

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Nowadays, the rapid growth of social media channels has added new digital marketing tools and altered the way consumers collect and process information when making a purchase decision. The various platforms are used by all kinds of industries, companies, and individuals to share their views, arguments, and experiences. The tourism industry that deeply depends on validation from others has certainly created opportunities to provide travelers with information at their fingertips (Theocharidis et.al., 2020)

Online marketing is one of the new methods of marketing using internet through email, websites and social networking sites to promote and advertise the services or products. Five years ago, the impact of online marketing was significantly underestimated by people but now, most of the products are being marketed through online marketing instead of using brochures, billboards and television commercials. In this globalization era, it is better for entrepreneur to utilize internet and market their products and services in the best possible way to reach maximum number of customers.

According to Kwaramba (2017), entrepreneurship is the main core to economic growth and development. Due to its importance to employment creation and GDP growth, governments and academics plan to encourage entrepreneurship. One of the main areas that the Indonesian government as well as

many private parties have been eagerly trying to push small medium enterprises towards is digitalization.

According to Rahmi (2018) around a third of Indonesian small medium enterprises are still running their business brick and mortar style, while another 37% have only basic online capabilities. The study suggested that offline small medium enterprises are expected to improve revenue by up to 140 million IDR by going online and implementing digital strategy to their business (Rahmi, 2018).

Agreeing with the study, some of Indonesian SMEs have started to use instagram to grow their business. Balachandran (2016) argues that these SMEs acknowledge that they use the internet and social media as a platform to advertise and grow their business. Moreover, most of entrepreneurs agreed that internet has helped their business to grow in ways. It can be seen by the survey done in 2016 by Asia-Pacific small business survey (2016), the Indonesian market was the most positive in 2016, with 91 per cent of respondents reporting that their business grew. According to CPA Australia survey (2016), it is concluded that most of Indonesia's small medium enterprises make use of the internet to help their business. Thus, it's predicted that the small-medium enterprises in Indonesia will evolve to become large, successful business in the next few years with the help of internet.

Social media is mainly cellular phone-based applications and tool or internet to share information among people. It accelerates discussion and connection between users. It includes popular networking sites, like facebook and twitter; as well as bookmarking sites like Digg or Reddit and uses web page

technology. At first web-based media might have started for social engagement, yet the business esteem before long became evident and it has turned into the advertiser's new companion as well. As social media use become popular and number of social media users has increased more than the population of some of the countries, marketers have had to seriously alter their game plan to take this shift in the media landscape into account. The industry is rewriting its conventional strategies and transforming the basic campaigning structure. Social media offer a platform for direct interaction between the brand and users. Resulted in changing role of marketers from positioning their products or services to customer advisors. Once considered the domain of PR agency, is now infiltrated by marketers. Marketers are often designated to deal with the enquiries, grievances and praise to a brand by the people on social networks. This provides opportunity to the company to gain a thorough and accurate insight into the public's view of the organization or product and allowing them to work on both well received aspects as well as less popular. Continuous criticism and real time feedback from customer allows brands to respond and resolve any issues right away.

Within every enterprise that exists in Indonesia, according to the research, 90% of the companies were dominated by family business (Utami, et. al., 2017). The family business dominates the business in Indonesia and spread in many different sectors of industry and organization, including in hospitality industry (Utami et. al., 2017). Martini (2018) states that an organization is classified as

