

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Business growth in the food and beverage area is becoming extremely quick all through the world. The development of the food and beverage area can quickly develop because food and beverages are human needs that must be fulfilled. Many people believe that starting a business in this area is something promising and can also be utilized as a profitable business opportunity. Nowadays there are many kinds of restaurant characteristics, like Korean, Japanese, Indonesian, Indian and Western.

The number of restaurants with various characteristics or ideas has become proof that the food and beverage area is growing continuously. The owners of a restaurant should figure how they can attract customers and keep their loyal customers. Various strategies such as product innovation, restaurant concepts and different operational systems are utilized to attract customers and to keep up the business. As the owner of a restaurant, they must do the strategies because business growth in the food and beverage sector is growing, it means that business competition between restaurants is also getting tighter.

A Restaurant that needs an item will carry out an item sales strategy that suits their needs. Therefore, producers must be able to read customer desires so that they can create an offer that can satisfy their customers.

Nowadays, the business competition is continuously increase and it has force companies to be more careful in determining strategies in winning the competition they face. Before making a purchase, usually customers will pay attention to the offered price first.

Fundamentally, customer's needs will increase from time to time, hence organization must conduct marketing research in their business to discover what is the customer's needs. Each item presented by an organization have an impact on pricing. Price can be a factor that supports consumers before they make any decision to purchase and also purchasing decisions are supported by other factors such as product packaging, product quality, trust, services, etc.

Price is one of the significant components in marketing mix. Price is the measure of cash charge for an item or services. Price can be stable for a specific time and increase or decrease relies upon the income that organization got from the sales. A restaurant must be able to adjust the price of their products with the quality provided. Because price have a big impact on sales and demand of the product.

Promotion is a movement completed by an organization to communicate and promote their products to their target markets. The purpose of the promotions is to build communication with potential customers and people who already made purchases at the Restaurant. Promotion is one of the significant parts of marketing mix that can increase brand recognition and sales. Usually, restaurants do sales promotion by

giving some gifts to their customers or by giving some discount vouchers. Some types of promotion are advertising, sales promotion, public relations, and word of mouth. Promotion like word of mouth can give a positive or negative impact depends on the customers experience.

Purchase decision are a part to make the customer believe that the item to be purchased is meet their expectations. Purchase decisions also means an activity carried out by customers in selecting alternatives from several alternatives before buying a product. After purchasing a product, a customer usually will change their preference for a specific brand and will form their desire to buy a product with a specific brand if the products meet their expectations.

Nasi Keriting is one of the businesses that has been involved in the food and beverage area since 2016. At the beginning of its journey, Nasi Keriting is an online based business that focuses on the takeaway system. Since most of Nasi Keriting's Customers is online based customer, Nasi Keriting involved their business through online service provider like Grab/Gojek. In 2017, Nasi Keriting has been awarded outstanding Merchant due to its outstanding sales volume.

Each business is bound to experience ups and downs. It is like Nasi Keriting, they experienced ups and downs on their business in this past four years. Based on an interview with the owner of Nasi Keriting, he said that the profit he got this year decreased 30-40% compared to last year. These sales declined was caused by this Covid-19 pandemic situation. Due to the

increasing number of Covid-19 cases day by day, it has caused people do not want to buy food outside the home even though the restaurant has implemented protocols according to the standards that have been given by the government. Below is an estimate of Nasi Keriting's profit from January 2021 – June 2021:

Table 1.1 Sales Decline Percentage compared to December 2020

Month (2021)	Sales Decline (Compared to December 2020)
January	6%
February	8%
March	3%
April	9%
May	4%
June	7%

Source: Prepared by Author (2021)

The sales decline that occurs in this current situation is because the price of Nasi Keriting is quite expensive for some people. Because the majority of Nasi Keriting's customers are online based customers, which means their customers prefer to order food through the online service providers such as: Grab/Gojek Applications. Some people said that the price of Nasi Keriting is getting more expensive because of the taxes that have been charged by the online service providers and the order fee through the application.

In addition, the promotion given by Nasi Keriting in that application is not attractive because there is minimum purchase to use the promotion / discount voucher. The sales decline experienced by Nasi Keriting is also because a lack of promotion. Based on the interview with the owner of Nasi Keriting, he said that “In this year, they do not promote their business by sponsoring an event, but they only promote through their social media. And they do not provide promotions such as discount vouchers, but they only focus on promotions that can increase their brand awareness”.

