

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Indonesia and other countries is currently experiencing economic recession due to the Covid-19 pandemic. Small businesses and medium business has limited movement in which has an impact on the reduced profits that will be obtained by the entrepreneurs. Therefore, entrepreneurs and family businesses are expected to solve these problems by providing solutions through adaptability, resilience, and innovation. Small business and family businesses are trying their best in maintaining the company stability with limited fund by either decreasing number of employee, by being creative in their products or services promotion or by learning the customer behavior in order to gain more knowledge of what customer want and needed in the current situation.

Most of the entrepreneurs and family businesses that study the purchase behavior of consumers attempt to gain information about what consumers buy and also the reason, number, type and place of their purchase. However, unlike the type, number and place of purchase, it is not an easy task to find information about the reasons of consumer or buyer's purchase behavior, because the answer to this question is in the mind of consumer or buyer (Azimi & Shabani, 2016).

Fostering consumer's purchasing interest and ultimately making them decide to purchase is not easy. Because the consumer purchasing decision is the action of consumers to want to purchase or not to a product. Many factors can

influence consumer purchasing decision. According to Firmansyah (2018), consumer purchasing decisions are problem solving activities carried out by individuals in the selection of appropriate behavioral alternatives from two or more behavior alternatives and is considered the most appropriate action in purchasing by first going through the stages of the decision-making process. Either from internal factors / from within consumers or external influences, namely stimulation by companies or entrepreneurs. And companies must be able to identify consumer behavior, in order to win the competition in the market. The factors in question are promotion and distribution channels, so that without the right promotion and distribution channels to consumers, product sales will decline along with decreasing purchasing decision from consumers.

Understanding buyer behavior is not easy because several factors can influence consumer behavior before making a purchase decision. In some cases, consumers tend to spend less time in thinking about purchasing either low- or high-value products, because they consider that fulfilling their needs is more important. This has urged marketing managers to adopt strategies that motivate consumers to purchase their offerings by creating an effective marketing plan (Hanaysha, 2017).

To see the development of the purchase of a product, a company can pay attention to the activities contained in the company's promotional strategy including advertising, sales promotion, personal selling, publicity as well as direct marketing. Hasan (2016) said that promotion is a marketing function that focuses on communicating marketing programs persuasively to the target audience

(customers to potential customers) to encourage the creation of transactions up to the exchange between the company and the audience. By paying attention to promotional activities, companies can communicate products to consumers so that consumers can find out various information about the products they interest in. However, without good promotional activities, consumers or potential consumers will not be able to get information about the desired product in which could lead consumers or potential consumers lose interest in purchasing products offered by the company.

Apart from promotion which is the main concern, another factor that is considered in making purchasing decisions is the distribution channel. Saleh and Said (2019) state that distribution channels are the path used by manufacturers to move their products through an institution they choose. Distribution channels can also be interpreted as a unity and implement a complete system of activities (functions) in distributing products. Distribution channels are very important in facilitating and ease the delivery of goods and services from producers to consumers. If there is no distribution channel, the goods needed by consumers will not be available on the market, on the other hand, if the product is easily available and can be reached by consumers in a fast time, the buyer or consumer can immediately make decision to purchasing the product offered.

UD. Ernata is a company engaged in the sale of children's toys. UD. Ernata has a total of 5 members. Although UD. Ernata has been around for a long time, this business is able to compete with other companies in maintaining the company's survival. Despite the increasingly intense competition between the

children's toy businesses, UD. Ernata tries to improve its promotion and distribution channels where the company must be able to maintain and improve its marketing performance for future profitability. However, toy sales in UD. Ernata are not always profitable. The sales figures for children's toys in UD. Ernata can be seen in the table and graph 1.1 below.

**Table 1.1 Children's Toys Sales Figures Per Quarter 2019-2020 in UD. Ernata**

Month	Amount	Difference in Sales	Percentage Difference in Sales
Quarter 1 (January, February, March) 2019	Rp. 89.000.000,-	-	-
Quarter 2 (April, May, June) 2019	Rp. 75.000.000,-	(Rp. 14.000.000)	-15,73%
Quarter 3 (July, August, September) 2019	Rp. 82.000.000,-	Rp. 7.000.000	9,33%
Quarter 4 (October, November, December) 2019	Rp. 86.000.000,-	Rp. 4.000.000	4,88%
Quarter 1 (January, February, March) 2020	Rp. 78.000.000,-	(Rp. 8.000.000)	-9,30%
Quarter 2 (April, May, June) 2020	Rp. 83.000.000,-	Rp. 5.000.000	6,41%
Quarter 3 (July, August, September) 2020	Rp. 67.000.000,-	(Rp. 16.000.000)	-19,28%
<b>Total</b>	<b>Rp. 560.000.000,-</b>		

Source : UD. Ernata Medan, 2021

Based on the table above, UD. Ernata is not always able to increase purchasing decisions that can be seen from the fluctuations in sales of children's toys in 2019 - 2020. This is because consumers are not sure to choose the products offered by UD. Ernata because the type or choice of toys available is still small. When viewed from the purchase channel, there is often a delay in stocking goods in the store which lead to prospective consumers or consumers lose interest in purchasing children's toys and when viewed from the time of purchase, the limited purchase time with the limited supply of children's toys available at a certain time has caused a decrease on consumer purchasing decisions.

