

THE EFFECT OF PRICE AND WORD OF MOUTH ON PURCHASING DECISIONS WITH BRAND IMAGE AS AN INTERVENING VARIABLE AT WARKOP AGAM STABAT

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Abstract

This study investigates the effects of price and word of mouth (WOM) on purchasing decisions, with brand image acting as an intervening variable. Conducted at Warkop Agam Stabat, a local coffee shop in Stabat, Indonesia, the study uses a quantitative research method involving primary and secondary data collection from 216 respondents. The data analysis includes descriptive statistics and Structural Equation Modeling (SEM). The findings reveal that price negatively affects both purchasing decisions and brand image, while WOM positively influences brand image but does not directly affect purchasing decisions. However, brand image significantly influences purchasing decisions and mediates the relationships between price, WOM, and purchasing decisions. This study contributes to the understanding of consumer behavior in the context of small local businesses.

Keywords: Price, Word of Mouth, Purchasing Decisions, Brand Image

INTRODUCTION

The business world has undergone tremendous transformations over the past few decades, particularly with the advent of globalization, technological advancements, and evolving consumer behaviors. The Food and Beverage (F&B) industry, particularly in Indonesia, has demonstrated remarkable resilience despite the global economic shifts (Kurniadi et al., 2025). In this dynamic sector, local cafes, such as Warkop Agam Stabat, have not only become cultural hubs but also face intense competition. However, recent reports indicate a decline in consumer visits, signaling the need to better understand the factors influencing purchasing decisions. Warkop Agam Stabat, a popular coffee shop located in Stabat, North Sumatra, presents an interesting case study for understanding consumer behavior in a competitive local market. The café, known for its traditional Aceh coffee and relaxing ambiance, has seen fluctuations in customer visits despite its established reputation. This research aims to analyze the underlying factors, such as price, word of mouth, and brand image, that may be influencing consumer purchasing decisions at this café. The choice of this café stems from its unique position in a competitive market where consumer loyalty is heavily influenced by price sensitivity and social interactions, making it an ideal subject for exploring these dynamics (Habib et al., 2025).

The title of this research, "The Effect of Price and Word of Mouth on Purchasing Decisions with Brand Image as an Intervening Variable at Warkop Agam Stabat," reflects the core elements of consumer behavior in the context of a food and beverage business. The decision to focus on these specific variables stems from their prominent role in shaping consumer preferences in competitive markets. Price is often seen as a key determinant in purchasing decisions, while WOM plays an increasingly significant role in influencing consumer trust and perceptions. The inclusion of brand image as an intervening variable highlights its centrality in connecting these factors to consumer purchasing behavior. Price is a crucial factor in the purchasing decisions of consumers, especially in a competitive market like Stabat, where customers have many alternatives. A survey of Warkop Agam's customers indicated that many perceive the prices at the café to be too high in comparison to the quantity and quality of food

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served. As shown in the preliminary survey, 56% of respondents disagreed with the statement "The price is appropriate for the portion size," suggesting a perception that the price does not align with the value they receive. This is a significant issue because it directly influences consumer willingness to return or recommend the business. WOM is a powerful tool for influencing consumer decisions, particularly in industries like F&B where customer satisfaction and experience play a critical role. However, preliminary survey results indicate a gap in WOM's effectiveness at Warkop Agam. While 76% of respondents agreed that they received trustworthy information from loyal customers, 53% disagreed with the statement "Loyal customers recommend Warkop Agam because they are satisfied with the taste and service." This suggests that WOM does not significantly impact purchasing decisions, possibly due to inconsistent experiences or a lack of differentiation in the offerings. Brand image is the perception that consumers have of a business, and it plays a significant role in the decision-making process. Preliminary survey data shows mixed responses regarding the café's brand image. While 76% of respondents agreed that Warkop Agam is widely recognized for its signature Aceh coffee, 60% disagreed with the statement that they enjoy the café because of its polite service, suggesting that the brand image is not as strong as it could be. The lack of consistent positive experiences could be a barrier to enhancing the café's image and, consequently, its ability to drive purchasing decisions.

