

# CHAPTER I

## INTRODUCTION

### 1.1. Background of the Study

As one of the developing nation in the world, Indonesia has breed to a number of business varieties across the country. Even though there are a lot of business types, not all of them can be considered to be in a good condition since some of them get caught in problems which occur internally and externally in the business where North Sumatra and its capital city, Medan being not exception to get caught in the situation as one of the most diverse and populous areas in Indonesia. Stating the statement from the Association of Indonesia Young Businessman North Sumatra Region (HIPMI, 2019), there is a decline in the purchasing power of Medan people in the first quartile in 2019. Short of cash and some external factors such as election became the main factors in the status quo. In order to solve this problem, a business whether in Medan or not, they need to find a way on how to penetrate through the market by setting the price of our products and services to be affordable.

One of the most effective ways to attract customer is by applying pricing strategy in marketing the product. By adjusting price using price strategy, it could attract more customers to buy particular products while maintaining customers in order to keep customers cycle in a steady movement. According to Faith (2014), pricing strategy has the goal to play as an important part in the business by the business owner to plan his/her business plan. Pricing strategy is more than just calculating the company's cost and put a marked up price on the goods. Pricing strategy can determine prices of product or range of products which will impact the customer's point of view on the product and their purchase pattern whether it will become a single purchase or continuity purchase. As it is important for business to adjust their price for the customers, they also need to know

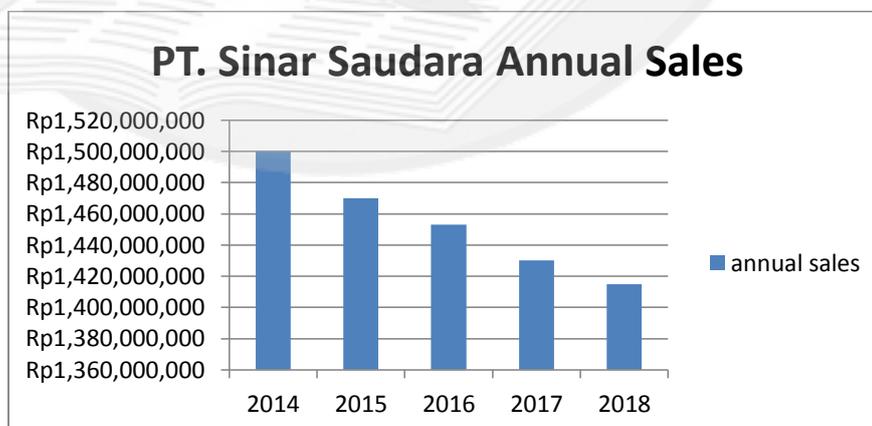
which market segment that they need to target in order to know their customer's needs.

As one of the small businesses in Medan, PT. Sinar Saudara is a family business which takes form into a wholesale store that focuses on selling finished woods, sand, cements and several household needs that is needed to build a house. This line of business focused on their relationship between customers and employees in order to take order and deliver specific orders they want and to be sent around Medan. Their family business has been going for almost 20 years which becomes essential in keeping the relationship they had with returning customers and several distributors to be long and good. Their relationship with other customers and distributors is the reason why they keep their business going until now, however they are facing several problems which is projected in their decreasing number of customers that can be pictured in the table below.

**Table 1.1. Annual Sales of PT. Sinar Saudara 2014-2018**

year	Annual sales	% change each year	Changes in IDR.
2014	IDR.1,500,000,000	-	IDR. 0,00
2015	IDR.1,470,000,000	(-2.1%)	(IDR. 30,000,000)
2016	IDR.1,453,000,000	(-1.1%)	(IDR. 17,000,000)
2017	IDR.1,430,000,000	(-1.6%)	(IDR. 23,000,000)
2018	IDR.1,415,000,000	(-1.06%)	(IDR. 15,000,000)

Source: PT. Sinar Saudara (2019).



