

CHAPTER I

INTRODUCTION

1.1 Background of Study

Food has been a part of people daily lives. It is unquestionable that not only do foods keep people alive by the nutrients packed inside them, but it also gives people a way of enjoying their time and living their lives to the fullest. Cooking foods at home has been the most popular way of fulfilling that primary needs of humans these days. However, humans do not eat just to fulfill their primary needs, they do so for the sake of their happiness as well, as mentioned before. Eating out is one of the ways to reach both happiness and fulfilled stomach for humans these days. This means, more and more people are establishing their own restaurants since this is a never ending business.

This leads to more and more similar restaurants established in the whole world, especially in Medan, which is known for its culinary fame. Competition is definitely unavoidable with the growing numbers of restaurants, leading to businesses' owners having to think creatively on how to attract more customers and save more costs at the same time to gain as much profit as possible. Apart from the product quality offered, brand image, marketing strategy, service quality, and many more; price and promotion play important roles for businesses to achieve their objectives and goals as parts of the marketing mix.

According to Rares & Jorie (2015) price has the same economic term as value. Price also is an amount of money to get goods or services.

Price as mentioned by Brata, Husani, & Ali (2017) is one of the most important elements in determining the rate of success of a business. This is due to the reason that price determines the profits gained by selling goods or services. It is sort of mind-consuming since setting the price too high would cause the decline in sales. On the other hand, setting the price too low would cause the reduction in profits gained.

In other words, price is an element that makes potential consumers rethink their choices before really making a purchase decisions by considering the quality of the goods received, services, and even after-sales services. In addition, companies should also be able to take into account the price tagged on their goods or services in terms of satisfying consumers and gaining profits for improvement in the future.

Gulliando & Shibab (2019) mention that promotion is a way of communicating benefits and convincing potential customers in order to buy a company's products or services by carrying out a variety of planned activities.

According to Rachmawati, Shukri, Azam, & Khatibi (2019), promotion has a very significant and positive influences on purchase decision.

In other words, promotion is a way of communicating between companies and consumers in order to strongly accentuate the benefits and comfort gained by purchasing goods or services offered. This way, the positive aspects promoted towards potential consumers would have significant impact positively towards them.

Bysella, Lapian, & Tumbuan (2018) defined consumer decision, as the choice picked by consumer with a handful of information given and collected about the choices from many sides. This information is then carefully assessed in order to make the right purchase decision with a clear goal beforehand in mind.

According to Budianto, Bastaman, & Herman (2020), purchase decision is the action of choosing an option from two or more options of a product.

In other words, purchase decision is an action from consumers for choosing from two or more options of goods and services available through deep analysis and assessment with many considerations. The ultimate goal is to choose the most profitable option.

Kalimantan Mas Restaurant is a restaurant that has quite a long history in Medan. Located at Jalan Kalimantan No. 5E, Pandau Hulu I, Kec. Medan Kota, Kota Medan, Sumatera Utara 20211, it has been serving a variety of food which is the trademark of Medan cuisine, starting from Hokkien Noodle, Bakmie, Duck Bihun, and many more. They are all home-cooked foods with years of experiences and talent from the owners.

Based on the random interviews conducted with several of Kalimantan Mas Restaurant's customers, they acknowledge that the price of the food offered is slightly more expensive than that of other outlets. However, the taste, experience, and atmosphere offered at Kalimantan Mas Restaurant are better than other outlets that sell the same foods as Kalimantan Mas Restaurant with a note in mind that this might be subjective.

Promotion through innovation, special event edition, and social media platform have also been conducted by Kalimantan Mas Restaurant at a certain level with the expectation of constant increase sales. In addition, this would also remind people in Medan that Kalimantan Mas Restaurant exists and keeps on updating its variety of foods with undeniable promotions.

