

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Background of the Study**

The economy that is getting faster in the current era of globalization has made business competition both in the domestic market and the international market tighter. Every entrepreneur also tries to dominate the market by providing a variety of attractive offers to customers. With the increasing buying power, the demand for a product or service both in quality and quantity will increase, this certainly encourages entrepreneurs to offer a wide variety of products and services to customers, be it food products, fashion styles, make-up, transportation, mobile, insurance and etc.

However, currently the economic system in many countries including Indonesia is in decline due to the COVID-19 pandemic which has hampered the activities of most economies so that the income of entrepreneurs has decreased which makes entrepreneurs have to maintain financial balance in running operations. For this reason, entrepreneurs must create buying decisions by trying to meet customer needs because the company's survival as organizations that strive to meet customer needs and desires depends heavily on customer behavior. Changing conditions cause producers to have difficulty in shaping and creating buying decisions. Customer Buying Decision is an action taken by customers to purchase a product. Therefore, customer buying decision making is a selection process one of some alternative solutions to problems with real follow-up.

Furthermore, customers can evaluate choices and then may determine the attitude to be taken next.

From this understanding, it can be known that understanding customer buying decision is not an easy job, on the contrary it is quite difficult and complex, especially because of the large number of variables that influence and those variables interact with each other.

One of the variables that can affect customer buying decisions is sales promotion. Sales promotion is part of the promotion mix or marketing mix that is very important for a company. According to Kotler & Armstrong (2018, p. 496), sales promotion consists of short-term incentives to encourage the purchase or sales of a product or service. Sales promotion is used to create a faster and stronger customer response because it affects the mindset of customers so quickly to make decisions to purchase products. Such statements correspond to the benefits of sales promotion. The sales promotion tool offers three different benefits: communication, incentives, and invitations. If the sales promotion goes well, it can attract the attention of customers which leads to increased buying decisions.

The service quality is very useful to meet customer expectations for the future. The service quality can be identified by comparing customers' perception of the service they actually get or receive with the service they actually want or expect with the service attributes of a company. Companies consider the customer as king who must be served well, in the view that the customer will give an advantage for companies in order to continue to live. If the service quality is very

good to customers, it can attract customers to improve buying decisions.

PT Komitama Maju Perkasa is a manufacturing company engaged in the sale of Polyethylene Terephthalate (PET) flakes. In increasing its sales, PT Komitama Maju Perkasa must be able to think of the right marketing strategy, namely sales promotion and service quality in order to be able to offer its products properly so that buying decisions can increase.

Based on this research at PT Komitama Maju Perkasa, writer found difficulties in improving customer buying decisions PET flakes that can be seen from the amount of the company's net income during 2016-2020.

**Table 1.1 Total Net Income of PT Komitama Maju Perkasa During 2016-2020**

Year	Total Net Income	Net Income Difference	Percentage Difference in Net Income
2016	Rp. 587.000.000	-	-
2017	Rp. 550.000.000	- Rp. 37.000.000	-6.30%
2018	Rp. 490.000.000	- Rp. 60.000.000	-10.91%
2019	Rp. 434.000.000	- Rp. 56.000.000	-11.43%
2020	Rp. 368.000.000	- Rp. 66.000.000	-15.21%

Source : PT Komitama Maju Perkasa, 2021

**Table 1.2 Total Net Income of PT Sabang Plastik During 2016-2020**

Year	Total Net Income	Net Income Difference	Percentage Difference in Net Income
2016	Rp. 615.000.000	-	-
2017	Rp. 786.000.000	Rp. 150.000.000	27.80%
2018	Rp. 843.000.000	Rp. 57.000.000	7.25%
2019	Rp. 709.000.000	- Rp. 134.000.000	-15.90%
2020	Rp. 650.000.000	- Rp. 59.000.000	-8.32%

Source : PT Sabang Plastik, 2021

From the two tables above, it can be seen that the difference in total net income obtained by the two companies shows that PT Komitama Maju Perkasa get lesser net income compared to its competitor, PT Sabang Plastik. Based on Table 1.1 above, it can be seen that there was a decrease in net income from

customers generated by PT Komitama Maju Perkasa during 2016-2020. The highest net profit was in 2016 which was Rp. 587,000,000 due to the high purchasing power of customers towards PET flakes and the lowest profit occurred in 2020, which was Rp. 368,000,000 due to the low purchasing decision of PET flakes due to customer's uncertainty about the performance of PT Komitama Maju Perkasa. This is because of the choice of the product, the choice of the purchase channel and the time of purchase. If viewed from the choice of products, there are still customers are not sure of the production quality of PET flakes from PT Komitama Maju Perkasa, because the superiority of PT Komitama Maju Perkasa's PET flakes is not much different from the PET flakes of other companies, the lack of relationships in the PET Flakes product business and the lack of consistency in the promotion of PET flakes products.. If viewed from the purchase channel, there is often a delay in providing stock of goods at PT Komitama Maju Perkasa so that prospective customers or customers feel disappointed and become not interested in buying PET flakes at PT Komitama Maju Perkasa. If viewed from the time of purchase, the limited purchase time with the stock provision of PET flakes PT Komitama Maju Perkasa due to the lack of control of stock goods carried out by employees.

