

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Travelling has always been an option people take for various reasons, be it for business and studies purposes or just simply to take a break from the routines. There are roughly 100,000 scheduled flights per day globally. Following that fact, airline businesses have been one of the most compelling businesses for businessmen which lead to a bunch of travel-related industries. People are quick to explore in the industries and try to lead the market. Back in the days, those who seek for travels depend highly on travel agents to help them get the tickets or even plan the routes for them. The practices are still done to this day, however, with the advancement of technology, it is slowly being replaced by travel applications and websites.

There is no denial that booking a flight ticket or searching for destinations to go is now able to be done without even leaving the home as everything is just a click away. The effectiveness of it attracts the market to swift their choices from the traditional way to the most modern way possible. This phenomenon contributes a lot to the huge loss of travel agents. Although there are still some people who prefer to leave it to travel agents than to do it themselves such as the older generation who has no idea how to operate the app, those who want a hassle-free trip or those who have no travel partner, but it is only a small portion of customers compared to the past. It hurts the industry so badly that those who aren't able to compete eventually close down the business.

Sales is one of the core elements of a company, yet some people still hold on the belief that sales is merely a cherry on top. This belief mainly comes from those who run businesses based on their hobbies. However, if we really dig into the reality, sales is one of, if not the most, important part of the company. Business operational needs the money in order to keep on going and sales surely helps to pay the bills.

Following the statement above, turning the focus onto sales is absolutely vital which means how to actually execute it properly is also equally crucial. There are 5 key elements in marketing or known as The 5Ps of Marketing which are Product, Price, Promotion, Place and People. Meanwhile, there are 4 basic types of promotions such as advertising, sales promotion, personal selling and publicity. Companies choose whatever promotional strategies fit their business and market. In this work, the focus will be on sales promotion and its effect on purchasing decision.

Travel agents rack their brains and come up with sales promotion in the hope of reviving the business. Sales promotion is action taken and designed by organization with the purpose of persuading and attracting customers towards purchasing, using or trying the products or services offered. It is widely used by companies around the world to help companies increase sales and gain awareness of the products or services. Sales promotion is also chosen by travel agents to increase the possibility of closing the deal.

Kwok & Uncles (2005) in Familmaleki, Aghihi, & Hamidi (2015, p.1)

“A sales promotion stimulates customer purchases and the efficiency of distributors through marketing activities excluding advertising, public relations and so on. In other words, a sales promotion provides the incentive for consumers to purchase some specific products, and this incentive is different from the incentive provided by advertising with respect to the reasons to purchase those specific products. The purpose of a sales promotion is to attract new customers, maintain existing customers who are contemplating switching brands and give incentives to customers who are about to use competing products. Sales promotions vary depending on the situation and need, and they have an immediate effect on product purchases.”

Just like other travel agencies, PT. Venus International Holidays Medan also feels the impact of internet taking away their jobs. The online travel agencies such as Traveloka, Agoda, Tiket.com have been dominating the ticketing sales. Online travel agencies introduce how easy and convenient ones can do everything on their own with dozens of choices to suit customers' preferences and needs. Along with that, people's perceptions on the difficulties of booking things are also almost completely erased. Online travel agencies also make sure the customers' privacy is tightly protected and even the payment process is far from being troublesome. Following that fact, there is no doubt that the booking accuracy will be more accurate as it minimizes human errors. Looking closer to this problem,

one of the main reasons people shift from traditional way to online booking is no other than price. The competitiveness of pricing is indeed very appealing. Online travel agencies offer lots of promotions, be it from the agency itself or collaborating with other companies such as giving higher discounts or cashbacks when the payment is being paid with particular credit cards. Various promotions are being shoved to the market to match their likings and levitate their interest. This of course will encourage people to spend more and more. The biggest drawbacks of PT. Venus International Holidays is not having any promotion or collaboration and just go on with the regular prices from the airlines.

