

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Education is a vital foundation in someone's life. There are four levels of world education. Elementary school, secondary school, tertiary stage or most of us known as the college and the last level, quaternary or graduate school. Many people stop pursuing education formally after high school for various reasons. Not many people know that higher education, tertiary and quaternary level, is essential not only for someone's knowledge but also for their environment. Higher education offers the graduates more jobs to choose from than to those who do not pursue education after graduating high school, and also, graduates typically earn more than undergraduates (Allen, 2020)

Indonesia's Minister of finance, Sri Mulyani, said that the role of higher education in Indonesia is the key in determining the ability to continue to progress and create prosperity for all Indonesian people (Kementerian Keuangan Republik Indonesia, 2018). Indonesia's higher education system is divided into private and public universities, institutions, academies, polytechnics, and advance tertiary schools (Sekolah Tinggi). The Ministry of National Education supervises all higher educations. Slightly different from the rest of the world where high school graduates choose not to attend college, Indonesian people typically always go through the tertiary level of education, unless they choose not to attend for personal reasons like finances or decided

to get married young and so on. Indonesia has a rapidly growing and highly diverse higher education landscape. In 2019, Indonesia had more than 4,600 higher education institutions and enrolled more than two million students (Naser, Nirmala, & Putri, 2019).

With over 4,600 higher education institutions for the students to choose from, these universities have to race to attract students' attention. A study has shown that factors that significantly affect choosing a university were the lectures' competence, student's extracurricular activities, and information on how to apply to university (Hermawan & Suryadi, 2019). This is also followed by factors like tuition cost, open house event from the university (how accessible for the students to get access to the university information), and the university facilities. Customer decision or customer purchase decision can influence cultural, social, personal, and psychological characteristics (Armstrong G. , Kotler, Trifts, & Buchwitz, *Marketing: An Introduction*, 2017). Unlike a private university, to enter a public university in Indonesia, students must go through a national examination or what is now called Ujian Tulis Berbasis Komputer (UTBK). Most Indonesian students prefer to continue their education at the public university because of factors like lower tuition fees, more known, etc.

**Table 1.1**  
Number of University's New Entrants in 2019

	<b>Total of University</b>	<b>Total of New Students</b>
Public University	122	589.575
Private University	36	710.046

Source: Prepared by Author (2021)

Based on the data shown in table 1, In 2019, with 122 public universities that Indonesia has, the number of students who enroll was more than 589 thousand, making roughly almost five thousand new students on average per university. On the other hand, Indonesia has nearly nine thousand private universities that enroll 710 thousand new students. This makes roughly 78 new students enroll in a private university in that year (Naser, Nirmala, & Putri, 2019). These things become a disadvantage for private universities in Indonesia. Private universities tend to do more marketing to make their universities more known to Indonesian students than public universities. This means that private universities in Indonesia must do things to create attention for those students who are interested. They typically do more open houses, do more advertising, create more scholarships than public universities in Indonesia. Those things can be categorized as a marketing mix.

A marketing mix is a set of actions or tactics that a company used to promote its product or brand and service in the market (Bennett, Coleman & Co. Ltd. , 2020). The marketing mix theory first appeared in the article titled 'The Concept of Marketing Mix' (1948), written by Neil H. Borden. Since then, the theory has been developed by many theorists such as Jerome McCarthy and Philip Kotler. James McCarthy's Marketing Mix has four variables or four Ps. Product, Price, Place, and Promotion. Create a product that people want, put the right price on it, sell it at the right place and make it known. The more the four elements are combined with each other, the more effective the marketing strategy will be, but it must go in hand with deep

previous research about the customer and the market (Masar, 2016, p. 9). The marketing mix needs much understanding, market research, and consultation with other people (Bennett, Coleman & Co. Ltd. , 2020). Because if it is handled wrong, the business can take years to recover from it.

One of the variables of the Marketing mix is Promotion. The promotion aims to induce, modify or reinforce the behavior by informing, persuading, and reminding the customer of your product, brand, and services (Lamb C. W., Joseph F. Hair, Carl McDaniel, Summers, & Gardiner, MKTG4, 2018, p. 351). Promotion focuses on creating awareness towards your product or brand and service and persuading the customers to initiate the purchase of it. Several tools facilitate the promotion objective that known as 'Promotion Mix'. Promotion mix or Promotional Mix is a fundamental tool that is used to accomplish a company's communication objectives (Masar, 2016, p. 11). Promotional Mix consists of advertising, direct marketing, sales promotion, and public relation. To create a promotional mix, marketing managers consider many factors, like the nature of the product, target market characteristics, the buying decision involves, and so on (Lamb C. W., Joseph F. Hair, Carl McDaniel, Summers, & Gardiner, MKTG4, 2018, p. 351). The book titled MKTGO (2018) discuss a model or customer or purchase decision, Attention, Interest, Desire, and Action (AIDA), which will help the marketing manager to create the perfect promotional mix to promote their brand (Lamb C. W., Joseph F. Hair, Carl McDaniel, Summers, & Gardiner, MKTG4, 2018, p. 231).

Potensi Utama University is one of private universities under Yayasan Potensi Utama Medan. Establish on July 9th, 2003, Potensi Utama University or UPU located in Jl. K.L. Yos Sudarso Km 6,5 No. 3A Tanjung Mulia - Medan 20241 Sumatera Utara, Indonesia Sumatera Utara, Indonesia. As a family business, UPU began its business from Computer and English Language Courses in 1994 under the name of Pendidikan Luar Sekolah (PLSM) Potensi Utama. In 2003, with the permission from the Directorate General of Higher Education (DIKTI), Pendidikan Luar Sekolah (PLSM) Potensi Utama increased their status to School of Higher Informatics and Computer Management (STMIK) Potensi Utama. In 2014, STMIK Potensi Utama changed its form to Potensi Utama University based on the permission of Ministry of Education and Culture with decree number: 424/E/O/2014 with the university motto "Kami hadir untuk mencerdaskan kehidupan bangsa".

