

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Nowadays, as one after another brand keep emerging, it is quite tricky for existing businesses to survive. The old businesses find it harder to maintain the customers, moreover to maximize their sales number, which is why that marketing strategy is really important inside the business plan of companies. Marketing is used by many different companies to collaborate with their customers. Besides that, it is also used to create customers' awareness of the features, specifications and benefits of company's products and services. In a simple explanation, marketing basically focused on encouraging a specific target population to buy those specific products and services. The marketing strategies used may be totally innovative or they can also be previously tried or tested before.

There are several types of marketing that companies can implied for their products. However, one of the most commonly used marketing strategy is known to be the promotion strategy. Promotion, basically, is the branch of marketing that deals to the entire set of activities, which communicates the product, brand or service to the consumer. The idea of promotions commonly deals in creating awareness which will result to attracting consumers and inducing them to finally purchase the brands offered. Various media platforms can be used to promote the company and brand. They include television, radio, shopping outlets, billboards, magazines, and social media. Throughout the year, promotional activity has evolved into a vastly complex form, in order for business to get a message to the customers. It may include advertising, press releases, consumer promotions (schemes, discounts, contests), while below the line include trade discounts, freebies, incentive trips, awards and so on.

Though the fact that there are many marketing strategies, the role of customer promotions, such as discounts and rewards are undoubtedly has become one of the most popular marketing tools. This promotional tools are somehow favoured as the result of how this strategy offers so much effectivity and efficiency with such expected results, well sometimes even more. Today, promotion involves the vast reach of internet, which can allow companies to reach significantly more numbers of people at such cost.

Matahari Department Store as an instance. Matahari Department Store is a network of department stores that sell clothes and other clothing. This company is a subsidiary of PT Matahari Putra Prima Tbk. There are as many as 79 chain stores spread throughout Indonesia. Some Matahari store networks have retail stores, Adhiperkasa Partners, because they are cheaper than Sogo or Debenhams. In addition to selling apparel, Matahari department store also sells various products including cosmetics, perfumes, shoes and sandals, glasses, bags, and so on. The fashion business has no death, this may be what makes this business survive and become a favorite business choice for large and small scale business people. The fashion business is no longer regarded as a primary need but has become a necessity given by certain circles of fashion including certain types of needs such as socialites and celebrities. Fashion trends that continue to evolve and adjust the era also affect the fashion business is increasingly widespread

Amid business competition, Matahari Department Store must be able to compete by providing different values in the eyes of consumers and paying attention to the factors that influence consumer purchasing decisions in order to survive amidst intense competition and to increase sales volume. The company must determine the strategy and design of product development that can meet the needs consumers by innovating or following the development of current market trends.

Many things must be prepared before determining the right strategy for the company, one of the initial steps is to recognize consumer behavior and obtain information related to that behavior. On the other hand, to be able to compete with global products, many strategies carried out by companies include promotion. Promotion is used to support various other marketing strategies (product strategies, pricing strategies, and distribution strategies). Promotion will accelerate the delivery of marketing strategies to consumers. Without promotion, this strategy will be difficult to reach consumers. The discount strategy will not be known to consumers without promotion. Quality products are given a fair price and will be difficult to sell if they are not promoted so that consumers know where they are. Product differentiation will not be well known to consumers if it is not promoted.

Matahari Department Store as an instance. Through out the years, Matahari has become the leading companies in Indonesia that provides apparel, accessories, products beauty and household at such affordable prices. Partnering with several reliable local as well as foreign suppliers to provide collections of high quality items enables them to be acceptable in every layer of customers in the market. Besides providing such a vast range of products, the modern and spacious Matahari outlets also aim to deliver great shopping experience that keeps consumers in coming back and to make Matahari as the preferred department store among the Indonesian markets. The very first outlet of Matahari which is a children's clothing store opened in the Pasar Baru area of Jakarta on October 24, 1958. Since then, Matahari has expanded by opening more and more outlets nationwide, including Medan. Opening their first outlet in Medan Mall, now Matahari has several outlets in Medan. However, just like any other businesses, Matahari too, faced difficulties. One of them is the coming of the new competitors in Medan, such as SOGO and then, Parkson. As the new comers, Sogo and Parkson, are both competing in delivering more fresh products than Matahari.