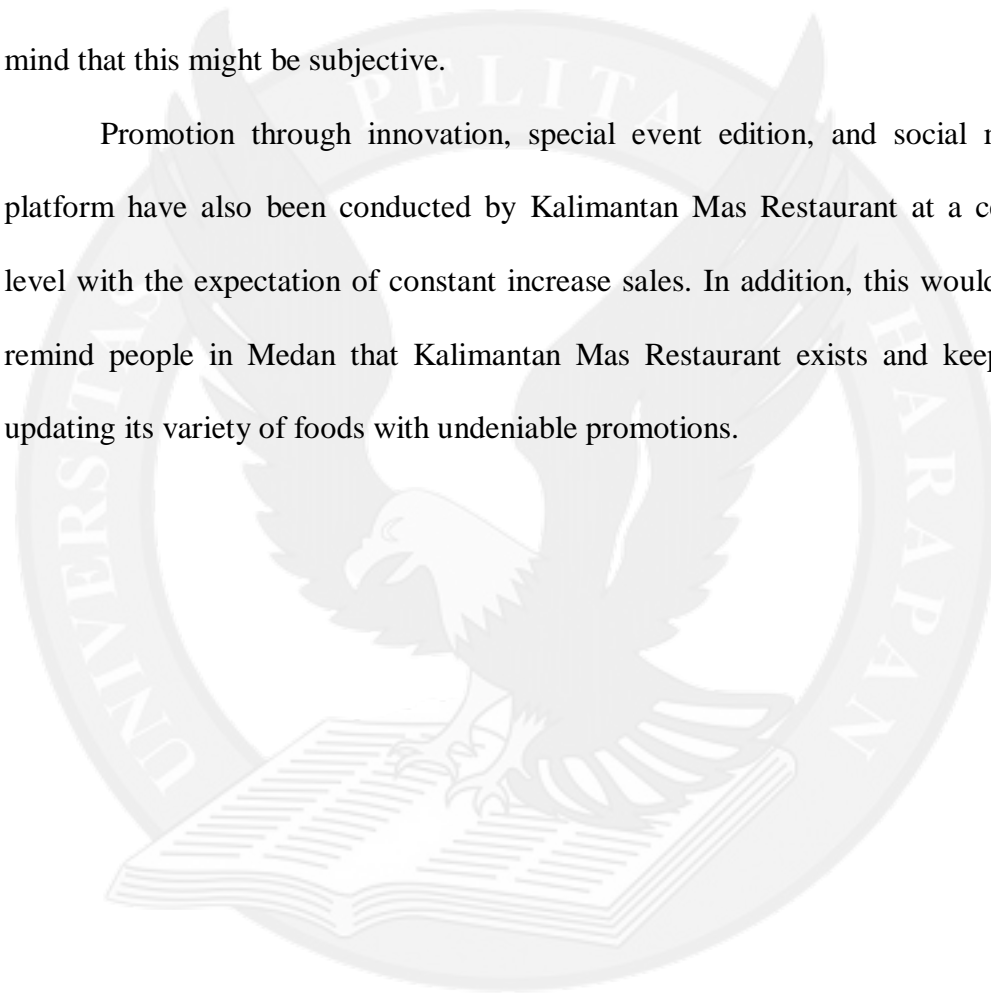
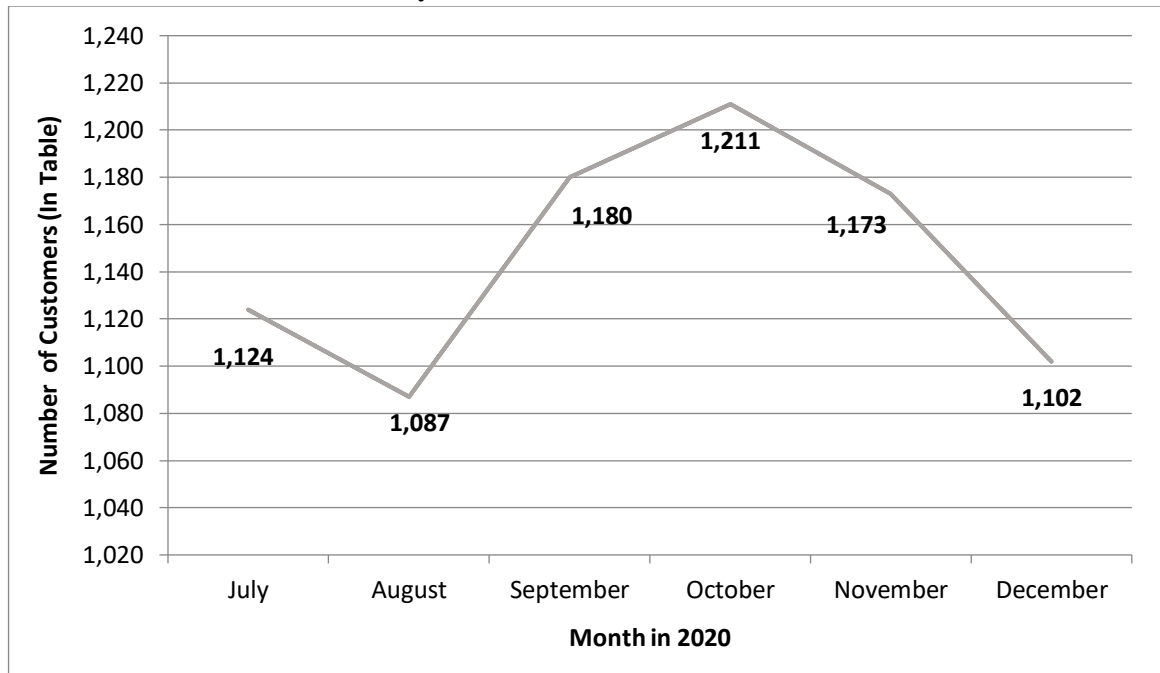