Although existing research has extensively examined the effects of price, WOM, and brand image on consumer behavior, several gaps remain in the literature. Many studies have focused on large-scale businesses or industries outside the F&B sector, leaving smaller businesses like Warkop Agam relatively underexplored. Additionally, the role of brand image as an intervening variable between price, WOM, and purchasing decisions has not been fully addressed in many studies, particularly within the context of local coffee shops. The following research studies have contributed to understanding these variables, but several inconsistencies and areas for further exploration exist, based on research from Ismiatun et al. (2022) found that price positively influences purchasing decisions, indicating that higher prices often correspond to higher perceived quality. However, Mulyadi (2022) found that price does not significantly affect purchasing decisions, suggesting that the relationship between price and purchasing behavior may be context-dependent and influenced by other factors, such as brand perception and product quality. This inconsistency in findings highlights the need for further exploration, particularly in smaller, local businesses like Warkop Agam.

Several studies have explored the role of WOM in consumer decision-making. Murtiningsih (2023) concluded that WOM has a significant positive effect on purchasing decisions, while Chasanah & Larasati (2022) found that WOM had no significant impact. These contrasting results emphasize the need for further investigation into the effectiveness of WOM in different contexts, particularly in the food and beverage industry. Furthermore, the rise of digital platforms has changed the nature of WOM. Research by Amiruddin (2024) highlighted the importance of digital WOM, yet the role of WOM in the local, physical coffee shop environment remains underexplored. According to Listyarso & Yulianto (2023) found that brand image had a positive but insignificant effect on purchasing decisions, whereas Yunita & Indriyatni (2022) reported a negative and insignificant effect. These findings suggest that brand image may not always translate directly into purchasing behavior, and its influence may be conditional on other factors such as price and WOM.

This inconsistency calls for further research to understand the mediating role of brand image, especially in the context of small businesses like Warkop Agam. While several studies have acknowledged brand image's role as an intervening variable (Ratnasari & Suhartono, 2021), the concept has not been fully tested in relation to the specific interaction between price, WOM, and purchasing decisions in local coffee shops. Most studies on this topic focus on large, global brands, and the mediating role of brand image in local businesses remains underexplored. Thus, the research gap in the current literature is the lack of empirical studies that address the complex interactions between price, WOM, and brand image specifically in local food and beverage businesses. More specifically, there is insufficient evidence regarding how brand image acts as an intervening variable between these factors and purchasing decisions in the context of smaller businesses, such as Warkop Agam Stabat.

LITERATURE REVIEW

Consumer behavior refers to the actions and decision-making processes of individuals when purchasing goods and services. Understanding consumer behavior is crucial for businesses to design effective marketing strategies. According to Kotler & Keller (2016), consumer behavior encompasses both psychological and social factors that influence purchasing decisions. It involves recognizing needs, gathering information, evaluating alternatives, making the purchase, and post-purchase evaluation. In the case of Warkop Agam, consumer behavior is influenced by both individual preferences (e.g., taste, ambiance) and external factors (e.g., price, WOM). This aligns with the research by Ghozali (2022), which emphasized that consumers' price sensitivity and social influences significantly impact their buying decisions.

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Price is one of the most influential factors in consumer purchasing decisions. Ghozali (2022) highlights that consumers tend to equate price with the perceived quality of a product. A high price may indicate superior quality, but it can also deter potential customers if they feel the product does not offer sufficient value. Ratnasari & Suhartono (2021) further explain that price perceptions are often shaped by the consumer's overall experience with the product, including previous encounters, reviews, and expectations. In the context of Warkop Agam, the pricing strategy could impact consumer loyalty, especially when competitors offer similar products at lower prices. Word of mouth (WOM) is a form of non-commercial communication that has a significant impact on consumer decisions. Nadzifah (2023) defines WOM as the sharing of product experiences and recommendations among consumers. In the digital age, WOM extends beyond face-to-face interactions to social media, where positive or negative reviews can spread rapidly. The research by Handayanto & Fuadiputra (2024) suggests that WOM has the power to influence consumer trust and purchase intentions, particularly when it comes from trusted sources.

