

CHAPTER I

INTRODUCTION

1.1 Background of Study

Entrepreneurship is a way of contextualizing leadership they suggest that pedagogy can draw on a variety of types of leadership theory including team oriented leadership, value-based leadership and transformational and neo-charismatic leadership. While their aim to incorporate a wide-ranging number of ideas and theories into their model is commendable and their classification of existing literature is valuable they do not really address the challenges of operationalizing entrepreneurial leadership (Blackburn et al 2018, p.25). Companies may need the right strategy to compete in the market by looking for business opportunities in the form of products and services that can enable the company to meet the quality expected by customers.

Through the increasing number of new products that have sprung up, business competition will be increasingly fierce. Good marketing activities always pay attention to the needs of customers. Through a clear marketing flow, the product will be distributed well. Strategic marketing as a selected line of action chosen by a company to achieve a marketing target both in short and long term. It is also possible to consider strategic marketing management as the art of formulating, applying and reviewing Cross-functional options that will help a business to reach its desired goals (Mustapha, 2017). In marketing, activities are also needed to support the marketing itself, such as in determining the quality of the product and the price of the product itself.

Purchasing decisions are a method in which customers understand the issue, look for information about a potential product or brand, and determine how effectively one of these solutions can address the problem, leading to a purchasing decision (Havidz and Mahaputra, 2020). In considering purchasing decisions, customers will consider the options they have, including comparing with competitors' products and also the price. With the development of business to date, there will be more product determinations for customer choices and this makes companies have to continue to innovate to become the choice of customers.

According to Abdelhady et al (2019), however, forecasting how a human behaves in purchasing situations can be estimated through previous purchasing decisions. Customers make buying decisions every day, and many people do not even know the factors that drive them to this decision. The purchase decision is a purchasing process that aims to obtain the right ingredients in the right quantity, with the right quality, from the right source, at the right time, and at the right price according to the consumer's ability and willingness. Which can be interpreted as an interaction relationship between the marketing, engineering and manufacturing functions.

In general, price is a product's worth for the qualities and advantages that the product has and becomes one of the customers' key contrasts. The preference of customers would be goods which have good rates and quality. Price is one of the methods that advertisers may use to confront the sector, either by acquiring and keeping customers directly or battling competitor and even by making buying decisions (Suhaily and Darmono, 2017).

The understanding of prices significantly impacts the choice of a customer to buy a commodity. Price awareness explains knowledge regarding an item and provides customers with a profound sense. Price is, therefore, an essential factor in the buying decision, especially for regularly purchased goods. Also, it affects the choices of which shop, progress, and brand to patronize. Customers are very fair in determining the benefits they expect to reap by purchasing goods or services that they pay (Safitri, 2018).

Another alternative that customers would consider, apart from price is the standard of service. Quality of service is the level of service to customers who buy the company's goods as a type of corporate obligation to offer support for the purchased products. Effective support is expected to ensure that customers are satisfied with the business when making purchases. Improving the quality of products and services as well as providing variations in product prices is a must for companies because it will bring a positive impact on the company because, by having them it can make our costumer fulfilled their customer satisfaction with our product or services which will influence the customer to repurchase from your company (Akbar, 2019).

Service quality can be difficult to handle, even though faults are measurable in nature. Improving the standard of service and sustaining it at high prices, however, is critical, as it is a primary factor of substantial conduct, including word-of-mouth ratings, repurchases and loyalty. Service consistency, on the other hand, relates to reasonably stable actions and attitudes for an organization that are dramatically different from satisfaction. While the standards of the level of service

of a whole organization remain fairly stable, it will move along the same lines as the satisfaction scores for the purchase over time (Wirtz & Lovelock, 2016).

In running a business, CV. Sejahtera Keramik Medan has several competitors in similar business fields in the following table.

Tabel 1.1
Competitor Company from CV. Sejahtera Keramik Medan

No	Competitor Company	Establish year
1	Golden Keramik	2016
2	Mitra Keramik	2019
3	Central Keramik	1990
4	Asia Keramik	1973
5	Mitra 10	1997

Source: Prepared by the writer, 2021

The existing competitors show that the company has several competitors including Golden Ceramics, Central Ceramics, Mitra Ceramics, Asia Ceramics, Mitra 10. The company has a business selling ceramics and also selling building material equipment in the city of Medan.

CV. Sejahtera Keramik Medan is a family retail business and is engaged in the sale of ceramics and complete sanitary equipment such as closet, lavatory, shower, bathup, and faucet as well. There are several brands of ceramics that are sold, including Garuda Tile, Asia Tile, Mulia, Platinum, Ikad and Milan. Established in 2014 by Mr. Joni and located in Jln. Medan Batang Kuis No.3C, Percut Sei Tuan, Deli Serdang. The company currently serves both wholesale and retail purchases in a certain amount. At this time CV. Sejahtera Keramik is experiencing a decline in purchasing decisions as seen from the decreasing number of sales. The following is the sales data in the table.

Table 1.2
List of sales value at CV. Sejahtera Keramik Medan

Month	2017	2018	2019
January	97,900,000	87,100,000	85,900,000
February	95,500,000	82,200,000	80,500,000
March	92,000,000	92,000,000	75,000,000
April	93,750,000	83,750,000	76,750,000
May	95,100,000	87,100,000	82,100,000
June	92,500,000	75,500,000	81,500,000
July	96,000,000	86,000,000	72,000,000
August	96,850,000	86,850,000	82,850,000
September	89,000,000	83,000,000	72,000,000
October	85,000,000	85,000,000	72,000,000
November	86,000,000	82,000,000	73,000,000
December	93,850,000	82,850,000	82,850,000
TOTAL	1,113,450,000	1,013,350,000	936,450,000

Source: Prepared by the writer (CV. Sejahtera Keramik Medan, 2017-2019)

From the sales data in the table, it can be seen that the number of sales shows that CV. Sejahtera Keramik Medan has decreased from 2017 to 2019. The decline in sales that occurred shows that there has been a decrease in purchasing decisions from customers. The following is the company's sales data in the chart display in the following.

