

# The Role of Social Factors in Mediating Product Perceptions, Price Perceptions, and Promotions in Cigarette Purchasing Decisions

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**Abstract:-** In the midst of the increasing need for world and national cigarette consumption, it turns out that Bentoel Group's performance is not in line with expectations. The study evaluated product perceptions, price perceptions, and promotional perceptions, through social factors to suggest some improvements to improve cigarette purchasing decisions. The online questionnaire was developed and distributed on social media to collect data and obtained 130 respondents of cigarette consumers in Jabodetabek. This research method uses quantitative methods with the Partial Least Square (PLS) - Structural Equation Modeling (SEM) technique with the Smart PLS 3.0 program. The results of this study revealed that all variables directly influence cigarette purchasing decisions. Social factor variables can mediate product perceptions, price perceptions, and promotional perceptions with cigarette purchasing decisions.

**Keywords:-** Product Perception, Price Perception, Promotion Perception, Social Factors, Cigarette Purchase Decisions.

## I. INTRODUCTION

World Health Organization (WHO) report published on July 26, 2021. WHO says the number of smokers worldwide reaches 1.3 billion people, with more than 80% being in low- and middle-income countries. A recent survey conducted by world population review has placed Indonesia in the top 13 cigarette consumption in the world.

COUNTRY	RATEBOTH	RATEMALE	RATEFEMALE
Nauru	52.1	51.7	52.6
Kiribati	52	68.6	35.5
Tuvahu	48.7	66	31.4
Myanmar	45.5	70.2	20.8
Chile	44.7	49.2	40.3
Lebanon	42.6	49.4	35.9
Serbia	40.6	40	41.2
Bangladesh	39.1	60.6	17.7
Greece	39.1	45.3	32.8
Bulgaria	38.9	42.5	35.3
Bosnia	38.3	46.3	30.2
Timor-Leste	38.2	65.8	10.7
Indonesia	37.9	70.5	5.3

Fig 1: Smoking Rates by Country 2022 Data

Based on the data presented above, it can be understood that Indonesia is one of the countries with great potential as a cigarette market. This is also evidenced by the large number of cigarette factories that are established and operating in Indonesia. This fact also provides information that the contribution of the cigarette or tobacco industry to excise taxes is very large. The large revenue from tobacco excise makes many government policies counter-productive, especially towards efforts to reduce cigarette consumption in Indonesia.

In 2020, the share of profits of the Indonesian tobacco industry in the state budget was 10.11 percent. Excise revenue in 2020 amounted to IDR 205.68 trillion, of which the largest part of excise duty on tobacco products amounted to IDR 170.24 trillion or an increase of 3.24 percent [1].

No.	Jenis Penerimaan	Target APBN	Realisasi		Growth (y-o-y, %)		% Capaian
			2020	2021	2020	2021	
1	BEA MASUK	33,17	32,44	38,89	-13,55%	19,87%	117,23%
2	CUKAI	180,00	176,31	195,52	2,25%	10,89%	108,62%
	<b>Hasil Tembakau</b>	173,78	170,24	188,81	3,26%	10,91%	108,65%
	<b>Ethil Alkohol</b>	0,16	0,24	0,11	97,33%	-53,21%	72,56%
	<b>MMEA</b>	5,56	5,76	6,50	-21,52%	12,83%	116,80%
	<b>Denda Adm. Cukai</b>	-	0,06	0,07	-23,15%	28,73%	-
	<b>Cukai Lainnya</b>	-	0,01	0,02	-20,39%	88,87%	-
	<b>Plastik</b>	0,50	0,00	0,00	0,00%	-	0,00%
3	BEA KELUAR	1,79	4,28	34,57	21,29%	708,21%	1933,71%
	<b>TOTAL</b>	<b>214,96</b>	<b>213,03</b>	<b>268,98</b>	<b>-0,21%</b>	<b>26,26%</b>	<b>125,13%</b>

Table 1: Realization of Customs and Excise Receipts in 2021 and Comparison of Realizations in 2020

The data as presented above is in line with the growth of cigarette companies in Indonesia which are getting more and more large from year to year. Insider Monkey listed several cigarette companies in Indonesia into the largest valuable companies in the world. To lure customers or cigarette connoisseurs, these companies continue to innovate products, prices, promotions and the like from period to period so as to win market competition.