At Warkop Agam, the role of WOM is significant but nuanced. Although positive WOM can enhance brand image, its direct impact on purchasing decisions may vary, as some consumers may rely more on personal experiences or price considerations than on the recommendations of others. Brand image refers to the perception that consumers hold about a particular brand. A strong brand image can create emotional connections with consumers and influence their purchasing decisions. According to Hidayat et al. (2025), brand image significantly impacts consumer loyalty and repeat purchases. In the case of Warkop Agam, the brand image is likely influenced by its traditional coffee offerings, customer service, and overall ambiance. A positive brand image can mitigate the negative effects of high pricing and enhance the effectiveness of WOM.

METHOD

This study employs a quantitative research design with a descriptive and correlational approach. The sample consists of 216 consumers who have visited Warkop Agam Stabat in the past month. A purposive sampling method was used to select respondents based on specific criteria, including age, frequency of visits, and previous experiences with the brand. Data collection was carried out through surveys, which were administered both online and in person. The survey included questions related to price perceptions, WOM experiences, brand image associations, and purchasing behavior. The data were analyzed using Structural Equation Modeling (SEM), which allows for the testing of complex relationships among multiple variables simultaneously. Descriptive statistics were also used to summarize the demographic characteristics of the respondents and to provide a basic understanding of consumer behavior at Warkop Agam.

RESULTS AND DISCUSSION

Descriptive statistics were used to summarize and describe the demographic characteristics of the respondents and their responses regarding price, word of mouth (WOM), brand image, and purchasing decisions. The following sections provide a breakdown of key variables based on the survey data. Out of the 216 respondents, 58% were male and 42% were female. This distribution shows a relatively balanced gender representation. The majority of respondents (65%) reported visiting Warkop Agam at least once a week, while 25% visited monthly, and 10% visited occasionally. The respondents were asked about their perception of the prices at Warkop Agam. A significant portion (76%) agreed that the prices were generally affordable for most income groups, though 56% of respondents felt that the portion size did not justify the price. A large proportion of respondents (76%) agreed that they had received trustworthy recommendations from loyal customers. However, only 53% felt that loyal customers actively recommended Warkop Agam based on product quality and service.

Warkop Agam's brand image, as perceived by consumers, was measured using several items. The results showed that while 76% agreed that the café was well-known for its Aceh coffee, 60% disagreed with the statement that Warkop Agam left a lasting impression due to its customer service. This suggests that while the café is recognized, its brand image is still developing, especially in terms of service quality. In terms of purchasing decisions, 53% of respondents agreed that they were satisfied with the quality of food and beverage offered at Warkop Agam, but only 40% considered it their primary choice for socializing or enjoying coffee. This indicates that while some customers are satisfied, the café has not achieved strong customer loyalty in terms of repeat visits.

Structural Equation Modeling (SEM) was applied to test the hypothesized relationships between price, WOM, brand image, and purchasing decisions. The SEM model was developed to assess both direct and indirect effects, where brand image serves as an intervening variable between price, WOM, and purchasing decisions. The first hypothesis tested was the effect of price on purchasing decisions. The results show that price has a significant negative effect on purchasing decisions, with a coefficient value of -0.43 ($p < 0.01$). This means that as the price increases, the likelihood of consumers making a purchase decreases significantly. This finding supports the conclusions of Ghozali (2022), who found that higher prices can deter purchases, particularly when consumers do

