

CHAPTER I

INTRODUCTION

1.1 Background

The transactions in the purchase decision of before, during, and after the purchase of a service or good is used by the consumers. Product purchase decision means that where a customer identifies their needs and wants, having options, and selecting the right brand and product to buy (Mirabi, Akbariyeh & Tahmasebifard, 2015). It involves an act to identify the condition, size, price, or the amount of the purchase itself. This measures and involves cognitive, conative, affective items in the purchase decision making. This concludes that product purchase decisions can be seen as a double alternative in a way of cost-benefit analysis.

Lots of the customer's product purchase decisions are minor, such as choosing what to eat for dinner whilst other purchases are major, such as buying real estate or land. According to Arslan and Zaman (2015), the customer is influenced by rational and nonrational considerations to purchase a product. Rational decision is caused by an economic factor and pure benefits that the customer gets. Irrational decisions are mostly emotional throughout the customer's feeling tailored to the assumptions that they make (Arslan & Zaman, 2015). The bigger the purchase decision, the more effort is being put into the practices. On the other hand, the more customers purchase the product, there will be more revenue or sales generated (Mirabi *et al*, 2015).

Management correlates with the processes for delivering various common platform and proceed as a whole to achieve the desired objectives and purposes in an organization. Management covers all of the external and internal factors of business (Strydom & Rudansky-Kloppers, 2016). Retail covers management by the word itself, in which retail management varies from a level where the processes in helping the customers should be planned from the retail stores throughout the items and merchandise (Ayers & Odegaard, 2017). This process is called retail management that the retail stores will sell to the customer and will adjust accordingly to the customers' needs or demands. Retail management saves the customer's time and decent retail stores may offer their specialties, such as cheaper pricing, benevolent experiences by giving better services, and customer satisfaction (Alieva, 2017).

Retail stores ought to push the boundaries as sales plunged from 2013 due to the emerging online stores (Simmers & Keith, 2015). A chain store is a store that consists of more than a single branch. This store may have a minimum of two retail stores until hundreds of them. The stores may exist in the same city or worldwide. Most modern retail stores have their strategic types in their decision making including the type of market, store, and target segment of the customer and location. There are lots of retail stores such as specialty shops, big-box retailers, home depot, and cafe or restaurant chains (Ko, Chang, Bae & Kim, 2017).

A store consists of a lot of products inside, which they will either consign or buy and sell the products again. By consignment or to buy and sell, the store

needs to select and choose the right products ensuring the quality itself. A quality product is a competitive issue where superiority, sustainability, reliability, and or maintainability are being measured (Ko *et al*, 2017). The philosophy or history of the quality product focuses on profit maximization, marketing, engineering management, operations control, manufacturing practices, customer satisfaction, and product purchase decision or buying behavior (Matsa, 2011). Some perspectives and aspects can determine the best quality products since each of the brands and products are known for their competitiveness factor and stands out due to one or several reasons (Matsa, 2011).

A store will also determine if a product has reasonable prices other than the quality. Price is the cost or an amount of money to pay for a product or service. The price of a product is the pricing where the market sets the price at the right level, which will sell the products and taking part in the business itself (Andreti, Zhafira, Akmal & Kumar, 2013). The price point is set higher than the funds to create, implement the logistics, human resources, and other factors of the products, which will determine the costs of the products themselves. To set the prices, a business will ensure that the price to acquire the goods, manufacturing cost, operations, engineering, operations practices, product competitor, quality products, market condition, and much more to gain profit (Rodrigue & Tan, 2019). This also will ensure that the prices are not too high or too low.

There are two types of prices to be naturally accepted by the customer, which are a high demand with cheap prices and low demand with high prices. This will also contribute to the quality products as, the higher the quality and

brand image, it will result in higher total costs to sell the products. Nonetheless, price is one of the most important tactical decision in marketing that will change the market, competition, and business situations (Rodrigue & Tan, 2019). Newer strategies had been adapted to regain sales. Besides having a decent quality product and price, there is another strategy to improve sales and product purchase decisions, which is to execute a promotion program.

According to Familmaleki, Aghighi and Hamidi (2015), promotion is a marketing communication tool used to persuade specific customers or audiences of the service, products, brand, or issue. This results in the implementation of active encouragement in the minds of the consumers. The purpose of promotion is to improve the product's awareness, brand image, create interest, brand loyalty, and boost sales. This emphasizes the information that has been given to the customers and audiences. This will improve demand and differentiate one product from another (Familmaleki *et al*, 2015).

