

# CHAPTER I

## INTRODUCTION

### 1.1 BACKGROUND OF THE STUDY

The national furniture industry in Indonesia is supported by rich resources of raw materials and talented wood craftsmen. Therefore, the government prioritizes the development of this export-oriented labor-intensive sector to be more productive and competitive through strategic policies. Indonesian furniture is not only sought domestically but also abroad, especially furniture made from wood.

There are three important factors that determine furniture industry's development, namely capital, technology, and human resources (HR). In order to make this national industry competitive in the global market, this industry needs to be directed to produce products that have high added value. The design of furniture products has now had a great varieties and rapid development in terms of models, construction, colors and accessories, which are also the trend factor that is always dynamic. In these developments and changes, customers have the privilege to provide input and requests to producers on models and designs that can match the tastes and preferences of customers.

The furniture and timber industry in Indonesia have been developing for centuries. Rich in natural resources and community expertise are the main factors in the growth and development of the furniture industry in Indonesia. The furniture industry is a labor-intensive industry with a high absorption of labor, and labor-intensive people's industries have proven to be relatively more resistant to crises than large-scale industries. Thus, the contribution of the furniture industry to the national economy makes this industry a priority industry that must be considered, protected, fostered and developed (Chandra, 2018).

Furniture industry has become the most promising business to make a living in certain areas in Indonesia. These days, furniture business competition is relatively tight. Manufacturers need to be able to provide the best products, in order to beat their rivals and satisfy the customers, so that, in turn, customers are willing to recommend to others to buy products from the same manufacturer.

A purchase decision is a selection of two alternative choices or more customers on a purchase. Alternative choices must be available to someone when making a decision. If customers have a choice between making a purchase and not making a purchase, then the customer is in a position to make a decision. Conversely, if the customer does not have an alternative to choose and is really forced to make certain purchases or take certain actions, then the only situation without other choices is not a decision (Schiffman & Kanuk, 2015).

For customers, freedom is often expressed with a very diverse choices of products. So, there are always choices, and thus there is always an opportunity for customers to make decisions. In addition, experimental customer researches revealed that providing choices for customers when there really is not a single choice can be used as the right business strategy, this strategy can increase sales by very large number (Schiffman & Kanuk, 2015).

Product design can influence purchasing decisions, because design is very important especially the manufacture and marketing of retail services, clothing, packaging goods, and durable equipment. Designers must find out how much is invested in the form of feature development, performance, suitability, durability, reliability, ease of repair, and style. For companies, well-designed products are products that are easily made and distributed. For customers, well-designed products are products that are pleasing and easy to open, installed, used, repaired and removed. Designers must take into account all of these factors. The opinion on good design is very convincing especially for smaller customer product

companies and startup companies that do not have a large advertising budget (Kotler & Keller, 2015).

Product design is the process of forming products according to latest trend to meet customer needs. A product design needs to consider how the thing will play out its expected usefulness in a proficient, safe and reliable manner. The product likewise should be equipped for being made financially and to be alluring to targeted purchasers (Malik, 2016). There are some reasons for customers who end up buying a product or service, such as they need it as a staple. If a company is engaged in a field like this, then its business will continue to be needed by customers. When customers want to change their old product with a new product, then they will choose a new product that is typically similar with the old product. At least the function has been able to cover the benefits of the previous product. No doubt that price is the main factor when customer chooses a product. Company will determine the right price so it can compete in the market. Today's customers are getting smarter. They will investigate the benefits of a product from any sources.

UD. Subur Rezeki Meubel is a family business that was founded by Christianto, who is the owner of the company, and established in 2010. The company is now running and being managed by the second generation. UD. Subur Rezeki Meubel is a company engaged in the field of furniture. This company uses pure teak wood on its production activities to maintain the product quality. Furniture produced by UD. Subur Rezeki Meubel is classified as a premium class furniture in a classic or minimalist style. As the demand for Indoor-themed furniture products in the market, UD. Subur Rezeki Meubel has begun to plan its production activities to be more focused on indoor-themed furniture.

However, the competition in the industry of furniture has caused the sales declined from year to year. Based on the data, the furniture sales of UD. Subur Rezeki Meubel year 2014-2017 are as follows:

**Table 1.1**  
**Furniture Sales of UD. Subur Rezeki Meubel, 2014-2017**

Year	Sales	Percentage
2014	Rp. 4,358,000,000	-10,98%
2015	Rp. 3,825,000,000	-12.23%
2016	Rp. 3,126,000,000	-18.27%
2017	Rp. 2,590,000,000	-17.15%

Source: Prepared by the Writer (UD. Subur Rezeki Meubel, 2019)

From the table 1.1, it can be seen that the furniture sales of UD. Subur Rezeki Meubel kept on decreasing from year to year. The owner of the furniture company is concerned if the sales continue to decrease. The table above can be shown on the following figure:

**Figure 1.1: Furniture Sales of UD. Subur Rezeki Meubel, 2014-2017**

Source: Prepared by the Writer (UD. Subur Rezeki Meubel, 2019)