They focuses more in bringing more brands, they provide more ranges of more high end products which are very keen in Indonesian market these days. Sogo and Parkson, as the competitors, are also proven to have more spacious store and one of the most benefiting factors they own is the fact they are located in malls such as Sogo in Sun Plaza and Parkson in Centre Point, which are undoubtedly known as the one of go-to malls in Medan. This definitely gave a quite big shook to Matahari at first as people began to switch their selections to the new comers as they are curious. However as the years go by, despite all the difficulties, it is interesting that Matahari Department Store somehow, still manage to be able to attract customer's attentions. This can be seen from the sales data of Matahari Department Store that shows the retaining sales since 2016 to 2018.

In billions of Rupiah	2018	2017	2016
Comprehensive Statements of Income			
Merchandise Sales	17,824.9	17,496.3	17,294.2

Many customers are still purchasing their daily necessities in Matahari. Matahari always proven to be crowded, especially on weekends, where there is always a weekend special promotions and discounts. Matahari Department Store also proven to be most crowded during peak season, and before Ramadhan. And yet, Matahari Department Store is the only department store in Medan that owns three stores, compared to the other competitor. This really proves that somehow, Matahari is still the place where most people shops and find their necessities. This is very interesting as despite of the competitors such as Sogo and Parkson, which offer more sophisticated shopping experiences, the reasons of the customers retaining in Matahari Department Store is still unknown.

However, the fact that customers keep on coming back to purchase may probably because of the promotions Matahari Department Store applied or probably because of any other matters, which is why the writer finally decided to choose the topic **“The Influence of Promotion Strategy towards Customer Purchasing Decision : Matahari Department Store Medan Fair”**

1.2 PROBLEM LIMITATION

To analyze the influence of services quality on customer purchasing decision, there is a necessity to collect reliable data from the real-time customers, which in this case are the customers of Matahari Department Store themselves. However, since there are four outlets of Matahari Department Store in Medan, to prevent the research area from expanding too wide, and regarding the time limitation issues that the writer has, the area of research will be limited only in the influences of service quality on customer purchasing decision at Matahari Department Store Medan Fair.

1.3 PROBLEM FORMULATION

The research questions on this skripsi are as follows :

- a. Which kind of promotional strategy that Matahari Department Store Medan Fair uses in their marketing mix?
- b. How does customers make purchase decision at Matahari Department Store Medan Fair ?
- c. Does the promotion strategy influences customers purchase decision at Matahari Department Store Medan Fair ?

1.4 OBJECTIVE OF THE RESEARCH

The main objectives of this research consist of:

- a. To identify how the promotion strategy of Matahari Department Store Medan Fair has been functioning.
- b. To describe how customers make purchase decision at Matahari Department Store Medan Fair
- c. To analyses the influence of promotions strategy on the customer purchasing decision at Matahari Department Store Medan Fair.

1.5 BENEFIT OF THE RESEARCH

This research is expected to provide benefits theoretically and practically, such as :

1.5.1 Theoretical Benefit

The research paper is made with the result in enriching insights on the promotion phenomena that are often offered to products sold at Matahari Department Office and from the results of this study can be used as a benchmark for the influence of promotional strategies on buying interest in influencing consumer purchasing decisions of Matahari Department Store.

1.5.2 Practical Benefit

- a. For the writer

This research paper is expected to develop the writer's scientific thinking and analysis skill as well as to enrich the qualities of her marketing abilities. This paper is also expected to be a useful medium in which the writer can apply most of the knowledge she has obtained throughout her university years.

b. For the company

This research is hopefully can be used as a reference material as policy making in product pricing strategies as well as to increase sales turnover in Matahari Department Stores management.

c. For other researchers

This research is expected can be used for reference in other research with relevant topics.

1.6 SYSTEMS OF WRITING

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

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| Chapter I | Introduction
Consists of background, problem limitation and formulation, objective and benefits of study and systems of writing |
| Chapter II | Literature Review & Hypothesis Development
consists of theoretical background, previous research, hypothesis development, research model, and framework of thinking. |
| Chapter III | Research Methodology
consists of research design, population and sample, data collection method, operational variable definition, variable measurement, and data analysis method |
| Chapter IV | Data Analysis & Discussion
consists of general view of “Research Object”, data analysis, descriptive statistic, result of data quality testing, result of hypothesis testing, and discussion |

Chapter V**Conclusions**

consists of conclusion, implication, and recommendation.