One of the well-known cigarette companies in Indonesia is Bentoel Group which is currently part of the British American Tobacco (BAT) Group with a network in more than 180 countries. Bentoel is the oldest cigarette company that

currently owns the flagship brands Dunhill and Lucky Strike. From 2007, it only recorded four times the profit with an insignificant amount, namely in 2007, 2008, 2010 and 2011, and the rest continue to experience losses until now [2].

Furthermore, when viewed from the market share data, it can be seen that Djarum Group has also decreased compared to other companies. Market share is calculated based on sales made by similar production companies that have the following data availability.



Fig 2: Market Share, Sales and Profit of Cigarettes

The results of company performance as described above are actually inseparable from sales performance in which there are consumers as the main target of increasing the competitiveness of a business, therefore factors related to consumers are very important factors to consider. One of those factors is the purchase decision [3].

**II. LITERATURE**

*A. Product Perception*

Product perception is the subjectivity of a producer towards a product or service offered to another individu which in this case is a consumer as a form of effort to achieve organizational goals through meeting consumer needs and desires, in accordance with organizational competence and capacity and purchasing power [4]. Product Definition A product is conceptually a producer's subjective understanding of "something" that can be offered as an effort to achieve organizational goals by meeting the needs and desires of consumers according to the expertise and capacity of the organization. and purchasing power [5].

*B. Price Perception*

Definition price is a value of goods or services as measured by the amount of money spent by the buyer to obtain several combinations of goods or services and services. Then the price is an amount of money that consumers must pay as compensation for products purchased by the company [6]. Every company in general, will calculate the costs that will be incurred before setting the price of its products. Companies that are able to formulate the right pricing strategy will get optimal income and profits [7]. Products with a medium cost extend to consumers so that they can bear to pay for the

products they require themselves. In addition, with alluring costs, their deliberate in buying that products [8].

*C. Promotion Perception*

Promotion contains the definition of an activity in effective communication about the benefits of a product and in an effort to convince consumers to make product purchases or usually referred to as marketing communication between producers and consumers. A promotion or fisheries is an individual activity that is in this case marketers who inform about the products sold and persuade other individuals in this case consumers to be interested and even increase the efficiency in deciding to buy a product or service. In this case, promotion has a short-term nature and stimulates the purchase of products to be faster for consumers [7].

*D. Social Factors*

Social factors are factors that originate from the environment around consumers. Consumption behavior is also influenced by the influence of several groups such as affinity, family and other social roles and statuses in society. Social factors can also be said to be groups of individuals who consider similarities in a status or reward or reward from a formal and informal community [9].

*E. Purchase Decision*

Purchasing decision is an activity or activity of individuals who are directly involved in making individual decisions to make purchases of products or services offered by other individuals who in this case are sellers [6]. Furthermore, that purchasing decisions are processes in which a consumer in managing information about a product and marketing has an important role so that consumers choose one of the alternatives offered [10].

**III. CONCEPTUAL FRAMEWORK**

Based on previous research, the framework developed in the research is as follows.

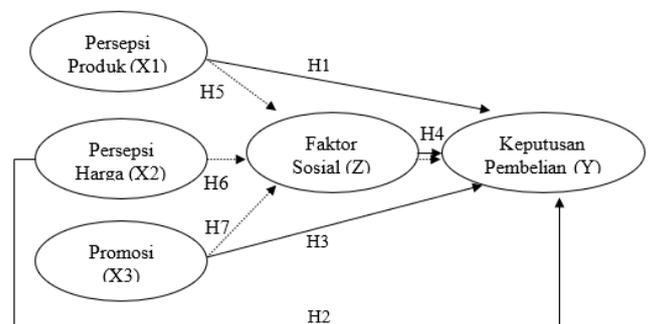


Fig 3: Conceptual Framework

Based on the picture above, there are seven hypotheses in this study, namely:

- H1 : The product has a significant effect on the purchasing decision of cigarette products
- H2 : Price has a significant effect on the purchasing decision of cigarette products

H3 : Promotion has a significant effect on the purchasing decision of cigarette products

H4 : Social factors have a significant influence on the purchasing decision of cigarette products

H5 : Social factors are able to mediate the influence of product perception on the purchasing decision of cigarette products

H6 : Social factors are able to mediate the influence of price perception on the purchasing decision of cigarette products

H7 : Social factors are able to mediate the influence of promotion on the purchasing decision of cigarette products

**IV. RESEARCH AND METHODS**

In this study, the authors used quantitative methods. The author sends an online questionnaire link via Whatsapp, Instagram, Facebook. The authors used 130 valid respondents for the analysis. In analyzing the data, the authors used the

Partial Least Square (PLS) - Structural Equation Modeling (SEM) technique with SmartPLS 3.0 to assess measurements and structural models.

