

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 BACKGROUND OF THE STUDY**

In this modern era, a good product is not enough to please a customer. As time goes by, competition among companies as well as marketers are getting more fierce and intense. They are ought to compete against each other especially for them who offer similar products or services. This circumstance consistently forces companies to maintain or preserve their company's sustainability by gaining optimal profit which may as well be an advantage to strengthen each company's position in their respective industries (Nirmala & Mahmud, 2016). To achieve this goal, marketing strategies must be deliberately considered and planned ahead of time before launching or offering the company's products or services. Recently, not even a great product with a great price can immediately catch a customer's attention. Companies must now be willing to put their brand out there to be seen by the public. In other words, they must know how to communicate and connect with their customers not only face to face, but also through print or marketing media. Other than that, they must also possess the concept of being market and customer driven.

With the emergence and improvement of technologies, everyone can now gain access to millions of media. To combat the issue at hand, companies have to think of ways to promote their products in efficient and effective ways. They need to know how to raise awareness and catch people's attention at once. It is more about who can reach or get to their customers first. The methods of communicating and reaching customers have to carry a meaningful message in hopes to satisfy customers' needs and wants. The overall goal is to enable and persuade customers to purchase the product or service.

However, it is useless and absolutely impossible to do marketing without any customers. When companies create a product or service, they must immediately think of their target markets and customers in order to be able to sell the product or service with ease. Successful marketing strategies and executions result in large amount of demands for any products or services. Marketers are constantly looking for new and better alternatives to communicate better with their customers or potential customers to understand customers' purchasing decision. On the other hand, they must also come up with smart tactics reach their target customers and create promotions to motivate them to purchase their products or services.

Promotion is considered as one of the best tools in marketing for the purpose of boosting a company's sales. There are many types of promotion acts which are categorized as promotional mix. According to Stanton as cited in Khanfar (2016), promotional mix is defined as the combination of marketing strategies which include advertising, sales promotion, public relations, personal selling, and direct marketing. Nowadays, companies need to utilize almost, if not, all of the elements in the promotional mix since current customers are quite hard to be persuaded and pleased. However, the marketing department in a company or organization needs to be cautious in spending budget for marketing because different companies need different kinds of approach to promote their products or services. Come to think of it, they need to consider looking from customers' perspectives and how their thoughts work in the process of buying a product or service.

In today's environment, customer buying process is getting more complicated (Yang & Lee, 2016). Customer buying decision consists of five stages which are problem recognition, information search, alternatives evaluation, purchase decision, and post purchase decision. Yet, not all customers' buying decision goes through all

those five stages (Pride & Ferrell, 2012). Different customers are going to have different perspectives and way of thinking. Some are more flexible than others. According to Mittal as cited in Familmaleki, Aghighi, and Hamidi (2015), promotion is considered as an extremely important aspect since it can help gain customer's attention towards the product or service promoted by the company which is going to indirectly have an impact in customers' buying decision. Customer buying decision is also considered as an important factor to determine whether a company's marketing department has been doing their job and how well they are able to promote their products or services for customers to purchase.

Co-working spaces, events, and seminars have quickly become a trend in Medan. With the advancement in technology and increasing interest of young adults or even teenagers to become entrepreneurs, the door to the business is completely open. Currently, the most influential company that offers all those three things is Clapham Collective Medan. Clapham Collective was established in 2016. The founder, Christopher Angkasa, launched this idea in Medan to bring young entrepreneurs and creative people together. Since the startup community in Medan is not conducive or very well established yet, he has to basically start from scratch to foster the startup culture in this city. The organization has recently merged with EV Hive resulting in the name change to EV Hive at Clapham. EV Hive at Clapham aims to create a community-based environment and emphasizes in collaborative energy and the overall learning experience. The organization's goal is to give a helping hand to young people full of hopes and dreams, struggling startup businesses, and struggling entrepreneurs with great ideas. The organization had just recently changed their name again to COCOWORK@Clapham Medan. A few months ago, the customers of EV Hive at Clapham have not been very loyal and are quite unpredictable. Its monthly sales revenue had been

wavering. The number of customers would go up the previous month and suddenly drops down the next month such as the following:

**Table 1.1 COCOWORK@Clapham Medan's Sales Data**

Months	Number of events	Number of customers	Total revenue
September 2017	9	499	Rp. 68,059,200.-
October 2017	11	713	Rp. 126,614,740.-
November 2017	7	828	Rp. 103,011,550.-
December 2017	5	440	Rp. 87,506,950.-

Source: Writer (2018)

As the writer can conclude from the table above, the organization's revenue and number of customers had not been stable. There is a significant drop in the number of customers on November 2017 to December 2017 with the latter showing a decrease in a total of 388 customers and Rp 15.504.600,- in monthly revenue. Even though there are fewer events in December, the number of customers should not have gone down quite substantially. From the data above, the writer suggests that there may be some problems in terms of the marketing actions or strategies which were executed by COCOWORK@Clapham Medan's team that caused customers to not be able to relate or become interested in their promotional efforts for events.