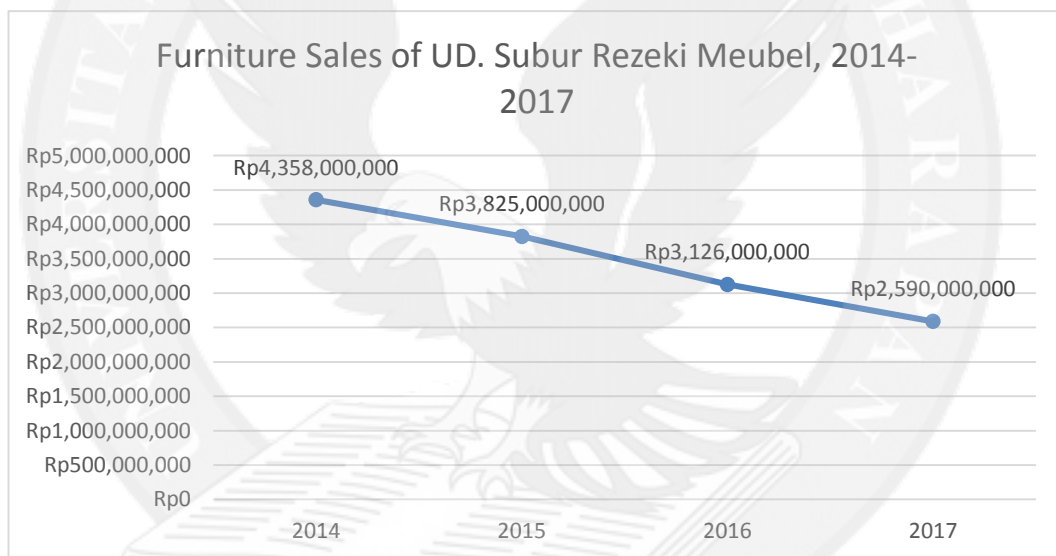


Table 1.1 dan Figure 1.1 show that the average sales of furniture UD. Subur Rezeki Meubel has decreased by 14.66%. The decrease is allegedly caused by product design that is not optimal due to frequent complaints from customers regarding furniture product design, which lead to low purchasing decisions. The complaints are mostly that the shape and size are not in accordance with the customers' tastes and expectations; the design does not follow the trend, etc.

Design becomes a very important part to consider in developing a product. Not only physical products, digital products and services must be designed in such a way as to make it easy for users. There is no definite measure for a product design, because design is related to an aesthetic value. Something that is judged by how users experience the design. Arranging a product design is a process to get the focus of the mind, heart and consumer interest. Good design is a representation of the passion and passion of the company or products presented. In analogy, a product design is an embodiment of people who come to consumers, Design is able to "wink" consumers so that they are interested in a product.

Most customers judge in terms of product quality. If the product is good, then they will only convey it to some people. But it is different if the quality of the product is bad, so the conversation easily extends to many people and affects company business. Not only the quality the company needs to pay attention to, but also product design. Product design can affect customers' interest. If the design of product is unique and attractive, then customers will glance at product and their desire to buy the product is relatively larger. Another case if design appearance is less attractive to customers, even if they want to glance, they are lazy, especially if they want to buy products. An interesting design should be innovative. Innovative is the main thing in product design.

Based on this background of study, the writer will do a research with the title of **“The Effect of Product Design on Customers' Purchase Decision at UD. Subur Rezeki Meubel, Medan”**

## **1.2 PROBLEM LIMITATION**

Due to limitation of time and budget, the writer would like to limit the research to Product Design, as the independent variable, and its impact on Customers' Purchase Decision, as dependent variable, at UD. Subur Rezeki Meubel. The indicators of product design include shape, resilience, reliability, and style, while those of customer's purchase decision are

benefit association, priority in buying, frequency of purchase and amount of purchases.

### **1.3 PROBLEM FORMULATION**

Based on the background of study, the formulation of the problem on this study is as follows:

- a. How is the product design at UD. Subur Rezeki Meubel?
- b. How do customers make purchasing decisions at UD. Subur Rezeki Meubel?
- c. Does product design have effects on customers' purchase decision at UD. Subur Rezeki Meubel?

### **1.4 OBJECTIVE OF THE RESEARCH**

The objectives of this research are as follows:

- a. To describe the product design at UD. Subur Rezeki Meubel.
- b. To explain how customers make purchase decision at UD. Subur Rezeki Meubel.
- c. To analyze whether product design has effects on customers' purchase decision at UD. Subur Rezeki Meubel.

### **1.5 BENEFIT OF THE RESEARCH**

This research will provide benefits for related or unrelated parties. These benefits of the research are divided into two, which are theoretical benefit and practical benefit.

#### **1.5.1 Theoretical Benefit**

The result from this research can be used to expand knowledge, contribute to academic area and also entrepreneurs, especially regarding product design and customers' purchase decision.

### 1.5.2 Practical Benefit

Based on the research objective, the research is expected to generate practical benefits as follows:

- a. For the writer, the writer will know more information about product design and customers' purchase decision relationship. In the future, hopefully this research can be implemented in real life problem especially on product design and customers' purchase decision.
- b. For the company, the writer hopes that this research become a solution and can help develop strategy in order to face competition.
- c. For other researchers, the writer hopes that the result of this research may become additional information or references for further research.

## 1.6 SYSTEMS OF WRITING

The systematic description of this research will be as follows:

### **Chapter I Introduction**

In this chapter, the researcher describes about background of study, problem limitation, problem formulation, objective of the research, benefit of the research and systems of writing.

### **Chapter II Literature Review and Hypothesis Development**

In this chapter, the researcher describes about theoretical background, previous research, hypothesis development, research model, and framework of thinking.

### **Chapter III Research Methodology**

In this chapter, the researcher describes about research design, population and sample, data collection method, operational variable definition and variable measurement, data analysis method and data analysis technique.

**Chapter IV Data Analysis and Discussion**

In this chapter, the researcher describes about general view of “research object”, data analysis, descriptive statistic, result of data quality testing, result of hypothesis testing, and discussion.

**Chapter V Conclusion**

In this chapter, the researcher describes about conclusion, implication, limitation and recommendation.

