

CHAPTER I

INTRODUCTION

1.1 Background of The Study

Nowadays, business in the food and beverages industry has developed rapidly, especially in the city of Medan. Food and Beverages is one of the basic human needs for carrying out its survival. In addition to means of survival, food and beverage is also useful for human growth and development (Sapputri, 2019). In today's era, the development in each product and service gets better from time to time that attracts the customer decision to purchase the company's product and earn profit. The food and beverage industry is one of them that create competition among companies due to producing similar goods and services. To deal with the competition, each company needs to have their own guidelines or ways to grow. The company must be able to adjust with the customer needs because every purchase is in the customer's decision and customer has their own criteria to consume a product.

The food industry is one of the industries which development is stable in Indonesia. In addition to stable development, the food industry also has positive growth and this cannot be denied by the emergence of various types of food and beverages that have developed rapidly. Many business people have an idea and flock to start opening a culinary business because the number of requests is increasing and culinary products will continue to grow with diverse types. Medan is a city that is very promising in this food and beverages

industry. There are varieties of culinary places such as street food-stalls, traditional restaurants and modern restaurants. No wonder many restaurants and cafes have sprung up, every space of restaurant or café is made as unique as possible to attract customers such as attractive design, quality food, and comfortable place.

Every restaurant must have its own skill in competition, for example with creative promotions. A problem that is often experienced by all restaurants is the decline in number of consumers. In the culinary business competition, restaurants don't only focus on products and services, but the attractive promotion is also one way to boost the company's profit. It is not only profitable for the company, but also from the consumer side. Developing the promotion of each restaurant, company needs to maintain their budget to avoid bankruptcy. A decrease in the number of consumers who make purchases may occur because promotional activities carried out by restaurants are not attractive. Basically marketing promotion activities have a very high importance to consumer purchasing decisions. Promotion Mix is a marketing carried out in an effort to increase consumer decide and interest to purchase against similar companies. Promotion Mix is more than one promotion tools that the company uses to engage between producer and consumer, persuasive to communicate the value interests need by the consumer value and build relationships with the consumers (Armstrong & Kotler, 2015, p. 468).

Product is the main thing of every company, without it a company cannot establish their marketing plan to sell their product. Every consumers need to know and master how useful the product that influence them, if the consumers are not master how useful the product with certainty the consumer will not have intention

to buy the product. Stanson (2018, p. 139), defines the product as a set of attributes both tangible and intangible including the color, price, good name of the product, good name of the shop that sells (retailer) and factory service and retail service received by buyers to satisfy their needs and wants. Therefore, the product can meet certain needs then the product can also interpret as a collection value that gives satisfaction to the wearer. If the product purchased is very important both psychologically and financially for an individual, the attraction of one product every customer will put their effort and spare their time to search the information before they make the purchase. Likewise, if the risk associated with purchasing a product is perceived to be high, then the individual concerned will be more careful in considering each stage of the decision process undertaken the overall evaluation, including satisfaction and dissatisfaction, depends on the purchase decision made. Therefore, a comprehensive of the purchasing decision understanding process carried out by consumers is beneficial for the design of the marketing decision strategy chosen depending in the consumer involvement.

According to Stanson(2018, p. 349), understanding the promotion mix is combination of best strategy from variables of advertising, personal selling, sales promotion and public relations the purpose is to achieve vision and mission of selling program. Promotional Mix is essentially an activity to convey or distribute information about the product to the target audience. To communicate the features and usefulness of its product and the most important part is about its existence. To accomplish the vision and mission, every company needs to use the effective skill

to reveal about the product. Marketing strategies are related with the indicator of Promotion Mix that give outcome in increasing consumer purchases.”

Strategic Marketing knowledge is very important for any business venture because in today’s competitive market, every company can perform smooth and well when they know how to put their position themselves in the market. Marketing strategy tools need to be used correctly to achieve and help their vision and mission organizations. It is important for business practitioners to understand the principles of strategic marketing. Successful organization can be realized if the company uses in a right marketing plan. It seems they need to consider looking from the customer perspectives and how their thoughts work in the process of buying a product or service.

Promotion in marketing management can be said that promotion is spear head of the business activities of a product so as to succeed in the target market and sell the product. According to Zimmerer(2018), Promotion is any form of persuasion communication designed to inform customers about a product or service and to influence them to buy the product or service which includes publicity, personal sales and advertising. Promotion is often spent many costs, but many consider that has a huge impact on consumer decision and It is almost certain promotions are carried out for products in form of goods or services and each branded or non-branded, the customers are able to find the non-branded products only in the certain places. Non-branded products are like home industry and earn profit in a small scale. It is totally different from a big company with high profit. All the business activity from all perspectives designed and planned systematically.