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not perceive a clear value in return. Higher prices at Warkop Agam appear to be a barrier for some customers, especially if they feel the price is disproportionate to the quality or quantity of the food and drinks offered. This result highlights the importance of balancing pricing strategies with customer perceptions of value. The second hypothesis explored the relationship between price and brand image. The SEM analysis revealed a significant negative effect of price on brand image, with a coefficient of -0.38 ($p < 0.05$). This indicates that higher prices may lead to a negative perception of the café's brand, possibly due to customers feeling that the price does not align with their expectations. The negative relationship between price and brand image suggests that customers may associate higher prices with negative perceptions of the café's value proposition, impacting their overall brand perception. If the price is perceived as too high, it can undermine the café's reputation and brand image.

The third hypothesis examined the effect of WOM on purchasing decisions. The SEM results showed a positive but insignificant effect of WOM on purchasing decisions (coefficient = 0.12 , $p > 0.05$). This suggests that while WOM has some influence on consumer attitudes, it does not significantly affect their actual purchasing decisions. The positive but insignificant relationship between WOM and purchasing decisions indicates that, while WOM may enhance brand image and create awareness, it may not directly lead to purchases unless combined with other factors, such as perceived value or competitive pricing. The fourth hypothesis tested the impact of WOM on brand image. The analysis revealed a significant positive effect (coefficient = 0.45 , $p < 0.01$). This means that positive WOM from customers significantly enhances the brand image of Warkop Agam, which aligns with previous research by Handayanto & Fuadiputra (2024), who emphasized the role of WOM in shaping consumer perceptions. WOM has a strong impact on shaping the brand image of Warkop Agam. This is likely due to the fact that customers who have positive experiences at the café are more likely to recommend it to others, which in turn builds a positive image of the café in the minds of potential customers.

The fifth hypothesis explored the relationship between brand image and purchasing decisions. The SEM results show a strong positive effect (coefficient = 0.54 , $p < 0.01$), indicating that a positive brand image significantly increases the likelihood of customers making a purchase. A positive brand image plays a crucial role in influencing purchasing decisions. Consumers who have a favorable view of Warkop Agam are more likely to choose it over competitors, highlighting the importance of cultivating a strong brand image through consistent service and quality. Finally, the study tested whether brand image mediates the effects of price and WOM on purchasing decisions. The results show that brand image significantly mediates the relationship between price and purchasing decisions (indirect effect = 0.21 , $p < 0.01$) and between WOM and purchasing decisions (indirect effect = 0.24 , $p < 0.05$). Brand image acts as a partial mediator between both price and WOM and purchasing decisions. This suggests that while price and WOM directly influence consumer behavior, their effects are enhanced or diminished through the consumer's perception of the brand. In particular, even if the price is high, a strong brand image can mitigate the negative effects and encourage purchases. Similarly, WOM boosts the brand image, which then positively influences purchasing decisions.

The findings from this study provide important insights into the factors influencing purchasing decisions at Warkop Agam Stabat. The negative impact of price on both brand image and purchasing decisions underscores the importance of maintaining competitive pricing that aligns with consumer expectations. The results also emphasize the role of WOM in shaping brand image, though its direct effect on purchasing decisions remains inconclusive. Moreover, the significant mediating role of brand image in the relationship between price, WOM, and purchasing decisions highlights the crucial importance of brand perception. For Warkop Agam, enhancing brand image through improved customer experiences, quality service, and consistency in product offerings could potentially mitigate the negative effects of high pricing and strengthen the influence of WOM.

CONCLUSION

The results of this study suggest that businesses like Warkop Agam Stabat must carefully balance their pricing strategies while focusing on enhancing their brand image. While price plays a crucial role in consumer purchasing decisions, a strong brand image can help mitigate the negative effects of high prices and improve customer loyalty. WOM remains an important factor in shaping brand image, but businesses should not rely solely on it to drive purchases. Instead, a holistic approach that combines competitive pricing, positive WOM, and a strong brand image will be the key to sustaining consumer interest and ensuring long-term success.

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