**V. RESULTS AND DISCUSSIONS**

Data on respondents characteristics were obtained from a questionnaire that had been distributed to 130 respondents domiciled in Jabodetabek. The findings of this study are based on gender, namely that men are more numerous than women with a percentage of 78.46%. Respondents were mostly between the ages of 26 and 40, with 52.31% of those in this age range falling into the millennial category. In the remaining income of respondents, most of them are around Rp. 1,200,000 – Rp. 6,000,000/month with a percentage of 50.77%. The following are the results of the data analysis that has been carried out.

Variable	Items	Outer Loadings	CR	CA	AVE
Product Perception	Conformity of Quality (taste, aroma, non-malfunction)	0,796	0,801	0,673	0,575
	Packaging	0,821			
	Variant	0,647			
Price Perception	Affordability Pricing	0,909	0,933	0,892	0,823
	Price according to Quality	0,882			
	Price according to Benefits	0,930			
Promotion Perception	Advertising	0,783	0,896	0,825	0,742
	Sales promotion	0,884			
	Personal sales	0,912			
Social Factors	Reference Group	0,823	0,903	0,838	0,756
	Family	0,901			
	Role and Status (occupation, organizatio)	0,883			
Purchase Decision	Needs	0,921	0,944	0,910	0,848
	Product Knowledge	0,930			
	Stability	0,911			

Table 2: Construct Reliability and Validity Results

According to the threshold for the outer loading, Compisite Reliability, Cronbach Alpha value is 0.7. As for the AVE value, it is 0.5. As shown in Table 1, all values of outer

loading, Compisite Reliability, Cronbach Alpha exceed 0.7 and AVE values exceed 0.5 so it can be said that all variables are valid and reliable.

Variable	R-Square	Q-Square
Social Factors	0.285	0.205
Purchase Decision	0.529	0.436

Table 3. Coefficient of determination (R2) & (Q2)

R-square is a measure of the proportion of variation in the value of an influenced variable that can be explained by the variable that affects it. The R-square value for the purchasing decision variable is 0.529 which means moderate.

In addition to the Q-square value, the test shows that the purchase intent value is greater than zero indicating that the model already meets the relevant predictive value.

Hypothesis	Path Coefficient	Critical T ratios	P Values	Information
Product Perception → Social Factors	0,168	2,096	0,037	Siginificant
Price Perception → Social Factors	0,354	3,724	0,000	Siginificant
Promotion Perception → Social Factors	0,198	2,300	0,022	Siginificant
Product Perception → Purchase Decision	0,181	2,479	0,001	Siginificant
Price Perception → Purchase Decision	0,186	2,536	0,001	Siginificant
Promotion Perception → Purchase Decision	0,243	3,336	0,001	Siginificant
Social Factors → Purchase Decision	0,530	5,815	0,000	Siginificant
Product Perception → Social Factors → Purchase Decision	0,189	4,070	0,001	Siginificant
Price Perception → Social Factors → Purchase Decision	0,188	3,373	0,001	Siginificant
Promotion Perception → Social Factors → Purchase Decision	0,105	2,188	0,029	Siginificant

Table 4. Results of Hypothesis Testing

Based on the results of the study, it can be seen that the structural effect of constructs between the Product Perception variables has a positive effect on social factors with a coefficient value of 0.168 and a significant value of 0.037 smaller at 5%. So the hypothesis in this study was declared accepted. Product perception can influence social factors depending on the category of products purchased. For example, a healthy food product can be considered an essential product to get social support from family and friends. Products with high quality can improve social status, while products with low quality can affect the perception of a person in his social group. Based on the results of the study, the perception of the product influences social factors and can form the social identity of a person in his social group.

Based on the results of the study, it can be seen that the structural influence of constructs between the Price Perception variables has a positive effect on social factors with a coefficient value of 0.354 and a significant value of 0.000 smaller at 5%. So the hypothesis in this study was declared accepted. Price can affect social factors in several ways. Social factors include norms and values embraced by society, as well as social interaction between individuals and groups in society. The price of a product can affect the social status of consumers. Expensive products can indicate a higher social status and are desired by certain social groups.

The price of the product can be a factor in shaping a person's social identity. For example, luxury products at high prices are often associated with the social identity of a particular group. In a social context, price can also affect the level of consumer engagement with a particular product, as well as the brand's ability to influence consumer behavior and preferences in the long run.