The decrease in purchasing decisions seen from the sales decline is because of the price of food offered by Nasi Keriting is too expensive for some people and the promotion given by Nasi Keriting does not look so attractive to the customers. Because of this, they are not able to make purchasing decisions at Nasi Keriting and they prefer to make a purchase decision at another restaurant which offer cheaper food and many promotions like voucher discount for the food with the same quality. As we can see from the problem above, price and promotions influence customer purchase decisions. This statement is in accordance with the previous research conducted by Hidayat, Taufan (2020), which states that there is an influence of Product, Price, Promotion, and Location on Customer Purchase Decision. Below are some prices of Nasi Keriting’s menu variants compared to the other restaurants:

Table 1.2 Menu Price Comparison in Nasi Keriting with another Restaurant

No	Menu	Nasi Keriting	Another Restaurant
1.	Nasi Keriting Ikan Dori	Rp. 33,000	Rp. 25,000
2.	Nasi Padang Rendang Ayam	Rp. 32,000	Rp. 24,000
3.	Mie Rempah	Rp. 31,000	Rp. 16,900
4.	Nasi Goreng Rempah	Rp. 31,000	Rp. 19,600

Source: Prepared by Author (2020)

With this research, we hope Nasi Keriting can identify customer purchase decision based on price and promotions globally and be able to increase the revenue in this kind of situation. According to the background above, the author would like to conduct research with the title **“The Influence of Price and Promotions towards Customer Purchase Decision at Nasi Keriting Jln. Sutomo Medan”**.

1.2 Problem Limitation

In this research, there are two variables that will be discussed which are price (X1) and promotions (X2) as the independent variable and customer purchase decision (Y) as the dependent variable. The price dimension consists of price affordability, price conformity with the product quality, price competitiveness and price suitability with benefits. The indicators of promotion are advertising, public relations, and sales promotion. The indicators of customer purchase decision are product choice, brand choice, purchase timing and distribution method.

1.3 Problem Formulation

As the purpose of this research is to determine the influence of price and promotions on customer purchasing decision at Nasi Keriting, so the problem formulation of this research can be described as follows:

1. How is the price at Nasi Keriting Jln. Sutomo Medan?
2. How is the promotion at Nasi Keriting Jln. Sutomo Medan?
3. How is the customer purchase decision at Nasi Keriting Jln. Sutomo Medan?
4. Does the price influence customer purchase decision at Nasi Keriting Jln. Sutomo Medan?
5. Does the promotion influence customer purchase decision at Nasi Keriting Jln. Sutomo Medan?
6. Do the Price and Promotion influence customer purchase decision at Nasi Keriting Jln. Sutomo Medan?

1.4 Objective of the Research

Based on the problem formulation above, the objective of this research is as follows:

1. To analyze how is the price at Nasi Keriting Jln.Sutomo Medan?
2. To analyze how is the promotion at Nasi Keriting Jln.Sutomo Medan?
3. To analyze how is the customer purchase decision at Nasi Keriting Jln. Sutomo Medan?

4. To identify does the price influence customer purchase decision at Nasi Keriting Jln. Sutomo Medan?
5. To identify does the promotion influence customer purchase decision at Nasi Keriting Jln. Sutomo Medan?
6. To identify do the price and promotion influence customer purchase decision at Nasi Keriting Jln. Sutomo Medan?

1.5 Benefit of the Research

The benefits of this research can be divided into two parts, namely:

1.5.1 Theoretical Benefit

Theoretically by doing this research, the author expected this research can be a reference that provide information for similar research in the future. And this research can give knowledge and understanding to the writer about the effect of price and promotions towards customer purchase decision.

1.5.2 Practical Benefit

The results of this research will give benefits to all parties concerned, including:

1. For the author, this research can give knowledge and understanding to the effect of price and promotions towards customer purchase decision.
2. For the owner of Nasi Keriting, this research can be used to identify customer purchase decision based on price and promotions and be able to increase their revenue in this situation.

3. For other researcher, this research can be a reference to future research related to the effect of price and promotions towards customer purchase decision.