Potensi Utama University has five faculties consisting of twelve study programs. The first faculty is the Faculty of Engineering and Computer Science with study programs of Industrial Engineering (S-1), Information Systems (S-1), and Information Management (D-3). The faculty of Art and Design with study programs of Visual Communication Design (S-1), Television and Film (S-1), and Interior Design (S-1). The following faculty in the Faculty of Psychology with study programs of Psychology (S-1). The fourth Faculty in Potensi

Utama University is the Faculty of Political Science and Education with International Relations (S-1) and English Language Education (S-1) programs. The last faculty is Syariah Business, with the study programs of Syariah Economics (S-1) and Syariah Banking (S-1). Each of the study programs has been accredited by the National Accreditation Board for Higher Education (BAN-PT).

**Table 1.2**  
Number of University's New Entrants of Sumatera Utara in 2019

	Total of University	Total of New Students
Public University	2	21.175
Private University	36	50.812

Source: LLDIKTI (2019). Prepared by Author (2021)

**Table 1.3**  
Number of New Students of Potensi Utama University

No	Faculty	Study Program	2019		2020	
			Number of Students	Total	Number of Students	Total
1	Engineering and Computer Science	Information System (S1)	359	872	195	525
		Informatics	374		212	
		Information System (D3)	9		16	
		Industrial Engineering	84		65	
		Computer System Engineering	46		5	
		Software Engineering			7	
		Computer Science (S2)		25		
2	Art and Design	Interior Design	19	151	12	155
		Film and Television	50		54	
		Visual Communication Design	82		89	
3	Business and Syariah	Accounting	92	358	67	253
		Management	186		131	
		Syariah Economics	42		44	
		Syariah Banking	38		11	
4	Political Science and Education	International Relation	38	81	18	50
		English Language Education	43		32	
5	Psychology	Psychology	42	42	36	36
6	Legal Studies	Law	32	32	19	19
Total of New Students			1536		1038	

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Source: Potensi Utama Annual New Students Report (2020). Prepared by Author (2021)

Based on the data shown in Table 2, as in 2019, every year, 36 private universities must compete to gain student attention in order for them to acknowledge and later enroll in the university. This created fierce competition in the market and, for many, has created disadvantages. As a private university, Potensi Utama University has faced disadvantages in getting students' attention to studies in their university. This was also shown in the number of new students who enroll at Potensi Utama University, shown in Table 3. With the same amount of promotion tools that they used to catch the new students' attention; the number of new students who enroll in Potensi Utama University decreased from the year 2019 to 2020. Considering the situation and problem that is happening, it is important to conduct this research on how to increase the number of new students for the following year.

Along with other factors, promotion plays a huge role in solving this problem. Potensi Utama University has used a promotional mix to catch the attention of new students and give them information about their faculty and university facilities. The promotional mix elements that they use have affected their customer, in this case, students, decision. For that reason, through this research, the author intends to find **'The Influence of**

## **Promotional Mix Towards Customer Decision at Potensi Utama University in Medan Focusing on Accounting Study Program'.**

### 1.2 Problem Limitation

The research of the study is only limited to the 'promotional mix' influence towards 'customer decision' at Potensi Utama University in Medan, focusing on the accounting study program. In this research, promotional mix variables will be limited by advertising, sales promotion, and direct marketing. The customer decision variable will be limited by personal (economic situation), psychological (perception and learning), and social factors (family). Therefore, this research will examine the influence of promotional mix with the indicators of advertising, sales promotion, and direct marketing, on customer decision with the indicators of personal, psychological, and social factor (limited in the economic situation, perception, learning, and family opinion) at Potensi Utama University in Medan. The correspondent of this research will consist of Potensi Utama university's students in Medan who study in the accounting study program. The reason why the only correspondent was students who study accounting was because of the restriction caused by the pandemic that happened at the time that this research conducted; it is pretty challenging to get bigger result data if this research included all of the students of Potensi Utama University. The study program chosen has met the criteria provided to complete this research.

### 1.3 Problem Formulation

- i. What are the factors influencing customer decisions on which university they are going to attend?
- ii. Is there any promotional mix elements Potensi Utama University used to attract new accounting student?
- iii. What is the influence of promotional mix on customer decision of Potensi Utama University in Medan focusing on Accounting study program?

### 1.4 Objective of the Research

- i. To determine what are the factors influencing customer decision on which university they are going to attend
- ii. To observe the promotional mix elements that used by Potensi Utama University to attract new accounting student every year
- iii. To provide information about the influence of promotional mix towards customer decision of Potensi Utama University in Medan focusing on Accounting study program

### 1.5 Benefit of the Research

- i. Theoretical Benefit

The outcome from this research paper is expected to be used to help the readers to solve similar problems. This research paper was made to the readers to gain more knowledge and information about 'promotional mix' and 'customer decision' theory. Furthermore, through this research paper,

the author hopes to give more understanding to other researchers that research similar topics.

ii. Practical Benefit

- a. For the author, the result of this research paper was made to expand the research knowledge about the influence of promotional mix on customer decision
- b. For the company, the research paper will give recommendations about the right promotional mix that can be used to gain more customer growth and increase its effectiveness
- c. This research paper will be additional material and future reference for studies and research on similar topics for future researchers. Moreover, this research paper will improve, enhance and develop the researcher's current knowledge about 'promotional mix' as well as the influence of 'promotional mix' towards 'customer decision'.