It measured, and directed according to the scientific principles. The consequences of this kind of activity is big because in terms of funding, the greater cost of the greater activity and production processes run according to plan. This includes of planning promotion for the product. For large company, the promotion can be carried out by the television, which the broadcasts are not only reaching within the country, but can reach out abroad. Even promotional through television can consider as a large media, with high cost about hundreds of billions of rupiah in a period.

Every Marketers need to have accurate information, timely and reliable information about their customer needs and special skills to analyze and interpret this information to support the design of ethically efficient marketing strategies. This need contributes to the development of consumer behavior as it says specific studies in marketing. In outline, the term consumer behavior refers to the behavior exhibited by individuals in buying and using goods and services.

The systematic study of consumers and their activities has developed rapidly since 1950s. The term of 'consumer behavior' refers of two mains perspectives, namely:

1. Human thoughts and actions in search of solution to their needs and desires
2. A field of study or science and technology that focuses on the consumption process experienced by consumers in order to fulfill their needs and desires.

Consumer purchase decision is a consumer behavior where consumers have a desire in buying or choosing a product, based on experience in choosing, using and consuming or even want a product (Kotler and Keller, 2015, p. 182).

Consumers make purchasing decision in various ways. Reference of taking decision that has chosen depend on consumer involvement in terms of products or service categories or buying situations and customer perceptions towards perceived risk regarding to the purchase concerned. Purchase decisions are the decision that owned by the consumer in determine the product or service purchased related to the taste and desire of the customer about the product's quality, quantity, and ability to attract their interest. Purchasing decisions are important things for the customer behavior when they want to purchase something that must be owned by the company in offering products sold. In addition, purchase decision can be defined as alternative way of choosing process due to availability, after the customer can evaluate the choices and making decision.

The method of making customer decision making process has a crucial role in customer loyalty which are to offer the best products or services that meet the needs and demands of consumers, to decide where services or products will be available for easy consumer access, determine the price at which consumers will be ready to buy the product or service, to find out the best promotional methods that will prove effective in attracting customers to buy products, understand the reality, anytime, how, what and other factors that influence consumer purchasing decisions. There is a general agreement wherever customer feels the value to work out customer loyalty. In fact, decision made by the customer is not always rational. Even decisions will occur due to unconscious encouragement by the customers. The concept of customer purchase decision could be a series of processes that are not static. The dynamics of the buyer higher cognitive (process) is crucial for customer

motivation. Purchasing decision is decision of 2 or more alternatives options, which implies that someone can make a decision, there must many various choices offered. The decision to purchase will result in however the decisions creating.

Canopi Restaurant as the research object of this study engages in food and beverages industry. Canopi Restaurant is established since July 2019 and is located at a shopping mall in Medan, which is Cambridge City Square Shopping Mall. The location of restaurant is very strategic.

The sales data of Canopi Restaurant started from July 2019 until December 2019 can be seen in table 1.1 as follows:

Table 1.1 Sales at Canopi July-December 2019

Month	Sales Target	Revenue	Percentage
July	50,000,000	55,550,000	111%
August	60,000,000	51,115,500	85%
September	75,000,000	65,953,000	88%
October	80,000,000	61,834,000	77%
November	80,000,000	55,609,000	70%
December	80,000,000	67,176,000	84%

Source: Canopi's sales data (2020)

The purpose of showing the sales data is to know the effect of promotional mix towards the customer purchase decision every month at Canopi Restaurant. Most of the monthly promotion can be different but sometimes, no promotion is applied in a particular month.

In July 2019, the Canopi Restaurantis launched. As per the data above, the revenue achieved was more than the expected without any promotion. After the first month launched, Canopi held a grand-opening celebration and invited many guests.

In August 2019, because of the last month The Canopi Restaurant did not get the expected sales, therefore The Canopi Restaurant created a promotion offered

buy 1 get 1 just for paying 70,000 rupiah. The second month of Canopi Restaurant lounge, it shows from the table that the promotion is not attractive for the customer.

In September 2019, as per the table above the revenue is not as expected as the sales target without making any promotion. Therefore, the revenue from August to September improved only by 3 % but not as expected as the sales target.

In October and November 2019, as per the table above the sales target is high and the revenue is low with 77 percentage because of that month the Canopi Restaurant does not create any promotion it is effect when the Canopi Restaurant has a promotion the sales is increase as table above.

In December 2019, the sales data increased by 84 percentage even less than the sales target without any promotion.