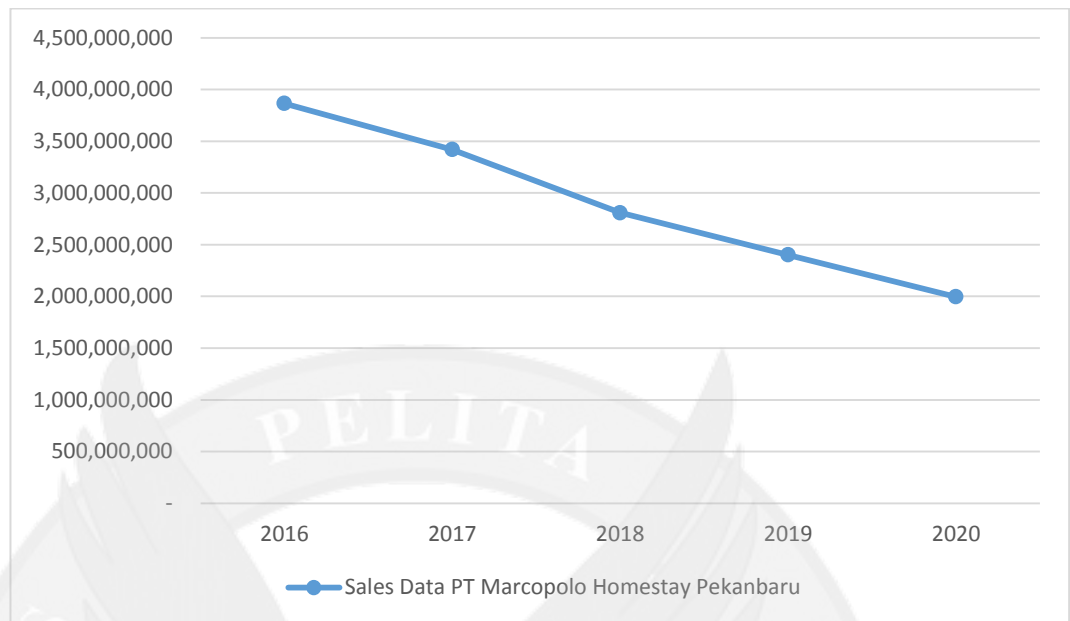
family business if there is at least two generations' involvement in the family and affect the company's policy.

PT Marcopolo Homestay is a family-owned SME in Pekanbaru that offers lodging hotel service for Rp. 140.000 – Rp. 250.000 per night. It's located in the city centre and close to convenience store and also malls. Sales are a source of corporate revenue, where the greater the sales, the more able to benefit the company with greater revenue as well. The company is unable to develop when selling the products, it is unable to compete with competitors. If the company is able to continue to increase sales volume, then the company is able to compete with its competitors. The sales volume achieved greatly affects the development of the company's business. At the Hotel PT Marcopolo Homestay experienced a decrease in sales and difficulty in increasing sales due to the less well-known PT. Marcopolo Homestay among the people. PT Marcopolo Homestay is still relatively new, so the company should do a more aggressive promotion using social media which are currently growing rapidly. The following sales data of PT. Marcopolo Homestay Pekanbaru, namely:

**Table 1.1**  
**Revenue Data**  
**(Year 2016 – 2020)**

<b>Year</b>	<b>Total Sales</b>	<b>%</b>
2016	Rp 3. 864,558,000	-
2017	Rp 3. 420,365,000	-11.49%
2018	Rp 2. 808,024,000	-17.90%
2019	Rp 2. 400,750,000	-14.50%
2020	Rp 1. 996,248,000	-16.85%

Sources: Prepared by the writer (PT Marcopolo Homestay, Pekanbaru, 2021)



**Figure 1.1 Revenue Data PT Marcopolo Homestay, Pekanbaru (2016-2020)**

Sources: Prepared by the writer (PT Marcopolo Homestay, Pekanbaru, 2021)

The line graph of figure 1.1 illustrates the revenue of PT Marcopolo Homestay, Pekanbaru over 5 years from 2016 to 2020. Unit is measured in Rupiah. Overall, the trend of the revenue decreased over the period given. The revenue began with 2016 around 3.8 billion rupiah as the peak and began to fall steadily to 3.4 Billion Rupiah on 2017, 2.8 Billion Rupiah, 2.4 Billion Rupiah and 1.96 Billion Rupiah within the last 3 years. In 2018, the revenue has dropped 17.9% from the last year, making it the highest changes in percentage within the period of 5 years. The amount of the revenue itself has reached the lowest point at 1.96 Billion Rupiah on 2020. It can be seen that the company's performance is going downwards every year, therefore, the company is trying to make use of social media in order to increase the sales revenue.