**Figure 1.1. Annual Sales of PT. Sinar Saudara Annual Sales 2014-2018**

Source: PT. Sinar Saudara

From the table and chart above, the writer realizes that their sales are gradually going down every year and therefore the writer would like to find and develop a solution to their problem with this research. Therefore, the writer intends to apply pricing strategy into PT.Sinar Saudara customers' purchase decision to find a new possibility in the relationship if they want to attract new customers. The writer would like to find out if adjusting their price would prove to be helpful and could attract or even attain new customers in the future. Therefore, the title of this research will be **“The Effect of Pricing Strategy on Customers' Purchase Decision at PT. Sinar Saudara”**.

## **1.2. Problem Limitation**

In order to complete, optimize and turn this paper into an effective research, the writer has set the limitation. Firstly, the problem that we have is Pricing Strategy, Customer's Purchase Decision and Customer's Purchasing Power because this is the main problem that PT. Sinar Saudara faced this year in 2019, but the writer intended to limit only on Pricing Strategy and Customer's Purchase Decision because the writer would like to further research about this variables that is also done by other previous researchers. This paper is only limited in taking primary data towards customer of PT. Sinar Saudara which is located at Jl. Pertahanan, Amplas, Medan Johor. The population of the research is not really accurate since the company couldn't provide much information on numbers of customers that is coming in the period of the research which was going from February to April 2019, instead the company could only provide 40 regular customers to be sampled for the writer since these customers are regular customers who are keep coming back within a month.

The research will have two variables as the independent and dependent variable and the indicators to support each variables. For pricing strategy as independent variable, the writer is using Nagle's (2018) theories which contains 3 indicators; value, initiative, and profit. In

purchase decision as dependent variable, the writer uses Rachbini's research theories (2018) which also contains the same number of indicators with the various variable (3 variables); consumer trust, perceived risk, and perceived benefit. The research will also conduct an interview with the head of the company to find the answers for some problems in this research.

### **1.3. Problem Formulation**

Based on the background of the study, the research questions are:

- a. How is the Pricing Strategy at PT. Sinar Saudara?
- b. How is the customers' purchase decisions at PT. Sinar Saudara?
- c. Does pricing strategy affect customers' purchase decisions at PT. Sinar Saudara?

### **1.4. Objective of the Study**

Based on the research questions, the objective of the study are:

- a. To describe the pricing strategy at PT. Sinar Saudara
- b. To assess the customers' purchase decisions at PT. Sinar Saudara
- c. To analyze whether Pricing Strategy affect Customers' Purchase Decisions at PT. Sinar Saudara

### **1.5. Benefit of the Research**

This research is expected to provide benefits both practically and theoretically.

#### **1.5.1. Theoretical benefit**

The findings from this research are expected to contribute in improving and updating the existing theories especially about pricing strategy and customers' purchase decisions in PT. Sinar Saudara.

### 1.5.2. Practical benefit

While Theoretical benefit has only one benefit, Practical benefits have three benefits that the writer believes could help the society:

- a. It could help the writer to have a better understanding about the relationship between pricing strategy and customers' purchase decisions that could help in PT. Sinar Saudara's decision in future.
- b. The result of this research could be use as a general idea for PT. Sinar Saudara to solve their problems in order to improve pricing strategy and customers' purchase decisions and similar industry.
- c. This research could be use as a reference for future researchers for Price Strategy and Customers' Purchase Decisions.

### 1.6. Systems of Writing

For a better understanding, this paper will be divided into several chapters and subchapters:

**Table 1.2. The Writer, System of Writing**

	Introduction
Chapter I	This chapter will contain background problem limitation, problem formulation, objectives of the study, benefits of the research and systems of writing.
	Literature review and hypothesis development
Chapter II	This chapter will contain background of the study, previous research, hypothesis development, research model and framework of thinking.
	Research Methodology
Chapter III	This chapter will contain research design, population and sample, data collection method, operational variable definition and variable, and data analysis method.

#### Data Analysis and Discussion

Chapter IV This chapter will contain general view of the research object, data analysis, and descriptive statistics, result of quality analysis and hypothesis testing, and discussion.

#### Conclusion

Chapter V This chapter will contain conclusion, implication and recommendation to the company and other parties.

Source: Prepared by writer (2019)

