

CHAPTER 1

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Nowadays business competition is getting tougher with advancement in technology and information so that consumers have complete information about alternative product choices available in the market. Sellers try to meet the needs and desires and provide satisfaction for the consumer, therefore the consumer is the main thing to note other than the product presented. The key to winning the competition is to provide value and satisfaction to customers through the delivery of quality products and services at competitive rates.

In today's marketing environment, price is central issue, not only in consumer decision making process and the outcomes of their overall satisfaction but also in decision making and marketing strategy of the producer. The concept of quality takes a particularly special emphasis when there is juxtapose against price that consumer is able to pay.

Consumer's interest to purchase a product or service always depends on the willingness to buy and at the same time ability to pay for the product. Though consumers are willing and able to pay, they can also change their buying decisions because of the influence of various factors such as psychological factors, personal factors, cultural factors, social factors, the influence of family members, economic factors and social media, etc.

An individual who purchases products or services for the purpose of using for himself/herself is known as an end user or consumer or the end user of the product or services is termed as a

consumer. The way consumer decides whether and what to buy depends partly on the significance of the purchase. Consumer purchase decision specifically refers to the activities consumer take when deciding what to buy and when making the actual purchase. Consumer research about price can show how to communicate price most effectively. Research indicates that the ending of the price affects how consumer perceives quality of service satisfaction.

The emergence of paradigm customer value is to give customer satisfaction according customer needs. Perceived value has an impact on the desire of customer retention and is mediated through the customer satisfaction. The process of creating the customers' perception against the value has an important role on customer loyalty. There is a general consensus on where the customers perceived value to determine customer loyalty. In fact, a decision that created the consumer is not always rational. Even a decision could occur because of the unconscious impulse by consumers. The concept of a consumer's purchase decision making is a series of processes that are not static. The dynamics of the consumer decision-making process this much determined motivation of consumers. Purchase decision is the selection of two or more alternative options of purchasing decisions, meaning that one can make a decision, must be available several alternative options. The decision to buy may lead to how the decision-making process within it is done. Measurement of purchasing decisions in this study includes an introduction to needs, information retrieval, evaluation of alternatives, the stage of purchasing decisions, and post purchase.

Grace fashion, Medan is a distributor of variety clothes, not only for Medan city, but it also distributes the product to other towns. As a newcomer in this sector, Grace fashion must put more efforts such as price to increase the consumer's decision

As for Grace Fashion sales data during the year 2017 can be presented in table 1.1 as follows:

Table 1.1
Sales Realization Data at Grace Fashion Year 2017

Month	Target Sales (Rp)	Realization Sales (Rp)	Percentage (%)
January	100.000.000	72.800.000	72,8%
February	100.000.000	75.500.000	75,5%
March	100.000.000	73.300.000	73,3%
April	100.000.000	71.000.000	71%
May	100.000.000	68.500.000	68,5%
June	100.000.000	68.750.000	68,75%
July	100.000.000	65.500.000	65,5%
August	100.000.000	65.750.000	65,75%
September	100.000.000	67.500.000	67,5%
October	100.000.000	68.800.000	68,8%
November	100.000.000	66.350.000	66,35%
December	100.000.000	68.900.000	68,9%

Source: Grace Fashion, 2017

From table I.1 it can be seen that the sales of Grace Fashion is not very good, as evidenced by the lowest sales in July with the achievement of only 65.5% of the sales target of 100,000,000

Price is the manager's biggest marketing headache, and it is where they feel the most pressure to perform and the least certain that they are doing a good job. According to Abdullah and Tantri (2015:

205), in addition to the increasing role of non-price factors, prices remain an important element and specifically affect markets characterized by non-political or oligopolistic competition. And according to Hasan (2016: 299) setting goals based on price is the most flexible job, can be changed quickly in line with market changes, including price competition issues. In general, pricing aims to find profits for the company to run. Pricing decision should consider customer and competitor reactions. In formal uses, customer will generally perceive price as an indicator of product or service quality and will normally evaluate the cost in terms of perceived benefit derived from the consumption of the offering. In most cases, customers have the opportunity to choose from a variety of offering and thus price will be one of the comparative indicators upon which their buying decision will be based. The major determinant of prices, of course, is what the consumer is prepared to pay, which is in turn related to a number of other factors including quality. Price is one element of marketing mix. It can change very easily as compared to other element of marketing mix. The marketer can decide to lower or raise a price more frequently. Price is the only element in the marketing mix which produces revenue and that all the other element represent cost. Price is the amount for which product, service or idea is exchanged, or offered for sale regardless of its worth or value to potential.