Based on the results of the study, it can be seen that the structural influence of constructs between the variables of promotion perception has a positive effect on social factors with a coefficient value of 0.198 and a significant value of 0.022 smaller at 5%. So the hypothesis in this study was declared accepted.

The perception of promotion can affect social factors in several ways:

- Strengthen the influence of social factors: If the promotion seen as popular and supported by many people, then it can strengthen the influence of social factors on the individual. For example, if a person sees that many people buy a particular product because of advertising or promotion, then that person will probably be more motivated to buy that product as well.
- Influencing the perception of social norms: Promotion can also influence the perception of social norms or what is considered to be expected or accepted behavior in a group. If promotion implies that a particular product is very popular and considered a must-have, then it can affect the perception of social norms and make the individual feel the need to have it as well.
- Strengthening social identity: Promotion can also strengthen an individual's social identity, especially if the product or brand being promoted is considered a symbol of a certain status or lifestyle. If individuals feel that buying the product will help them strengthen their social identity, then it can influence their purchasing decision.
- Influencing social factors through social media: Promotion can also influence social factors through social media. If the promotion is done through social media and gets a lot of support or talk, then it can strengthen the influence of social factors on the individuals exposed to the promotion.

Based on the results of the study, it can be seen that the structural effect of the construct between the Product Perception variables has a positive effect on purchasing decisions with a coefficient value of 0.181 and a significant value of 0.001 smaller at 5%. So the hypothesis in this study was declared accepted. The relationship between the product and the purchase decision is closely related. The products offered will affect consumers' preferences, needs, and desires in making purchase decisions. Consumers will choose products that suit their needs and preferences. Products that are of high quality and provide added value will be more attractive to consumers and can increase the tendency to choose such products.

Products that have a design or packaging that attracts the attention of consumers. Products have an important role in shaping consumers' purchasing decisions. The products offered must meet consumer needs and preferences, and offer added value to increase the likelihood of consumers choosing those products. Based on the results of the study, it can be seen that the structural influence of the construct between the variables Price perception has a positive effect on purchasing decisions with a coefficient value of 0.186 and a significant value of 0.001 smaller at 5%. So the hypothesis in this study was declared accepted.

Price has a close relationship with the purchase decision of the product. Price is one of the most important factors in making a purchase decision, especially for consumers who are on a budget or looking for value for the money they spend. Price has a great influence on the purchasing decision of the product. Price is one of the most important factors in making purchasing decisions, especially for consumers who are on a budget or prioritize the value of the money they spend. In making purchasing decisions, consumers will consider various price factors. Therefore, the right and competitive pricing strategy can increase the attractiveness of the product and help increase sales.

Based on the results of the study, it can be seen that the structural effect of the construct between the Product Perception variables has a positive effect on purchasing decisions with a coefficient value of 0.243 and a significant value of 0.001 smaller at 5%. So the hypothesis in this study was declared accepted. Promotion is one of the marketing tools used by companies to introduce products and attract the attention of potential consumers. Promotions can include advertisements in mass media, price discounts, the use of brand ambassadors, and so on. In the case of cigarettes, companies may use attractive images or associations with social activities or lifestyles desired by potential consumers. Promotion has a great influence on the purchasing decision of the product. Promotion is a marketing activity aimed at attracting the attention of consumers, increasing the purchase of products. Promotion includes a variety of strategies, including advertising, direct sales, sales promotion, and publicity.

Based on the results of the study, it can be seen that the structural influence of constructs between the Product Perception variables has a positive effect on social factors with a coefficient value of 0.530 and a significant value of 0.000 smaller at 5%. So the hypothesis in this study was declared accepted. Social factors can influence a person's product purchase decision. A reference group is a group of people who have a significant influence in a person's life. Reference groups can influence product purchasing decisions through their opinions and recommendations. If a person's reference group has a positive experience with a particular product, then most likely the person will buy the product. Family can also influence a person's product purchase decisions. Families can provide advice and recommendations on products they consider good to use. In addition, cultural factors that exist in the family can also influence a person's purchasing decisions.

Social class can also influence a person's product purchase decisions. People who come from a high social class tend to prefer more exclusive and expensive products, while people who come from a low social class tend to prefer more affordable products. All these social factors can influence the purchase decision of one's product. However, each individual has different preferences and needs, so the influence of social factors can also vary from one person to another.

