

# CHAPTER I

## INTRODUCTION

### 1.1. Background of the Study

The purchase decision process begins when the customer is aware of a problem or need for a desired product. The purchase decision is the next step after the intention or desire to buy, but the purchase decision is not the same as the actual purchase (Morissan, 2015). When someone has a need, the problem recognition stage will begin. Buyers will start thinking about their needs and then look for information about meeting their needs. Furthermore, from the alternatives, the buyer will decide to buy one of them. After that the buyer will conduct an evaluation of the product, whether satisfying or even disappointing. For companies, the higher purchasing decisions mean that sales are increasing and buyers are increasingly interested in the company's products.

One of the strategies that a company can use to improve purchasing decisions is: with market segmentation. Market segmentation is a process of dividing a heterogeneous market into groups of buyers or consumers who have homogeneous characteristics and can be meaningful to the company (Assauri, 2015). Market segmentation can also be explained as the division of groups of buyers who have different needs, characteristics, or behavior in a particular market. Market segmentation can also be interpreted as identifying the analysis of the differences of

buyers in the market. In segmenting the market, companies need to survey the market, analyze the market and then form a segmentation to classify the market into homogeneous groups. With segmentation, business people can get to know target customers more easily. Because they are more familiar with the market, business people will be more focused in designing marketing strategies, including determining communication media that is appropriate for their segmentation.

The proper market segmentation can help company to boost purchase decision. To satisfy consumers, organizations must find out who their customers are. Therefore concepts such as market segmentation are used to identify different target markets and create purchasing decisions (Kusumawati, 2018). The research done by Nurawalia (2017) showed that market segmentation has effect on purchase decision.

Promotion strategies decisions must be coordinated with other marketing mix elements. The role of market segmentation and its application in integrated marketing communication programs influence purchasing decisions (Morissan, 2015).

PT.Makmur Ang Jaya is a company engaged in glassware trading. The company does import of goods from China. Besides importing finished goods from China, the company also make special request to vendor to make production based on recently model of customers' tastes. The phenomenon that occurs in companies is: a decrease in purchasing decisions. Decrease in purchasing decisions can be seen from the decline

in the company's sales volume and not achieving the sales targets set by the company. The company sets certain sales targets that must be met by employees, and then analyzes the percentage of target achievement.

The data of sales over the past few years are as follow:

**Table 1.1. Sales Data 2015-2019**

No.	Year	Amount of Sales Transaction	Increase (Decrease)
1	2015	60.541	-
2	2016	59.238	(1.303)
3	2017	57.249	(1.989)
4	2018	56.522	(727)
5	2019	54.762	(1.760)

Source: Prepared by the writer (PT.Makmur Ang Jaya, 2020)

One of the problems that causes a decrease in purchasing decisions is: the company does not applied right market segmentation so the application of misplaced marketing strategies often occurs, for example: the treatment of new customers and old customers should be distinguished, because old customers usually do repeat orders so rarely require more questions further, meanwhile new customers may need further explanation or product samples.

At this time, PT.Makmur Ang Jaya has a segmentation strategy in distributing its products which only applies or uses demographic segmentation such as age, gender, income, employment, etc. One of the approach which used by company to demographic segmentation is ages, young people aged 15-20 years, adult people aged 21-30, above adult people aged 31-40 and old people aged above 40. Teenagers show conspicuous consumption behavior that consistently crosses borders because of their interest in teenage lifestyle. In dealing with this reality,

company management needs to review whether there are opportunities in increasing the current target market. Management must show whether the company can get more market share with its products.