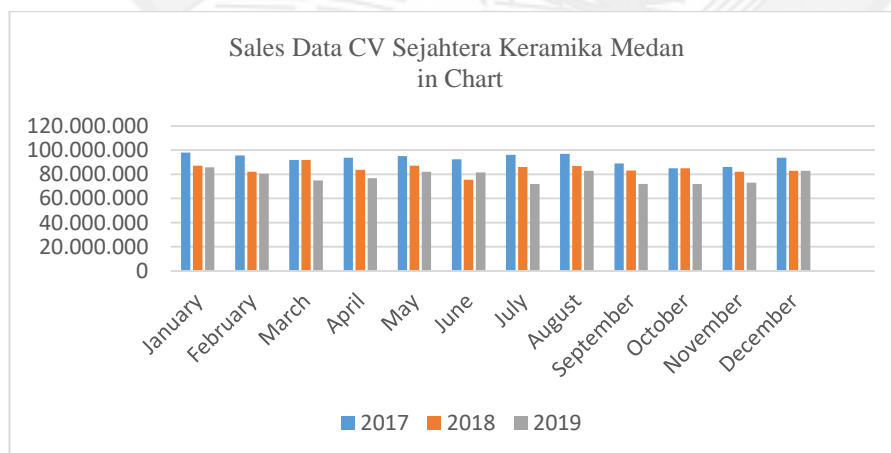


Figure 1.1 Sales Data at CV. Sejahtera Keramik Medan

Source: Prepared by the writer (CV. Sejahtera Keramik Medan, 2017-2019)

In the main problem described by the writer, the decline in purchasing decisions is due to the problem of the price of ceramic products sold at CV. Sejahtera Keramik Medan. The ceramic products offered by the company still have less competitive price competitiveness than competitors (higher prices), the prices given are not accompanied by a warranty on all products, and ceramic price offers are more expensive than similar products with the same product quality. This causes customers to tend to choose products sold by other companies and make a decrease in purchasing decisions at the company.

Apart from price, a decrease in purchasing decisions can also be caused by the quality of service. The quality of service in the company still receives complaints from customers due to problems regarding the lack of response from employees in handling product claims and consumer complaints, the availability of products ordered for a long time, not all products are guaranteed, and delays in service for product delivery. With the complaint that occurred, the services provided were not optimal and triggered a decrease in purchasing decisions in the company.

The reason why the writer chooses to do the research on customer purchasing decision in CV. Sejahtera Keramik is because the writer would like to analyze why their sales keep decreasing from year to year and help the company by giving suggestion and solution so the company can increase their performances.

Based on this review, the writer decides to conduct a research entitled **“The Influence of Price and Service Quality towards Purchasing Decision at CV. Sejahtera Keramik Medan”**

1.2 Problem Limitation

In consideration of the limitation of time, budget, and data access. In this research, the writer will focus only on price and service quality and their influence on purchasing decision at CV. Sejahtera Keramik Medan.

Price (X1) and service quality (X2) as the independent variable and purchasing decision (Y) as the dependent variable. Indicators of price (X1) as the independent variables include affordability of price, match price with product quality, price competitiveness, price match with benefits (Lubis, 2016). Meanwhile, indicators of service quality (X2) as the independent variables include affordability, price compatibility with tangibles, assurance, reliability, responsiveness, empathy (Allarusi and Alkhami, 2016) and indicators of purchasing decision (Y) as the dependent variables include introduction of needs, information search, alternative evaluation, buying decision and behavior after purchase product quality (Anggita and Ali, 2017).

1.3 Problem Formulation

Based on a background explanation in this study, formerly at these research is formulated on the problem as follows:

1. How is the product price at CV. Sejahtera Keramik Medan?
2. How is the service quality at CV. Sejahtera Keramik Medan?
3. How is the purchasing decision at CV. Sejahtera Keramik Medan?

4. Do the price and service quality have an influence on purchasing decision at CV. Sejahtera Keramik Medan?

1.4 Objective of the Research

The objectives of this research are as follows:

1. To explain about the product price at CV. Sejahtera Keramik Medan.
2. To explain about the service quality at CV. Sejahtera Keramik Medan.
3. To explain about the purchasing decision at CV. Sejahtera Keramik Medan.
4. To analyze whether price and service quality have an influence on purchasing decision at CV. Sejahtera Keramik Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

This study is expected to be useful to the author herself to add experience in doing research and apply theories obtained from the lectures, as a reference and useful information for other researchers who wish to do further research. It can provide descriptions and useful information for the company in conducting policies related to the company. The results of this research are also expected to contribute to the theories of price, service quality and purchasing decision

1.5.2 Practical Benefit

The practical benefits of this study related to price, service quality and purchasing decision.

- a. For the writer

This research can be an additional lesson and knowledge in marketing area as a reference and guideline of them especially related to price, service quality and purchasing decision in a business.

b. For the company

This research brings a positive impact for the company by providing suggestions and feedback on how to manage service quality, price towards purchasing decision for the company as a follow-up program for better market.

c. For other Researchers

This research may be useful for the readers in the future who wish to conduct research and write a paper on their own may find this writing as a reference and guideline of them especially related to price, service quality and purchasing decision.

