65% of the purchasing decision process. The study revealed that several factors, including e-WOM, promotions, products, and prices, have a positive and significant impact on purchasing decisions. However, the study also showed that the "Place" factor did not have a significant impact on purchasing decisions.

Similarly, another study conducted by Muslizar (2022) found that the marketing mix has a partial influence on purchasing decisions, accounting for 37% of the variation. Additionally, electronic word of mouth was found to have a partial influence of 10.1% on purchasing decisions. However, the study also revealed that when both the marketing mix and e-WOM are combined, they have a significant and positive influence of 47.1% on purchasing decisions, while the remaining 52.9% is influenced by other variables or factors that were not examined in the study. Based on the phenomena that have been described. this study was conducted with the title **“THE INFLUENCE OF PRODUCT, PRICE, PLACE, AND E-WOM TOWARDS CUSTOMER PURCHASE DECISION OF MIXUE ICE CREAM AND TEA”**

1.3 Problem Formulation

Lately, Mixue Ice Cream and Tea, a beverage brand hailing from Taiwan, has gained a lot of attention in Indonesia. The unique combination of soft ice cream, milk, and tea served in a distinct container adorned with various toppings and affordable prices has caught the eyes of many consumers in Indonesia. The virality of Mixue is largely attributed to the numerous social media users who have shared posts about the drink, including photos and videos. Not only posts about the drink, there are many social media users that also talking about the rapid and massive business expansion of Mixue in Indonesia.

Due to the widespread of E-WOM on social media regarding reviews and recommendations, prices, and Mixue Ice Cream and Tea products and also many social media users are talking about the massive spread of Mixue outlets in various regions in Indonesia, it is important to see whether the phenomenon of E-WOM among the consumers of Mixue and the product, price, and place of Mixue affect customer purchase decisions. And also for the academic purpose, it can be seen that there is not much previous research that discussed Product, Price, Place, and Electronic Word of Mouth of Mixue.

1.4 Research Questions

Based on the research background, the research questions of the research are as follows:

1. How much are the rates of Product, Price, Place, and E-WOM of Mixue Ice Cream and Tea based on respondents?
2. How much does the Purchase decision of respondents towards Mixue outlets?
3. Do Product, Price, Place, and E-WOM have any influence on Purchase decisions of Mixue Ice Cream and Tea?

1.5 Research Purposes

Based on the research questions, the purposes of this research are as follow:

1. To analyze the rates of Product, Price, Place, and E-WOM of Mixue Ice Cream and Tea.
2. To analyze the rates of Purchase decision of respondents towards Mixue Ice Cream and Tea.
3. To know if there is an influence between Product, Price, Place, and E-WOM towards Purchase decision of Mixue Ice Cream and Tea.

1.6 Research Benefit

The following are some of the expected benefits of this research, as stated by the author:

1.6.1 Theoretical benefit

For academic purposes, this research is expected to help future knowledge development, in how product, price, place, and e-wom will influence the consumer purchase decision, especially in the food and beverages industry. It is expected of the author to have a thorough awareness of the issues being investigated in this study and also increase the author's knowledge and insight into product, price, place, and e-wom on the consumer's purchase decision and for further research on similar topics.

1.6.2 Practical Benefit

The findings of this research can be used for company considerations, to improve customer purchase decisions for Mixue Ice Cream and Tea. Also can be useful for companies in determining their marketing strategy.

1.7 The Systematic of Mini-thesis Writing

With this section as a guide or reference in the preparation of scientific papers so it can be read easily and understood. That way, it will help solve the problem, the discussion and operation of the problem can be easily understood. Each chapter will be explained as follows:

1. CHAPTER 1: INTRODUCTION

This chapter contains a description of the problem to be discussed and consists of several sub-chapters, including, background of the problem, problem formulation, problem definition, research objectives, research benefits, and thesis systematics.

2. CHAPTER 2: LITERATURE REVIEW

This chapter contains the theories that form the basis of knowledge related to the problems in research, so as to examine the advantages and disadvantages of previous research.

3. CHAPTER 3: RESEARCH METHODOLOGY

This chapter offers a methodical implementation approach for describing, quickly recapping, and evaluating the data acquired in order to aid in the formulation of strategies, the definition of procedures, and the conduct of analysis.

4. CHAPTER 4 RESULTS AND DISCUSSION

This chapter will explain the discussion of research results based on the findings that have been acquired, as well as the researchers' original opinions in order to provide an explanation and interpretation of the analyzed research data in order to answer the research questions.

5. CHAPTER 5: CONCLUSION

This chapter is a closing which contains the conclusions of the research and suggestions from the results of the preparation of the research that has been compiled.