The following is the competitors table for PT Marcopolo Homestay, Pekanbaru:

**Table 1.2 Competitors Table**

	<b>Marcopolo Homestay</b>	<b>Nandita Homestay</b>	<b>Sabrina Hotel</b>
<b>Location</b>	Located at arterial road. Near to malls and convenience store	Located quite far from malls and not easily accessible but near restaurants	Located at arterial road and near to airport
<b>Price</b>	Rp. 140.000 – Rp. 250.000	Rp. 100.000 – Rp. 150.000	Rp. 165.000 – Rp. 300.000
<b>Meals</b>	Breakfast included (buffet)	No breakfast	Breakfast not included
<b>Rooms</b>	44 rooms	25 rooms	81 rooms

Source: Prepared by the writer

Based on table 1.2, it can be seen that Marcopolo Homestay is located at arterial road which can be easily accessed at any hours compared to Nandita Homestay which is not easily accessible. Marcopolo Homestay charge Rp. 140.000 per night including breakfast whereas Nandita Homestay charges Rp. 100.000 with no breakfast and Sabrina Hotel charges for Rp. 165.000 without breakfast fee. Marcopolo Homestay has 44 rooms whereas Nandita Homestay only has 25 rooms and Sabrina Hotel has 81 rooms which is the most compared to all.

As social media has become well known in the market, concerns have emerged regarding technology. If comments and tweets are posted without consideration, it might cause marketing failure that can harm both the customers and the company's reputation. PT Marcopolo Homestay, Pekanbaru still lacks the use of social media actively and appropriately since PT Marcopolo Homestay, Pekanbaru rarely make posts and interacting with customers on social media, therefore this hotel is less well known by consumers. Instagram that was designed is still not active in reviewing and updating promotions and hotel building views

that aim to attract and encourage consumers to be interested in staying at the hotel PT Marcopolo Homestay, Pekanbaru.

This research will be using a quantitative research method to be more objective; this is due to its nature to be more scientific as it gathers large amount of data thus almost erased any bias. In addition, research can be done in timely manner as it easy, fast and more structured for the researcher to gather the data.

Over 3 billion people have internet access globally and willing to research and interact with online community to seek and share the reviews of the products and services (Alghamdi, et. Al., 2020). It has been said that social media as a marketing strategy is more effective as compared to the physical ads in the customer's purchase decision. The use of social media is a cost-effective way to communicate with customers, promote brands and eventually generates revenue. However, there is a significant lack of research surrounding the use of instagram as an effective marketing tool that influence customer's purchase decision. Thus, it encourages researchers to discuss in the *skripsi* under the title "**The Influence of Social Media on Customers' Purchase Decision at PT Marcopolo Homestay, Pekanbaru.**"

## **1.2 Problem Limitation**

This study only discusses the influence of social media on Customers' Purchase Decision at PT Marcopolo Homestay, Pekanbaru. PT Marcopolo Homestay is located at Jl. Riau No. 40 ABCDE, Kampung Bandar, Pekanbaru City.

The independent variable of this research is social media which focus on the use of Instagram. The indicators include the amount of time, media content and media relations (Lometti, et. al., 2016). In addition, the dependent variables of the research are customers purchase decision which include the decision about the shape of the product, brands, seller, time of purchase, and the payment method (Sudaryono, 2016)

### **1.3 Problem Formulation**

The problem formulations in this research are:

- a. How is the social media maintained by PT Marcopolo Homestay, Pekanbaru?
- b. How is the purchase decision made by the customer of PT Marcopolo Homestay, Pekanbaru?
- c. Does social media have influence on Customers' Purchase Decision at PT Marcopolo Homestay, Pekanbaru?

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

The objectives of the research are as follows:

- a. To describe about the social media maintained by PT Marcopolo Homestay, Pekanbaru
- b. To evaluate about the purchase decision made by customer of PT Marcopolo Homestay, Pekanbaru.



- c. To investigate whether the social media has influence on customers' purchase decision at PT Marcopolo Homestay, Pekanbaru.

## **1.5 Benefit of Research**

The benefits of research are as follows:

### **1.5.1 Theoretical Benefit**

The results of this research are expected to be used as a reference for similar research in the future, especially concern about paying attention to the level of social media to stimulate customers' purchase decision.

### **1.5.2 Practical Benefit**

The results of this research are expected to provide benefits for:

- a. For the writer

The writer to know the influence of social media towards customers' purchase decision in the real life any compare to the theories.

- b. For PT Marcopolo Homestay, Pekanbaru

To improve the findings of this research can be used to upgrade customers' purchase decision at PT Marcopolo Homestay, Pekanbaru.

- c. For another researcher

As a reference for studies with the similar topic of the Impact of social media on customers' purchase decision at PT Marcopolo Homestay, Pekanbaru.