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## **The Effect of Nationalism, Social Status and Group Brand Into a Purchasing Decision of Local Product**

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**Abstract.** In understanding various types of consumer behavior and diversity of purchasing decisions, Nationalism, entrepreneur Social Status and Reference Groups can be factors for consumers on purchasing decisions on local products. The purpose of this research are (1)to find out whether nationalism can influence local product purchasing decisions, (2)to find out whether social status can influence local product purchasing decisions, (3)to find out whether reference groups can influence local product purchasing decisions, (4)To find out whether nationalism, social status and group reference can influence purchasing power of local products. The number of respondents 100 respondents are choose from buyers of Jco Donuts and Coffee products. The results of study are: (1)Nationalism has a positive and significant influence on purchasing decisions , (2)Social Status has a positive and significant effect on purchasing decision, (3)Reference Group has a positive and significant influence on purchasing decisions, (4)There is no significant relationship between nationalism, social status and reference groups on purchasing decision.

**Keyword:** nationalism, social status, group brand, purchasing decision

### **1. Introduction**

The rapid growth of economic development across countries including Indonesia effects all aspects of entrepreneurship both large and small businesses. Economic growth requires entrepreneurs to create business strategy to be exists in market cycle competition and on the top is to be the winner of the competition. The competition is smoother and easier in the market because technology facilitates transaction activities of the market environments.

Technology and other aspects often base customer decision for business transaction. Because of technology, customer makes decision on spending money because neighborhood influences such as friends and colleagues. This also critically influences decision to buy either local or international business product. Interestingly, purchasing power decision is rarely influenced by quality, trends but by sense of belonging of local products. The tendency to purchase international brand caused partly of environmental influences.

The stigma that foreign brand produces prestigious product has been deeply embedded in some part of social economy. This paradigm affects the sense of nationalism and there is tendency to show off social by purchasing foreign brands rather than local products. This also gives a slight negative effect on local products by pushing themselves to leverage economic group prestige by using foreign brands.

There is drastic change of life style paradigm in Indonesian society for the last ten years which shifts from conventional to semi modern or modern life style. We can see this phenomenon by the rapid growth of coffee shops and other shops as a place to meet up. People prefer to meet both social and professional networking outside house and choose those place as preference. There are some advantages of this society behavior to the last of those business chains. There is a rapid increase of profit by the increasing of the visit of people which automatically affects the volume of the purchase of the products. This situation will automatically cause the business competition amongst the similar business entities.

This phenomenon happens with coffee shop in Indonesia. One of them is American franchise-Sturbucks which is highly accepted in Indonesian Market. They grow rapidly all over Indonesia especially in some big cities. And the local brands grows simultaneously after seeing the success of the pioneer. An Indonesian bakery shop expands their business into coffee shops and tries to grab Indonesian market coffee lovers. We are curious to know wat happens in the market competition.

An interesting thing about those two coffee shops are Starbucks is an American coffee company that develops its business in Indonesia import Indonesian coffee beans then processed it USA and send back to Indonesia as raw material. Unlike Starbucks, J.Co Donuts and Coffee uses authentic Indonesian coffee beans

in many variants. But the interesting thing about Indonesian purchase behavior is not concern about the source of the material but its brand. By having brands, a certain group of society believes they improve their social status as well and this is important for social level.

The purpose of this study are: (1) To find out whether nationalism can affect the decision to buy local products. (2) to find out whether social status can influence local product purchasing decisions. (3) to find out whether the reference group can influence purchasing power (4) to find out whether nationalism, social status and reference groups can influence purchasing decisions.

## 2. Theoretical Framework

Cateora and Graham (2007) describe nationalism as an intense feeling of self-esteem towards their country. This self-esteem can take the form of anti-foreign business prejudice, where harassment and control of foreign investment is supported or even appreciated. Whereas according to Taniredja (2009) explained that a deep feeling of a close bond with his homeland and nationalism is getting stronger and stronger.