To support the argument, the writer did conduct preliminary interviews on two customers of COCOWORK@Clapham Medan regarding the marketing and promotion aspect of the company. According to Miss C, the company's advertising is great from the design perspective; however it did fail to reach her a number of times. On the other hand the other customer, Miss K stated that COCOWORK@Clapham Medan lacks the aspect of sales promotion due to the fact that there are not enough discounts, contests, or

giveaways to attract and change customers' minds who are not interested in the first place.

In this *skripsi*, the writer needs to conduct research whether promotional mix has an effect on customer buying decision and how strong the relationship between the two really is. Hence, the writer decides to entitle this *skripsi* as "The Effect of Promotional Mix towards Customer Buying Decision at COCOWORK@Clapham in Medan".

## **1.2 PROBLEM LIMITATION**

In order for this research to be more direct, focused, and also due to the limited time and knowledge, the writer is going to set a few limitations for this *skripsi*. The writer is going to focus on promotional mix as variable X with the indicators by Kotler and Keller (2016) which are advertising, sales promotion, personal selling, direct marketing, and public relations. On the other hand, the writer will also focus on customer buying decision as variable Y with the indicators by Tjiptono (2015) which are problem recognition, information search, alternatives evaluation, purchase decision, and post-purchase decision.

## **1.3 PROBLEM FORMULATION**

Based on the description and information obtained from the background of study, there are a few research questions that need to be answered such as the following:

- a. Does promotional mix have an effect on customers' purchase decision at COCOWORK@Clapham in Medan?
- b. How strong is the effect of promotional mix towards customers' purchase decision at COCOWORK@Clapham in Medan?

#### **1.4 OBJECTIVE OF THE RESEARCH**

By the end of this research, the writer hopes to achieve the objectives which are listed as the following:

- a. To find out whether promotional mix has an effect on customers' buying decision at COCOWORK@Clapham in Medan
- b. To determine how strong the effect of promotional mix towards customers' buying decision at COCOWORK@Clapham in Medan

#### **1.5 BENEFIT OF THE RESEARCH**

The writer expects that the theoretical explanations and results of this research are going to provide theoretical and practical benefits not only for the writer, but also for the organization, readers, and future researchers.

##### **1.5.1 THEORETICAL BENEFIT**

The writer hopes that the results of this research are going to provide theoretical benefits which can at the very least be useful as a contribution of thoughts and insight to the world of business education. They can also be a foundation as a learning media in the future specifically on promotional mix and customer purchasing decision.

##### **1.5.2 PRACTICAL BENEFIT**

The practical benefits of this research can be categorized into three different perspectives:

- a. For the writer

The writer can gain knowledge and insight on whether promotional mix affects customers' purchase



decision. The writer can also enhance his knowledge in the world of business.

b. For the organization

The results and analysis from this research are expected to be treated as an input and insight for the organization. Other than that, the recommendations from this research are also expected to hopefully be implemented by the organization and help them solve the problem they are currently facing.

c. For the readers and future researchers

This research is expected to contribute as a source of reference that can hopefully provide additional information which may be useful for the readers and can provide contribution of thought for future researchers who may have the same problems or to whomever that might want to conduct further research on this particular topic.

## **1.6 SYSTEMS OF WRITING**

In order to have a deeper understanding on this thesis, the materials inside are grouped into several subchapters with the following systems of writing:

### **CHAPTER I INTRODUCTION**

This chapter includes the analysis and description of the background of study, problem limitation, problem formulation, objective of the research, benefit of the research, as well as the systems of writing.

## **CHAPTER II LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

This chapter includes theoretical background such as the definition of promotional mix, dimensions of promotional mix, and definition of customer purchasing decision. It also includes previous research, hypothesis development, research model, and framework of thinking.

## **CHAPTER III RESEARCH METHODOLOGY**

This chapter includes the research design, population and sample, data collection method, operation variable definition and variable measurement, and data analysis method.

## **CHAPTER IV DATA ANALYSIS AND DISCUSSION**

This chapter includes the general view of research object, data analysis, and discussion.

## **CHAPTER V CONCLUSION**

This chapter includes the conclusion, implication, and the writer's recommendations.