Figure 1.1 Data of Number of Customers at Kalimantan Mas Restaurant from July to December 2020



Source: Prepared by Author (2021)

Based on the data above, it could be seen that there is a fluctuating pattern of sales volume which is contributed by purchase decisions. From July to August, there is a decrease in sales volume. However, a consecutive increase happens in September and October. Afterwards, there is another decrease in November and December in which there should have been an increase due to holiday seasons. In addition during the months of August until October, there is an increase in sales volume which should not have happened since those are busy months with only little time for people to go eat out. At least, a stable pattern is expected during those months.

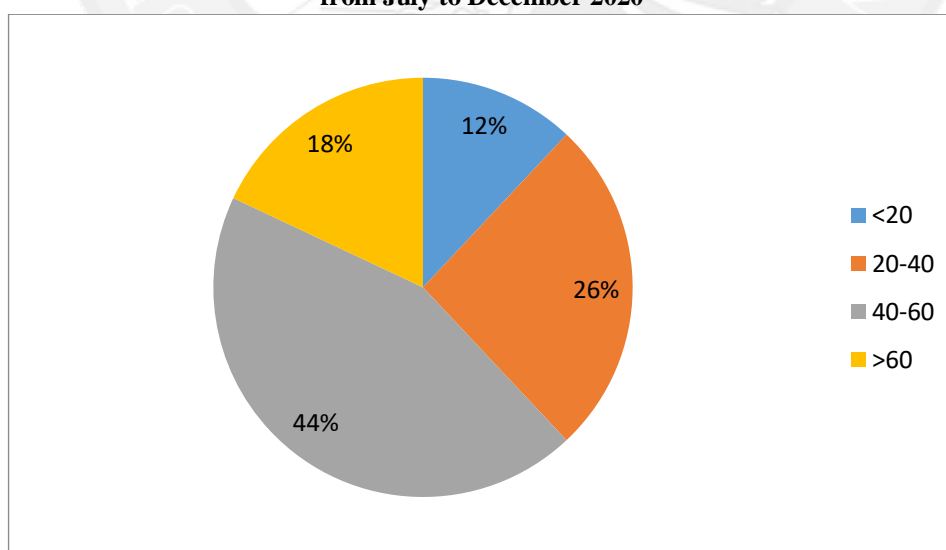
Based on the interview with the owner of Kalimantan Mas Restaurant, this seems to be happening due to the price of the food and beverages served at Kalimantan Mas Restaurant tends to be a little higher than that of competitors. However, as stated before, the quality of the food and vibes of the place are better as well. The table below shows the comparison of the signature dishes of Kalimantan Mas Restaurant with other outlets who sell the same food.

