

CHAPTER I

INTRODUCTION

1.1 Background of the study

In this competitive world, business has changed differently from time to time. This phenomenon affects the economy, business, society and environment in different ways, and the change has affected all industry. The rapid changes of technology and information transfer are mostly affecting all industry especially business industry. Companies are more open to their customer, listening and fulfilling their request in order to survive and grow in this competitive industry. Another effect of this competitive challenge forcing company to retain the current customers to stay loyal and keep them make a repetitive visit or purchase on company product or services otherwise the company will lose their current customers. A well-managed company will take advantage of this situation to gain new customers from competitor.

The effect of competitive challenge is part of globalization, as a result company must approach customer in different ways. The numbers of viewers in network prime time have declined over last decade. As a result, company becomes unable to advertise or increase brand awareness to their prospective and current customer. A decline in traditional media viewing combined with the rise of internet usage and the use of social media have created a new order. The wide variety of available media means that effective advertising and marketing campaign now require more than just one well-made commercial. Today internet advertisement, social networks and mobile phone apps offer additional venue to contact with and interact with customers. Internet marketing involves the use of digital media to inform the market of company business and to entice people to

purchase your products and services. The decline of sales because of inability of company to advertise their product to customer becomes major problem and hinders company growth.

The internet is merely a vehicle to provide greater reach for your advertising, promotional and public relations efforts. Marketer uses those tools to affect consumer behaviour. Consumer behaviour is the study of how people make decisions about what they buy, want, need, or act in regard to a product, service, or company. It is critical to understand consumer behaviour to know how potential customers will respond to a new and current product or service. It also helps companies identify opportunities that are not currently met. Understanding consumer behaviour and purchasing behaviour is a powerful marketing tool. The more marketers know about why people buy, the better you'll be able to market your own products in compelling ways. Marketer also needs to know on how to stimulate customers to buy their product or services. There are actually several tools that can be used to affect or stimulate customer purchasing behaviour and one of them is sales promotion. Sales promotion is considered as the most important tool that can easily affect or stimulate customer purchasing behaviour.

Today's successful companies have one thing in common, they are strongly customer focused and heavily committed to marketing. Sales promotion has become a vital tool for marketing, and its importance has been significantly increasing over the years. It is also used to affect consumer behaviour. Sales promotion significantly affects customer purchasing behaviour by attracting and encouraging consumer to purchase the product with a higher quantity in lower prices. Consumers mainly prefer to purchase products based on external attributes, which is taking advantage of price reduction, instead of internal attributes, which is brand preferences. Moreover, the value of product can be increased during sales promotion period as

a result consumer purchase to satisfy their needs and wants while the company gives a lot of benefits for every purchase they made. Other customers who have never tried the product will most likely try the product because the price of the product is lower than usual, if the product or service satisfy customers' need and expectation than they will likely make repetitive purchase and become loyal customers.

Chatswoods coffee was established in 2015. Its first store is located at Yanglim Plaza Medan and its second store is located at Merdeka Walk on 2018. Inspired by the urban coffee concept at Australia with nature wood atmosphere in the neighbourhood, Chatswood coffee expects to provide customer for making friends, sharing happiness, laughter and idea to achieve positive value of life.

Chatswood coffee handcrafted its signature espresso-based drinks to deliver the best quality in taste as well as presentation on the product itself. Chatswood also offers ranges of premium loose-leaves teas product as well as several selections of homemade snacks and desserts as complement for customers' need. Today, Chatswoods coffee at Merdeka Walk provides good food to satisfy their customer needs. Chatswoods Coffee provides a pleasant and natural wood atmosphere; it believes that great ambience is definitely a must for a adventurous and magnificent coffee session.

The writer has decided to use Chatswood Coffee, as the company is researched in this paper. The writer wants to investigate whether it is true that sales promotion affects customer purchasing behaviour. Therefore, this *skripsi* is entitled as **“The impact of sales promotion towards customer purchasing behaviour at Chatswood Coffee”**

1.2 Problem limitation

The writer decided to focus on how customer purchasing behaviour could be affected by sales promotions of Chatswood coffee, because of the limitation of time, experience and knowledge. The indicators of sales promotion in this research are coupons, premiums, bonus packs and price-offs. For customer purchase behaviour indicator is Problem Recognition, Information search, Evaluation of Alternatives, Purchase, post-purchase behaviour.

1.3 Problem formulation

This research will indicate whether sales promotion has significant effect on customer purchasing behavior at Chatswood coffee Medan, Indonesia. The writer decides to formulate the problem as:

Does sales promotion have a significant impact on customer purchasing behavior on Chatswood Coffee?

1.4 Objective of the research

The objective of this study is to find out the impact of sales promotion on customer purchase behavior at Chatswood coffee Medan.

1.5 Benefit of the research

1.5.1 Theoretical benefit

This research might be useful for business students, especially students who are concentrating in marketing, because this research provides further study in both consumer behavior and sales promotion. This research will explain more on how customer purchasing behavior connected with sales promotion. In the future this

research might be used as a reference for future research or furthered study.

1.5.2 Practical Benefit

This study will also benefit several groups or people, for example like company, organization, entrepreneur and others. This research helps firm to realize the effect and benefit of sales promotion in contributing sales and profit. It also might be able to help company to gain new or potential customer from competitors.

1.6 Systems of writing

This research contains of several chapters which are:

Chapter I Introduction:

First chapter consists of background of study, problem limitation, problem formulation research objective, theoretical benefit, practical benefit and systems of writing.

Chapter II Literature review and hypothesis development:

Second chapter consists of theoretical background that explain about marketing, sales promotion and customer purchasing behavior. And there are previous research, hypothesis development, research model and framework of thinking.

Chapter III Research Methodology:

Third chapter consists of research design, population and sample, data collection method, operational variable definition and variable measurement as well as data analysis method.

Chapter IV Result and Analysis:

Fourth chapter provides the general view of research objective, data analysis, descriptive statistic, result of data quality testing, result of hypothesis testing and discussion.

Chapter V Conclusion:

Fifth chapter consists of conclusion of the research, implication and recommendation.