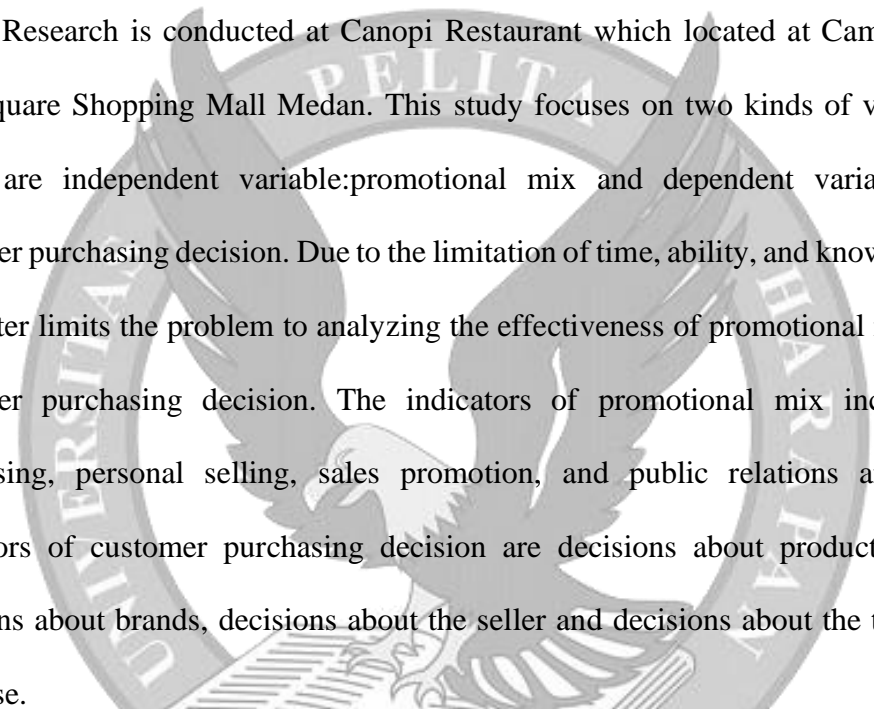
Promotions that are still not effective and mostly no promotion applied so as not to be able to increase sales such as not utilizing social media properly and aggressively in food and beverage promotions, sales promotions that are not often done, the Canopi Restaurant, Cambridge City Square Shopping Mall Medan that only cooperates with several banks that are rarely used by consumers. This reflects the ineffectiveness of promotions designed by the Canopi Restaurant, Cambridge City Square Shopping Mall Medan.

This Research aims to analyze whether the promotional mix effect the customer purchasing decision at Canopi Restaurant, Cambridge City Square Shopping Mall. It can be measured based on the dimension of promotional mix namely, advertising, personal selling, sales promotion, and public relations.

Based on the background study, the writer is interested in conducting the research with the title as follows: **“The Effectiveness of Promotional Mix towards Customer Purchasing Decision At Canopi Restaurant, Cambridge City Square Shopping Mall Medan”**.

1.2 Problem Limitation

Research is conducted at Canopi Restaurant which located at Cambridge City Square Shopping Mall Medan. This study focuses on two kinds of variable which are independent variable:promotional mix and dependent variable:the customer purchasing decision. Due to the limitation of time, ability, and knowledge, the writer limits the problem to analyzing the effectiveness of promotional mix on costumer purchasing decision. The indicators of promotional mix including advertising, personal selling, sales promotion, and public relations and the indicators of customer purchasing decision are decisions about product form, decisions about brands, decisions about the seller and decisions about the time of purchase.



1.3 Problem Formulation

Based on the description of the background of the study above, therefore, the main problems in this research are:

1. How is the effectiveness of Promotional Mix at Canopi Restaurant, Cambridge City Square Shopping Mall Medan?
2. How is the condition of Customer Purchasing Decision at Canopi Restaurant, Cambridge City Square Shopping Mall Medan?
3. What is the affect of Promotional Mix towards Customer Purchasing Decision at Canopi Restaurant, Cambridge City Square Shopping Mall Medan?

1.4 Objective of Research

The study of this objective research will achieve are:

1. To examine the effectiveness of Promotional Mix at Canopi Restaurant, Cambridge City Square Shopping Mall Medan
2. To find out the condition of Customer Purchasing Decision at Canopi Restaurant, Cambridge City Square Shopping Mall Medan
3. To identify the affect of Promotional Mix towards Customer Purchasing Decision at Canopi Restaurant, Cambridge City Square Shopping Mall Medan.

1.5 Benefit of the Research

The benefits of this research can be seen as follows:

1.5.1 Theoretical Benefit

Theoretical benefits of this research are as follows:

1. This research is to support and benefit to develop of existing theory about promotional mix and customer purchasing decision.
2. This research is useful as a guidance for study materials for student in university.
3. This research can be useful as a reference for the future researchers about promotional mix on customer purchasing decision.

1.5.2 Practical Benefit

Practical benefits of this research are as follows:

1. This research helps to achieve and solve the main problem of its company which is Canopi Restaurant, Cambridge City Square Shopping Mall Medan.
2. This research helps to assist of existing information for other researchers that have similar topics.
3. This research helps to provide information about Promotional Mix towards Customer Purchasing Decision at the Canopi Restaurant, Cambridge City Square Shopping Mall Medan.