In some cases, product or service requirements originate from customer requirements, thereby creating a common link to customer-driven quality, but the focus of the culture is on the quality of the product or service. If the customer requirements are accurately stated and designed into the production or service delivery process, then as long as the product or service meets the requirements, the customer should be satisfied. The term of service satisfaction has a number of quality levels: universal, cultural, social, and personal. Simply put, the

quality can be defined as products that are free of defects. In other words, the product complies with the standard. However, manufacturing-based definition is less relevant to the service sector. Service quality as all the dimensions of product offerings that generate customer's benefits. The term value is often used to refer to the relative quality of a product is linked to the price of the product concerned quality of service measurement Indicators are using this study include; Tangible, Empathy, Reliability, Responsiveness, Assurance.

Based on the background above, the researcher is interested in choosing the title **“The Influence of Price in Increasing the Consumer's Purchase Decision at Grace Fashion, Medan”**

1.2 PROBLEM LIMITATION

The research is conducted at Grace Fashion which located at Perbatasan No.20, Lubuk Pakam. This study emphasized on independent variable price and dependent variable the consumer's purchase decision. This study was conducted to examine the effect of pricing strategy on buyer's decision and the consumer behavior to buyer's decision and how is the price linked to product quality. The indicators for price are : Affordability, Price Compliance with Product Quality, Price Competitiveness, Price Compliance with Production Benefits, Price affects consumer Purchasing Power. The indicators for purchase decision are: Problem Recognition, Search Information, Alternative Evaluation, Buying Decision and Post-Purchase Behavior.

The required target population for the research is available in the study area. The research focuses on financial statements and the consumers of the company. Time and convenience is also another factor that necessitated the chosen area as the researcher combines

administrative work with the research work. In all 30 respondents were used for the research.

1.3 PROBLEM FORMULATION

This research seeks to investigate whether pricing has relationship with consumer's purchase decision among the company consumers. Here shown the question to fulfill the research aim, which is: Is there any influence between pricing towards consumer's purchase decision at Grace Fashion?

1.4 OBJECTIVE OF THE RESEARCH

The main objective of this research is to know whether there is an influence of pricing towards the consumer's purchase decision at Grace Fashion.

1.5 BENEFIT OF THE RESEARCH

The benefits of this study are divided into two, namely theoretical and benefits practically.

1.5.1 THEORETICAL BENEFIT

Theoretically, to writer and reader, the result of this research is expected to be a reference or input for the development of communication science and increase the study of entrepreneurship, especially to determine the effect of price to consumer purchasing decisions

1.5.2 PRATICAL BENEFIT

Practically, to the company, the results of this study are expected to be input for Grace Fashion party especially in decision making to determine company policy, helping fashion grace solve its problems, increase sales and influence consumers to buy their products. And for others this research is also expected to assist other parties in presenting information to conduct similar research

1.6 SYSTEMS OF WRITING

In the systematics of writing, the author will briefly describe the chapter by chapter in sequence. The order of writing the chapter to be presented is as follows:

Chapter I : Introduction

It is the outline, the direction of purpose, and the encouraging research grounds the authors do research and include : Background of the study, Problem limitation, Problem formulation, Objective of the research, Benefit of the research (Theoretical and Practical benefit) and Systems of writing

Chapter II : Literature Review and Hypothesis Development

Explaining further about the theory on which the author is based, which cover: Theoretical background, Previous research, Hypothesis Development, Research model and Framework of thinking

Chapter III : Research Methodology

Describe about: Research design, Population and sample, Data collection method, Operational variable definition

and variable measurement, Data analysis method.

Chapter IV : Data Analysis and Discussion

Describe about: General view of “Research Object”,
Data analysis (Descriptive statistic, Result of data quality
testing and Result of the hypothesis testing), Discussion

Chapter V : Conclusion

Describe about: Conclusion, Implication and
Recommendation