The other supporting factors to a product purchase decision are to have a decent location. Location plays a big role in retaining or prolonging the employee's work-life and attracting them and keeping a decent work-life balance. This will improve logistics, having decent environmental characteristics, reducing the cost of employee's transportation, accessibility and distribution of the places, employee's minimum wage or salary, and much more (Andreti *et al*, 2013). A decent location can significantly enhance the company's longevity and performance level. A company should consider the office, factory or manufacturing plant, warehouses, and where to sell and distribute their products

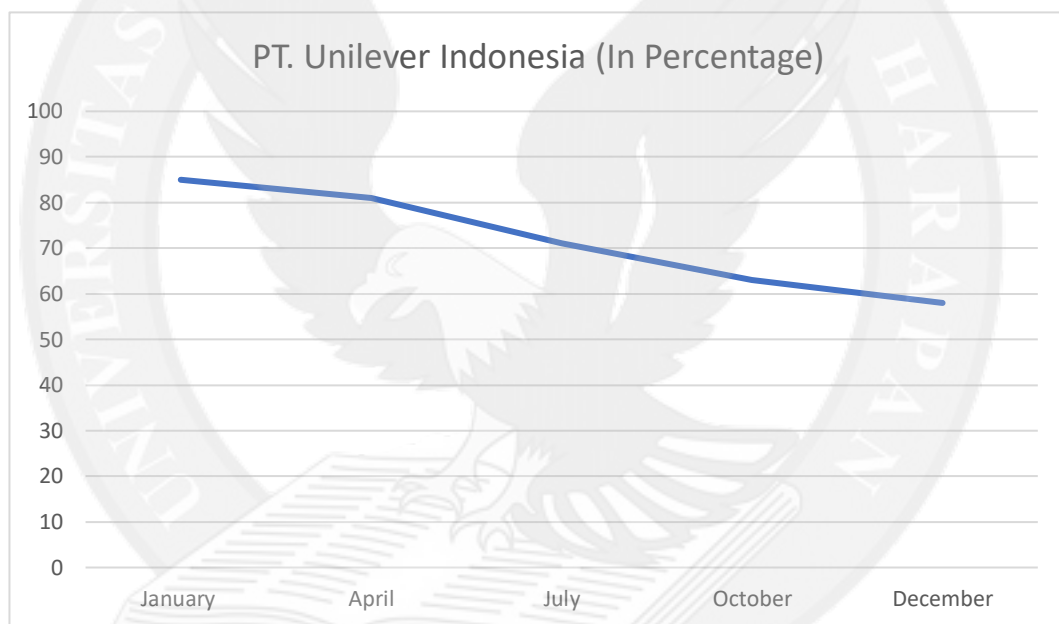
(Andreti *et al*, 2013). An example of the purchasing decision of the customer where the customer wanted to buy the only product in the closest store also measures the strategical location of the distribution and accessibility factor.

There are lots of marketing techniques that can be implemented to enhance the product purchase decision. One of the most effective marketing techniques is the marketing mix or 4P's, which are product, price, promotion, and place. Product refers to the quality products and place refers to the location. The marketing mix is a concept or model where it becomes a foundation in businesses as a "set of marketing tools that the firm uses to figure out the marketing purposes in their target market (Familmaleki *et al*, 2015). All managers or leaders lead their subordinates using one of the concepts of marketing mixes. Leaders and managers use the marketing mix as one of the tools to lead their subordinates, which explains as creating strength and know their weaknesses, improving competitiveness, and create a blend of situations where internal departments of human resources work together closely.

With lots of competition in the sector of product distribution and to sell in the retail sector, this makes businesses fight to gain the product purchase decision from the customer. Thus, the need to maintain the company's customer using the marketing mix are crucially needed. One of the companies that distribute and sell the products on consumer goods in the retail sector is Unilever. Unilever Indonesia is the subsidiary company of Unilever. In December 1933, Lever Zeepfabriek N.V. was formed and changed into PT. Unilever Indonesia Tbk in

June 1990 (Unilever, 2020). Unilever Indonesia sold 15% of its stocks in *Bursa Efek Jakarta* and *Bursa Efek Surabaya* (Unilever, 2020).

In 2017, Unilever has more than 400 brands and has a turnover of more than 53.7 billion euros. Some of the brands from Unilever Indonesia are Lipton, Axe, Cif, Close Up, Dove, Ponds, Lux, Rexco, Sunlight, Rinso, Clear, Citra, Tresemme, Sunsilk and until more than 400 brands. There are thirteen brands that have a turnover of more than one billion euros for each of the brands (Unilever, 2020). The stocks shown below is how Unilever performs fully in 2019:



Graph 1.1 PT. Unilever Indonesia Sales from 1st January 2018 – 31st December 2019 (Percentage)

Source: Fusion Media Limited (2020)

The main focus of this research is on consumer goods where the distribution and sales are generated from the retail stores, which will take place in Jakarta. The measurements in sales started from 1st of January 2020 until the 31st of December

2019. The complete data showed that Unilever Indonesia sales plunged 22.97% in 2019 in comparison to 2018, a loss from Rp9,1 trillion until Rp7,4 trillion (Rahman, 2020). One of the factors that can be found in the article is Unilever wanted to expand its business, which is a decent divestment with a risk of loss in profit and shares (Rahman, 2020). Direction from secretary of Unilever Indonesia hopes an expectation of sales increased in Rp2.8 trillion or 9.3% with a total of Rp10.1 trillion, but the sales were not projected and lead to a loss that is the reality and not according to expectation (Pratama, 2020). Nevertheless, customer expectation is to have decent quality in products and a cheaper price range and to have deeper innovation in services and products.