Satus Sosial, according to Sukanto (2010), is the place of a person in general in his community with respect to other people, in the sense of the social environment, prestige and rights and obligations.

The reference group (reference group) according to Sumarwan (2014) is an individual or a group of people who significantly influence a person's behavior. Reference groups are used by someone as a basis for comparison or a reference in shaping affective, cognitive and behavioral responses.

Purchasing decisions according to Kotler and Armstrong (2008) are the stages in the buyer decision-making process where consumers actually buy. Decision making is an individual activity that is directly involved in obtaining and using the goods offered.

## 3. Methodology

The research methodology used in this study is descriptive method and quantitative method.

Data sources used in this study are primary data and secondary data. The primary data of this study includes data on the characteristics of respondents and perceptual data of respondents who have visited J.Co Donuts and Coffee. Secondary data in this study in the form of literature study, previous research and literature relating to Nationalism, Social Status, Reference Groups and Purchasing Decisions.

Data collection methods conducted in this study are: (1) Observation, (2) Interview, (3) Documentation.

The method of data analysis used by researcher is the analysis of statistical data that compares the results of research with the calculations made on the data whether the results are positive and significant or even the opposite. In the management of data and questionnaires used an analytical tool that is SPSS Statistics 22 software in finding respondents' responses regarding nationalism, social status, reference groups and purchasing decisions.

## 4. Results And Discussion

Based on the results and processing of questionnaire data using the SPSS program that has been carried out, the discussion of the research hypothesis is that which states:

### a. Effect of Nationalism on Purchase Decisions

There is a positive and significant relationship between nationalism and purchasing decisions. This is indicated by the value of t count of 3.759 and t table of 1.660 thus the t count is greater than t table or ( $3.759 > 1.660$ ).

The results of this study do not support previous research conducted by Alif Septian Rizani (2014) which concluded that nationalism has a negative influence.

### b. Effect of Social Status on Purchase Decisions

There is a positive and significant relationship between social status and purchasing decisions. This is indicated by the value of t arithmetic of 2.528 and t table of 1.660 thus the t count is greater than t table or ( $2.528 > 1.660$ ).

The results of this study support the previous research conducted by Sis Rahardjo and Muhammad Riza Firdaus (2015) which concluded that social status has a positive influence.

### c. Effect of Reference Groups on Purchasing Decisions

There is a positive and significant relationship between the reference group and the purchase decision. This is indicated by the value of t count of 3.335 and t table of 1.660 thus the t count is greater than t table or ( $3.335 > 1.660$ ).

The results of this study do not support previous research that has been carried out by Alvina Fajar Wibowo and Eko Suseno Hendro Riyadi (2017) which concludes that the reference group has a positive influence.

#### **d. Effect of Reference Groups on Purchasing Decisions**

There is a positive and significant relationship between the reference group and the purchase decision. This is indicated by the value of  $t$  count of 3.335 and  $t$  table of 1.660 thus the  $t$  count is greater than  $t$  table or ( $3.335 > 1.660$ ).

The results of this study support previous research that has been carried out by Alvina Fajar Wibowo and Eko Suseno Hendro Riyadi (2017)

which concluded that the reference group had a positive influence.

#### **e. Effect of Nationalism, Social Status and Reference Groups together on Purchasing Decisions**

There is a significant relationship between nationalism, social status and reference group with purchasing decisions. This is indicated by the value of the calculated  $F$  value of 26.530 and  $F$  table of 2.70 thus the calculated  $F$  is greater than  $F$  table or ( $26.530 > 2.70$ ).

### **5. Conclusions**

Based on the results of research that has been done regarding Nationalism, social status and reference groups on the purchasing decisions of J.Co Donuts and Coffee, the following conclusions can be drawn:

1. Nationalism variables have a positive and significant effect on the variables of purchasing decisions.
2. Social status variables have a positive and significant effect on the variables of purchasing decisions.
3. The reference group variables have a positive and significant effect on the purchase decision variable.
4. There is a positive influence on the variables of nationalism, social status and reference groups on purchasing decisions.

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