If seen from the table, the company's net income has decreased by at least 5% or multiples every year, it is suspected that the company's sales promotions are not implemented optimally. This is because PT Komitama Maju Perkasa has never or not always done a product offering technique with samples to customers so that customers hesitant to make a purchase because of the quality of PET flakes

that will be used. In addition, PT Komitama Maju Perkasa has not given cashback purchases even though there was an increase in the selling price of PET flakes, which made customers not interested in making large purchases so that the company's net income decreased. In addition, because the selling price of PET flakes is still cheap, PT Komitama Maju Perkasa rarely gives discounts according to the number of purchases so that this causes customers to make installment payments which has an impact on the company's net income.

**Table 1.3 Data On The Number Of Complaints From Customers**

Year	Number Of Customer Complaints	Percentage Increase In The Number Of Complaints From Customers
2016	5	-
2017	8	60.00%
2018	13	62.50%
2019	22	69.23%
2020	39	77.27%

Source : PT Komitama Maju Perkasa, 2021

From the data on the number of complaints from customers, there was an increase of up to 77.27% in 2020 so that this resulted in decreasing in buying decisions. Factors that cause an increase in customer complaints include customers feels that employees are still not good at handling the need for PET flakes orders so that sometimes customer requests for the desired type of PET flakes cannot be fulfilled on time. PT Komitama Maju Perkasa also has not been able to keep its promise to make deliveries at the specified time, such as employees not providing information if there is a delay in delivery of goods because the stock of PET flakes is limited. In addition, customers feel that employees have not been responsive and professional in serving purchases at PT Komitama Maju Perkasa Medan because employees do not have sufficient

knowledge and ability about the sale of PET flakes so that every customer complaint is not responded properly. In addition, every customer after completing a transaction sometimes employees are not friendly and rude in serving customers so that customers feel uncomfortable after leaving PT Komitama Maju Perkasa Medan.

From the description above, the writer has an interest in conducting research with the title: **“The Effect of Sales Promotion and Service Quality on Customer Buying Decision PET Flakes At PT Komitama Maju Perkasa, Medan”**.

## **1.2 Problem Limitation**

The problem limitation is used to avoid irregularities or broaden the main problem in order that the research is more directed and facilitates the discussion and the research objectives are achieved. Some limitations of the problems in this study are sales promotion and service quality as independent variables (X) and customer buying decision as dependent variables (Y). The research was conducted in PT Komitama Maju Perkasa located on Jl. Medan - Binjai Km 14.5 G. Louser No. 1 A, Medan City, North Sumatra. The population and samples used are all customers who buy PET flakes from PT Komitama Maju Perkasa during 2020.

## **1.3 Problem Formulation**

Sales promotion and service quality are the keys to a company's success in improving customer buying decision. From the background that the writers

described above, the problem formulation in doing this research are as follows:

1. How do sales promotion and service quality simultaneously affect the customer buying decision PET flakes at PT Komitama Maju Perkasa, Medan?
2. How does sales promotion affect the customer buying decision PET flakes at PT Komitama Maju Perkasa, Medan?
3. How does service quality affect the customer buying decision PET flakes at PT Komitama Maju Perkasa, Medan?

#### **1.4 Objective of the Research**

The objective of doing this research is :

1. To find out the effect of both sales promotion and service quality on customer buying decision PET flakes at PT Komitama Maju Perkasa, Medan.
2. To find out the effect of sales promotion on customer buying decision PET flakes at PT Komitama Maju Perkasa, Medan.
3. To find out the effect of service quality on customer buying decision PET flakes at PT Komitama Maju Perkasa, Medan.

#### **1.5 Benefit of The Research**

Based on the research objectives to be achieved, this research is expected to provide benefits in education both directly and indirectly. The benefits from conducting this research are as follows :

### **1.5.1 Theoretical Benefit**

The theoretical benefits of conducting this research consist of :

1. For writer, this research can be used as information in developing knowledge about how the relationships between sales promotion and service quality with customer buying decision and tell which variables can improve customer buying decision.
2. For other researcher, this research is expected to contribute useful understanding, insights, and provide additional information for other researchers in conducting the research with same topic.
3. For University, this research can be used to add references as a further research material in the future.

### **1.5.2 Practical Benefit**

The practical benefits of conducting this research consist of :

1. For PT Komitama Maju Perkasa, the results of this research can provide additional benefits for the company to be used as an overview in determining appropriate measures in an effort to restore customer interest to buy products so that the company is able to carry out strategies related to sales promotion and service quality.
2. For other PET flakes companies, this research can provide input in management on sales promotion and provide input on how well the relationship of service quality with customer buying decision.