The object observed in this research is the products of Unilever Indonesia where lots of customers' intention to purchase the product have not yet been optimized at the maximum output. The highest downfall is from April to July 2019 with a 10 percent sales plunge, which leads to a decrease in product decision making (Rahman, 2020). This problem made a very big impact on Unilever Indonesia. The shares that had been developed in the recent years plunge and will lead to a lack of sales. This research has the purpose to boosts sales as a correlation to increase the product purchase decision. Thus, to boost the company's preferred product purchase decision from the customer, the company needs to maintain the company's quality products, implement the right price and promotion and to distribute and sell the products in the right location (Brata, Husana & Ali, 2017). By enhancing the product purchase decision favored the customers, this will improve sales and dominate the market.

In research that had been conducted by Brata *et al* (2017), tells that quality products, price, promotion, and location have a decent and positive influence on a product purchase decision. The better quality products in a retail store will increase the product purchase decision. A lower price or more discounts given will increase the product purchase decision. The heavier promotion that is implemented will increase product purchase decisions. A more strategize location for the product introduction and placement in the retail store will increase the product purchase decision. This research is to show that quality products, price, promotion, and location to product purchase decisions can affect positively the retail sector that being done by Unilever Indonesia.

The product purchase decision is very important to the company as this will increase sales and contribute to the company's revenue. If the customer looks for other products since the quality, price, promotion, and location are low, the customer would not buy the product. Regarding the problem above from Unilever Indonesia, the best solution is to use a replication model and this research is a replication model from the research that had been done by Brata *et al* (2017). Brata *et al* (2017) use 5 different variables, which are quality products, price, promotion, location, and product purchase decision.

The company in the research model contributed a lot of products to be researched with a lot of different sizes in a total of 13 products. There are 115 respondents as the customers of the company's product that took place in a retail store. Each of the independent variables such as quality product, price, promotion, and location have a positive correlation to product purchase decision as to the

dependent variable. This research uses a replication research model to know whether the right variable can be used to research Unilever Indonesia and to know whether quality products, price, promotion, and location affects product purchase decisions in Unilever Indonesia.

1.2 Research Problems

Based on the problems that had been described in the research problems above, the problems of this research are:

- 1) Does the variable quality products positively affects the variable product purchase decision?
- 2) Does the variable price positively affects the variable product purchase decision?
- 3) Does the variable promotion positively affects the variable product purchase decision?
- 4) Does the variable location positively affects the variable product purchase decision?

1.3 Research Objectives

Based on the problems that had been described in the research problems above, the purposes of this research are:

- 1) To examine whether the variable quality products positively affects product purchase decision.

- 2) To examine whether the variable price positively affects product purchase decision.
- 3) To examine whether the variable promotion positively affects product purchase decision.
- 4) To examine whether the variable location positively affects product purchase decision.

1.4 Research Benefits

The researcher hopes that the result of this research will provide benefits to the reader and the next researcher, these are the benefits of this research:

1.4.1 Theoretical Benefits

The researcher hopes that this research will contribute the right knowledge, ideas and insights to the readers that quality products, price, promotion and location are important to improve product purchase decision.

1.4.2 Practical Benefits

The researcher hopes that the research will help Unilever Indonesia to be more motivated and further improve the preferred product decision in correlation to boosts sales. The researcher also hopes that Unilever Indonesia will maintain the company's quality products, implement the right price and promotion, and distribute and sell the products in the right location. By enhancing the product

purchase decision favoured to the customers, this will improve sales and dominate the market.

1.5 Systematic Writing

CHAPTER I : INTRODUCTION

Chapter 1 explains about the research background, research problems, research objectives, research benefits and the systematic writing of this research.

CHAPTER II : LITERATURE REVIEW

The second chapter explains about the understanding of quality products, price, promotion and location as an independent variable and product purchase decision as a dependent variable.

CHAPTER III : RESEARCH METHODOLOGY

The third chapter explains about how to measure the variables that have been chosen and the techniques to take the data that is being conducted in this research to gather data, data testing and to analyse the data.

CHAPTER IV : RESULTS AND DISCUSSIONS

The fourth chapter explains about the data that have been taken in analysing the results of the research itself.

CHAPTER V : CONCLUSIONS AND SUGGESTIONS

The fifth chapter explains about the conclusions and suggestions that have been taken in the research which is to solve the problems

that have been formulated and provide suggestions for the conclusions that have been made.