Table 1.1 Number of Sales per year

Year	Number of Sales
2010	1652 tickets
2011	1686 tickets
2012	1339 tickets
2013	1145 tickets
2014	448 tickets
2015	673 tickets
2016	739 tickets
2017	747 tickets
2018	782 tickets

Source: PT. Venus International Holidays Medan

The first online travel application, Traveloka, established in 2012 and it instantly shows in the table where the number of sales dropped from that point. A lot of people slowly changed their perspective of travel application and started to shift towards it. Added by the fact that PT. Venus International Holidays' lacks of promotions meanwhile there's growth of more and more online travel applications. The situation continued to worsen and hit the hardest in 2014 when the incident of MH370 happened, followed by shooting of MH17 four months later and AirAsia8501 incident in December 2014. The continuous aviation incidents terrified people from flying and it clearly reflected on the sales of that particular year and the following year. However, once people have moved on from the incidents, there are already a lot of new travel applications established and society has already become so familiar with the use of it. PT. Venus International Holidays did offer several promotions such as tour packages and although it did increase the sales, however, it is still not effective enough to

restore deficiency. There are still rooms for improvement can be done in terms of promotions offer that PT. Venus International Holidays is able to implement in their operation. Because although the sales are slightly increased after the worst downfall, there is still a clear gap between the era before and after the online travel applications (2010 and 2018) which the sales of the era after the application depreciates nearly half of the amounts of sales before online travel applications.

The decreasing number of sales indicates the decreasing in products or services purchased. PT.Venus International Holidays Medan did conduct several promotional activities in the past, such as travel packages, free gifts and social media advertising. However, it is not effective enough to boost the sales numbers. One of the reasons to explain this phenomenon is the lack of consumer purchasing decision. Consumer gradually lost interest in purchasing or it could be caused by consumers switching alternatives to dealer with more appealing offers. Company rarely conducts a price reduction sales promotion meanwhile customers expect to receive beneficial sales promotions with minimum effort. Company seldom participates in travel fair where it could provide more exposure and awareness of the dealer and the offers. Sales promotion is done to give customers a better understanding of the products and services offered, in the hope of it to bring positive relevance to consumer purchasing decision.

The reason of choosing this title is to analyze the relationship between sales promotion and purchasing decision. To prove the relationship between them, the writer is interested to do research at PT. Venus International Holidays with the title **The Influence of Sales Promotion on Purchasing Decision at PT. Venus International Holidays Medan.**

1.2 Problem Limitation

Due to the limitation of resources, the writer would like to limit the research to sales promotion as the independent variable with the indicators of financial incentive, correct timing, effort, result and performance and its relation to purchase decision as the dependent variable with the indicators of product excellence, interest towards brand, habitual towards brand, price, service, accessibility, benefits, conformity, and amount of purchase. This research is

conducted at PT. Venus International Holidays Medan.

1.3 Problem Formulation

Based on the background of the study, the researcher formulates the problem as follows:

Does sales promotion have influence on purchasing decision at PT. Venus International Holidays Medan?

1.4 Objective of the Research

The objective of study is to investigate the influence of sales promotion on purchasing decision at PT. Venus International Holidays in Medan.

1.5 Benefit of Research

1.5.1 Theoretical Benefit

This research will benefit writer by giving information and others future writers as reference to understand more about the influence of sales promotion on purchasing decision in travel industry. Despite that, the result of study will also give information for organization to improve its promotional mix strategy and sales rate.

1.5.2 Practical Benefit

This research will give information to organization which is based on data and fact. Organization will know whether their sales promotion applied is effective to enhance purchasing decision and create awareness for future doings. This research will help organization as reference to improve in the future and understand deeply within both variables.

1.6 Systems of Writing

Chapter I : **Introduction**

This chapter consists of background study of sales promotion and purchase decision, problem limitation in limiting indicators and limiting sample,

problem formulation of the topic, objective of research, and benefit of research which is theoretical benefit and practical benefit.

- Chapter II : **Literature Review and Hypothesis**
This chapter consists of theoretical background of the topic, previous research, hypothesis development, research model, and framework of thinking.
- Chapter III : **Research Method**
This chapter consists of research design, population and sample, data collection method, operational variable definition and variable measurement and data analysis method.
- Chapter IV : **Data Analysis and Discussion**
This chapter consists of general description of research object, data analysis which includes descriptive statistic, result of data quality testing and result of hypothesis, and discussion.
- Chapter V : **Conclusion**
This chapter consists of implication and recommendation of the object research which is PT. Venus International Holidays in Medan.