PT.Makmur Ang Jaya has more focused on people aged 21-30 and 31-40 because management thinks that more people at this age are those who are just married, or who are still of productive age and have the ability to buy. The analysis of target market made by PT.Makmur Ang jaya based on its demographic segmentation is as follow:

**Table 1.2. Analysis of Target Market Based on Demographic Segmentation**

<b>Target Market</b>	<b>Analysis</b>
People Aged 15-20 Years Old	At this age, people don't have purchase ability because most of them are still in education age. They are still under the responsibility of parents. Besides, the glassware products are mostly not needed by teenagers.
People Aged 21-30 Years Old	At this age, people start to have their own income and having ability to buy. Besides, mostly people at this age start to have marriage life and having needs in glassware products.
People Aged 31-40 Years Old	At this age, people are more mature. They can decide what they need to buy and most of them has more stable financial condition.
People Aged > 40 Years Old	At this age, most of people less interested in buying things. They are more selective in making purchases and some of them are not even at a productive age to make purchase.

Source: Prepared by the writer (PT.Makmur Ang Jaya, 2020)

Based on the above analysis made by the management, the company more focused to sell its products to people aged 21-30 and people aged 31-40. This is because at this age, most of them has ability to buy and starting a family life that they will need glassware products. Besides demographic segmentation on age, the company also more focuses to market its products to female than to male. This is based on the management analysis that female are more interested in glassware products than male. This demographic segmentation made by the company

cannot effectively help company to boost its sales. It can be seen from the decrease in sales number in the company.

Besides doing the demographic segmentation, the company should also pay attention to other segmentation strategy that might has relation to company's business activities. One of them is geographical location, where there are customers who can pick up their own goods and some must be sent / delivered. This is very important because this delivery problem will affect the distribution of company's products. The company has not divided its customers into small, medium and large scale companies and the distribution areas. The company needs to do the distribution of services provided to the company according to its scale. For customers who often make purchases from the company must be treated more special compared to companies that rarely make purchases from the company. Special treatment that can be given for example, giving a longer credit deadline or if possible can be given a discount.

Although age can determine the ability to buy from customers, but not all sufficient customers will buy glassware products. The company has to consider about dividing customer based on behavioral segmentation. Some customers do the repeat purchase on same products, some of them always ask for different products, and some of them only seek for lower price. The company has to analyze the customers' behavior, then make the best marketing strategy to approach them. Some customers will only buy products if they need it, but some customers will buy products because of

their hobby, or only want to collect it. The company should do product development so that the products will also can be treated as displays products.

Based on description above, the writer want to conduct the research with title **“The Effect of Market Segmentation on Purchase Decision at PT.Makmur Ang Jaya.”**

## **1.2. Problem Limitation**

The object of this research all customers of PT.Makmur Ang Jaya. This research refers only to projects that started and finished within 2019 in order to overcome the time limitation. Furthermore, due to the limitation of time and resources, the scope of this research will focus solely on the variables within a few indicators and characteristics that the writer considers relevant. The segmentation in this research is demographic and behavioral segmentation.

The indicators variable market segmentation are measurable, accessible, substantial and actionable (Assauri, 2015). The indicators of purchase decision are search of information, alternative evaluation, purchase activity and post purchase behaviour (Rossanty, etc, 2018).

## **1.3. Problem Formulation**

Based on the background study above, the writer can take problem formulation as :

1. How is the market segmentation at PT.Makmur Ang Jaya?
2. How is the purchase decision at PT.Makmur Ang Jaya?
3. Does the market segmentation have effect on purchase decisions at PT.Makmur Ang Jaya?

#### **1.4. Objective of the Research**

The purposes in doing this research are:

1. To know the market segmentation applied at PT.Makmur Ang Jaya.
2. To know the purchase decision at PT.Makmur Ang Jaya.
3. To know whether there is an effect of market segmentation on purchase decision at PT.Makmur Ang Jaya.

#### **1.5. Benefit of the Research**

The benefits from conducting this research are as follows:

##### **1.5.1. Theoretical Benefit**

The research can be used as input to study about market segmentation, purchase decision and the effect of market segmentation towards purchase decision.

##### **1.5.2. Practical Benefit**

The research can be used as input for company to make better market segmentation policy for better purchase decision.