Based on the results of the study, it can be seen that the influence of structural constructs between the Product Perception variables has a positive effect on purchasing decisions through social factors with a coefficient value of 0.189 and a significant value of 0.001 smaller at 5%. So the hypothesis in this study was declared accepted. Product factors such as other product attributes can directly influence a person's purchasing decision. However, social factors such as reference groups, family, culture, social class, and social media can influence a person's perception of the product, ultimately influencing their purchasing decisions. One can consider the brand and quality of a particular cigarette product when buying cigarettes. However, social factors such as reference groups and culture can influence a person's perception of how cigarettes can improve social status or personal satisfaction.

Therefore, social factors and product factors work together to influence product purchasing decisions, and they must be considered together when identifying factors that influence consumer purchasing behavior. Products and social factors are interrelated and influence each other to influence one's purchasing decisions. Therefore, it is important to take these two factors into account when designing a marketing strategy and identify factors that influence consumer purchasing behavior.

Based on the results of the study, it can be seen that the structural influence of constructs between the Price Perception variables has a positive effect on purchasing decisions through social factors with a coefficient value of 0.188 and a significant value of 0.001 smaller at 5%. So the hypothesis in this study was declared accepted. Social factors can mediate the influence of price on product purchasing decisions, especially in terms of product value perception and consumer expectations. Perceptions of the price and value of products can be influenced by reference groups. If a person's reference group considers the price of the product to be an important factor in the purchase decision, then the person may be inclined to choose a product at an affordable price.

Social factors serve as mediators between the price and the purchasing decision of the product. Social factors influence consumers' perception of the value of products, which in turn influences their purchasing decisions. Therefore, it is important for companies to consider social factors when designing a pricing strategy and understand the factors affecting consumer purchasing behavior. Based on the results of the study, it can be seen that the structural influence of constructs between the variables of promotion perception has a positive effect on purchasing decisions through social factors

with a coefficient value of 0.105 and a significant value of 0.029 smaller at 5%. So the hypothesis in this study was declared accepted. Social factors can mediate the influence of promotion on product purchase decisions because product purchase decisions are not only influenced by individual factors, but also influenced by social factors in the surrounding environment. Social factors can influence purchasing decisions by changing consumer perceptions, preferences, and intentions.

One of the social factors that can mediate the influence of promotion on product purchasing decisions is the reference group or social group owned by the individual. Reference groups can influence an individual's purchasing decisions because they provide information, advice, and views that can influence an individual's perception and preference of the product being promoted. In addition to reference groups, another social factor that can mediate the influence of promotion on product purchasing decisions is the culture and social values prevailing in society. Culture and social values can influence consumer preferences and intentions towards the products being promoted.

Consumer culture that prefers to buy products from well-known brands, promotions that emphasize the brand and product reputation can influence consumers' purchasing decisions. Likewise with social values that value the environment, promotions that emphasize the environmentally friendly aspects of the product can influence the purchasing decisions of consumers who care about the environment. Social factors can mediate the influence of promotion on product purchasing decisions through the influence of reference groups, cultures, and social values prevailing in society. Therefore, in designing promotions, companies must consider these social factors in order to maximize the influence of promotions on consumers' purchasing decisions.

## VI. CONCLUSION AND SUGGESTION

The results showed that product perception, price perception, promotion perception, have a significant positive relationship with cigarette purchasing decisions. In addition, social factor variables can mediate independent variables with purchasing decisions.

Based on the results of the study, product perception affects social factors and purchasing decisions. Bentoel Group cigarette products need to improve and continue to innovate the variants and flavors of Bentoel Group cigarettes. This needs to be done because the variant and taste of cigarettes are the main factors for consumers in choosing cigarettes, so it needs to be used as a focus in fulfilling consumer desires. Price perception affects social factors and purchasing decisions. Bentoel Cigarettes Group needs to evaluate the price in accordance with the quality of the product. This needs to be done because the price of products that have good quality will increase the purchasing decision of Bentoel Group cigarette products. Promotional perceptions play a role in improving social factors and purchasing decisions. Bentoel Cigarettes Group needs to innovate in advertising cigarettes in order to increase consumer

interest, especially for consumers in the millennial generation. Increasingly attractive advertising can improve cigarette purchasing decisions.

Subsequent research could add other variables that could lead to consumers' decisions to buy cigarettes. In addition, it can also develop research models by developing populations and samples that are more varied and not limited to Jabodetabek only. In addition, for further research, it is necessary to re-examine the relationship of existing variables to purchasing decisions with different products.

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