Table 1.1 Price Comparison of Signature Dishes at Kalimantan Mas Restaurant with Other Outlets

No.	Menu	Kalimantan Mas	Outlet 1	Outlet 2	Outlet 3	Outlet 4	Outlet 5
1.	Bakmie	Rp25.000,-					Rp20.000,-
2.	Duck Bihun	Rp45.000,-			Rp40.000,-	Rp32.000,-	
3.	Hokkien Noodle	Rp45.000,-			Rp40.000,-		
4.	Mie Sop	Rp25.000,-		Rp18.000,-			
5.	Hainam Chicken Rice	Rp37.000,-	Rp30.000,-				

Source: Prepared by Author (2021)

Figure 1.2 Percentage of the Age of Customers at Kalimantan Mas Restaurant from July to December 2020



Source: Prepared by Author (2021)

On the promotion aspect, Kalimantan Mas Restaurant uses its Instagram account for updating new menus, special edition hampers (Chinese New Year), and innovation, such as ready-to-cook package of food to tackle the Covid-19 pandemic issue. These updates on Instagram are also conducted not on a regular basis due to the Kalimantan Mas Restaurant' average customers are people whose age are above 40. This is why the use of social media, such as Instagram which is the main social media account for Kalimantan Mas Restaurant, is deemed as quite ineffective since people this age rarely have social media account. However, the updates are still conducted with the expectation of reminding young people that Kalimantan Mas Restaurant is ready to serve them as well. In addition. Kalimantan Mas Restaurant also want to target young people to have them eat and enjoy their time just like any other popular places.

To discover more about how price and promotion have influences on purchase decision at Kalimantan Mas Restaurant, the author decides to go with the title **“The Influence of Price and Promotion towards Purchase Decision at Kalimantan Mas Restaurant”** *skripsi* title.

1.2 Problem Limitation

Due to the limitation of time, budget, and resources available in addition with the current pandemic situation, this study is limited to only "Price" and "Promotion" towards "Purchase Decision" at Kalimantan Mas Restaurant. The independent variables of this research are price and promotion and the dependent variable is purchase decision. The author would conduct the research on anyone who has ever made purchases at Kalimantan Mas Restaurant. The data retrieval process will be conducted through online surveys or questionnaires given to the people that the author could easily reach or connect with. This method of collecting data is called convenient sampling method.

1.3 Problem Formulation

Analyzing what is the influence of price and promotion towards purchase decision at Kalimantan Mas Restaurant is the intention and purpose of this research. Here are the following problem formulations that this research attempts to find answers to:

1. Does price have significant influence towards purchase decision at Kalimantan Mas Restaurant?
2. Does promotion have significant influence towards purchase decision at Kalimantan Mas Restaurant?
3. Do price and promotion simultaneously have significant influence towards purchase decision at Kalimantan Mas Restaurant?

1.4 Objective of the Research

The purposes of this study are:

1. To analyze and understand the influence of price towards purchase decision at Kalimantan Mas Restaurant
2. To analyze and understand the influence of promotion towards purchase decision at Kalimantan Mas Restaurant
3. To investigate the simultaneous influence of price and promotion towards purchase decisions at Kalimantan Mas Restaurant

1.5 Benefit of the Research

There are two kinds of benefits that could be gained from this research. They are theoretical benefit and practical benefit.

1.5.1 Theoretical Benefit

The theoretical benefit of this study is to further the understanding of the influence of price and promotion towards purchase decision. Additionally, it is expected that this subject could be further studied in the future.

1.5.2 Practical Benefit

The practical benefits of this research are:

1. For the author to obtain knowledge of the influence of price and promotion towards purchase decision at Kalimantan Mas Restaurant
2. For Kalimantan Mas Restaurant to be able to understand the influence of price and promotion in order to strengthen, adjust, and improve those two factors for better sales in the future
3. To serve as the basis or references for future studies relating to marketing field, especially the influence of price and promotion towards purchase decision.