The decrease in sales was caused by promotional problems due to two factors namely advertising and personal selling. For advertising problems at UD. Ernata can be seen that the effectiveness of advertising is only done once so most consumers do not see the advertisements made by UD. Ernata. Even though it's only one-time advertising, the size of the ad is still small by using advertising language that is still poorly understood by consumers. In addition, the advertising problem faced is the lack of distribution of brochures by UD. Ernata is evenly distributed throughout the region, causing not all consumers to know the location of UD. Ernata and switched to choosing a location to buy children elsewhere, such as at UD Asia Jaya Toys. And for personal selling problems that occur are when making personal sales, employees of UD. Ernata did not provide complete information about the toys being sold. Due to the lack of knowledge of selling children's toys, consumers were not interested in buying toys sold at UD. Ernata and prefer other places such as UD Asia Jaya Toys. Consumers are also not friendly in serving consumers who have finished buying toys at UD. Ernata which causes consumers to have no intention to repurchase children's toys. In addition, UD. Ernata has not been able to solve consumer problems such as damage to goods after buying toys and UD. Ernata has not been able to replace it with the same type of toy.

In addition to promotional problems, distribution channel problems can also influence consumer purchasing decisions which are thought to be caused by inaccurate information on shipping children's toys at UD. Ernata who caused the consumer to arrive at UD. Ernata, the type of toy you want to buy does not match

consumer expectations. UD. Ernata is also less than optimal in negotiating the sale of children's toys, which causes delays in the delivery of goods. In addition, employees are still less responsive in managing the stock of goods stored in the warehouse which often causes vacancies in the sale of types of children's toys at UD. Ernata. Besides that, UD. Ernata does not have complete facilities to ship children's toys in large quantities, so most of the sales of children's toys are taken directly by consumers.

Based on the description above, the researcher is interested in researching by taking the title: **“The Effect of Promotion and Distribution Channel on Consumer Purchasing Decision at UD. Ernata, Medan”**.

## **1.2 Problem Limitation**

Problem limitations are used to avoid irregularities or widening of the main problems to be researched so that some limitations of problems in this study are promotion and distribution channel as independent variables (X) and consumer purchasing decision as dependent variables (Y). The research was conducted at UD. Ernata that is located on Jl. Pandan No.92, Gg. Buntu, Kec. Medan Timur, Medan City. The population and samples used are all consumers who bought children's toys at the UD. Ernata Medan during 2020. The promotion (X<sub>1</sub>) used in this research focuses only on advertising and personal selling where advertising indicators consist of ad coverage, advertising media and advertising frequency (Hasan, 2016) and personal selling indicators that are employees conveying product information clearly, employee friendliness, being able to

deliver orders directly and employees listening to consumer complaints (Alam, 2015). Indicators of the distribution channel ( $X_2$ ) of this research are Information, Negotiation, Physical Distribution, Financing and Risk Taking (Tjiptono, 2015). And this indicator of purchasing decision ( $Y$ ) is product choice, brand choice, purchase channel selection, purchase amount and purchase time (Priansa, 2017).

### **1.3 Problem Formulation**

Based on the background study above, the writer can take problem identification as follows :

1. Does the promotion partially affect consumer purchasing decision at UD. Ernata, Medan?
2. Does the distribution channel partially affect consumer purchasing decision at UD. Ernata, Medan?
3. Does the promotion and distribution channel simultaneously affect consumer purchasing decision at UD. Ernata, Medan?

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

The objective of this research is :

1. To explain how promotion affects consumer purchasing decision at UD. Ernata, Medan.
2. To explain how distribution channel affects consumer purchasing decision at UD. Ernata, Medan.

3. To explain how promotion and distribution channel affects consumer purchasing decision at UD. Ernata, Medan.

## **1.5 Benefit of the Research**

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

### **1.5.1 Theoretical Benefit**

Theoretically, the results of this research are expected to be useful, namely:

1. For writer, this research can be expected to be a means of information and as a reference for other research and can provide input to develop existing theories. In addition, it can be used as a comparison between theory in research and application in the real world of work and practice the knowledge obtained in lectures into the world of work.
2. For other researcher, other researchers may use the results of this research as input to develop further research with titles related to consumer purchasing decisions.

### **1.5.2 Practical Benefit**

Practically, the results of this research are expected to be useful, namely:

1. For UD. Ernata, This research is expected to contribute thought that can be used as input and consideration for the store to the problems that occur, namely on the importance of improving promotion and distribution channels to create decisions on purchasing children's toys in UD. Ernata, Medan.

2. For other companies, The results of this research are expected to provide information, experience, insights, and open a new paradigm for readers on the importance of promotions, distribution channels, and purchasing decisions as well as reference materials for other parties who especially want to research factors that can influence purchasing decisions other than promotions and distribution channels.

