

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

In this developed era, businesses have grown rapidly which means competition among business has become more intense and increasing every day. Companies must be able to adapt and change their business strategies in order for them to compete with their competitors. In competing with competitors, companies need to know what is the right marketing strategy that can help them to win from their competitors and to survive in the market.

One of the most important ways for businesses to raise awareness of their products or services is through marketing (Fuerderer, Herrmann and Wuebker, 2017). As a result, product marketing is very significant in a company because it can affect the company's growth and success. To identify which marketing strategy is ideal for the company, it must be able to react to the market environment in order to demonstrate the company's competitive edge and maintain its position in the market.

The more the number of competitors, the more options that the consumers will have for selecting a brand that suits to their needs. As a result, companies must understand and know about what their customers truly require and expect from them. Sometimes, the issue is that the company does not fully understand the customer's requirements and expectations, which can cause them to lose sales to competitors.

When it comes to businesses, customers have always been the main core because they represent how well the company is, both growing and maintaining their position on the market, how well the company in offering the products and services and whether the company is retaining their customers and attracting the new customers.

According to Qian (2019), consumer decision making is described as consumer behavior patterns that guide, determine, and execute the decision-making process for the acquisition of need-satisfying items, ideas, or services. Basically, customers make purchase decisions almost every day. A customer will go through a procedure called a customer purchase decision before deciding to purchase which product or service.

They will make a purchase decision on which product they will purchase only after they go through a process that includes gathering information from relatives, researching the product's benefits, and comparing one product to another. Schiffman and Kanuk (2020) stated that many consumers' purchasing decisions are based on a combination of previous experience, marketing, and non-commercial information obtained, according to the report. It's a set of decisions consumers make before making a purchase after they've decided to buy.

Customer purchase decision is a study of how people psychologically behave when they have to decide which products or services that they need to purchase in order to satisfy their own or other people's wants, which motivates them to buy and use particular products.

Based on Qian, Schiffman and Kanuk explanation about customer purchase decision, it can be stated that before making a purchase decision, the company usually evaluating and analyzing the product. In the process, customers require several factors as guidelines to help them make the best option. Purchases that are more expensive frequently require more considerations such as how dependent are on the sort of thing to be purchased, the price of the item, and whether the item is purchased on a regular basis or not.

Before making a purchase of a product or service, of course, the customer will do various kinds of research about the product or service that will be used, from advantages to price, not forgetting the company. As a company engaged in architecture and specializes in luxury homes, customers who will use the services of PT. Ozin Karya Pratama is certainly a customer who wants to build a house or renovate a house.

As we know, houses are built and renovated only once and will be lived in for years, so customers tend to want to have a home design that can suit their type of desire. Although the sales of PT. Ozin Karya Pratama did not experience a drastic decline and was not too affected during the pandemic, but after years of sales it just stuck when it could have been better or improved.

PT. Ozin Karya Pratama provides service for customers who want to consult about everything related to their home, from design, to the necessary furniture items to the budget, all of which can be tailored to the customer's wishes. What's more, the consultation is provided free of charge to customers, so they can choose the best one they want. PT. Ozin Karya Pratama also has more than 5 architects with their

own uniqueness and intelligence. Customers can choose which architect they want to use and according to their taste.

Indonesia is the largest economy in Southeast Asia, with the fourth densest population in the world and the tenth largest economy in terms of purchasing power. Indonesia is a strategically located country with over 17,000 islands and abundant natural resources, giving it a strong purchasing power. This, combined with the country's large population, has resulted in Indonesia's economy growing significantly and stability, providing the best opportunity for businesses to expand, especially in the services industry business according to Badan Pusat Statistik (2017).

Service industry businesses is a business that focuses on skill, providing, and prioritizing customers by delivering good and optimal service performance will be a strong strategic business that represents a good beginning point and strong foundation for the organization (Han & Goleman, Daniel; Boyatzis, Richard; Mckee, 2019). The architectural industry is one of the models of the service industries businesses. The pandemic has wreaked havoc on the tourism and creative economy (Parekraf) sectors around the world, and Indonesia is no exception.

With the outbreak of COVID-19 cases, the tourism sector saw a drop in income, a reduction in workers, and business closures. (Kemenparekraf / Baparekraf RI,2021). However, there are five creative industry sub-sectors that have seen a rise in workers in the midst of the COVID-19 pandemic, which is unique. According to the Indonesian Tourism and Creative Economy Outlook

2020/2021, the architecture sub-sector was one of the sub-sectors that had a growth in the number of workers.

Apart from continually increasing in terms of economic growth, the architectural sub-sector is also displaying its creative teeth. The modern architectural style is one of the architectural styles that has seen a lot of changes in recent years. The sort of modern architecture is currently the most popular architectural style. The term modern architecture refers to the movement to change the art of architecture that began at the end of the 19th century. (Kemenparekraf / Baparekraf RI,2021)

In a sense, modern architecture is an architectural style that prioritizes simplicity of form and prioritizes functional values. The emergence of modern architecture begins with a revolution in technology, building materials, and machines. Traditional and modern architectural styles have a lot of differences. The difference between the two is obvious at first glance. What indicate modern architecture is that it has lack of ornamentation and decoration. In contrast to traditional buildings that use many ornaments, motifs, and decorations. (Kemenparekraf / Baparekraf RI,2021)

There are more than 5 architects at PT. Ozin Karya Pratama and one of the architects is also a lecturer who guides students in the department of architecture at one of the most famous universities in Medan. The architect never stops studying and always participates in various seminars or learning about architecture so as not to be out of date. The hard work of the architects in this company has yielded amazing results, now one of the company's architects is holding a fairly high

position in the Indonesian Architects Association. PT. Ozin Karya Pratama is located Jalan Laboratorium no. 35, Kesawan, Medan, Sumatera Utara.

In this research, writer aims to investigate the influence of Instagram social media marketing and brand image towards customer purchase decision at PT. Ozin Karya Pratama. PT. Ozin Karya Pratama is a company engaged in architecture, contractor and engineering based in Medan. In the field of architects, this company specializes in designing luxury homes. PT. Ozin Karya Pratama has been established for a long time. Although they rarely do marketing either through advertisements in brochures, billboards and also through social media but they already have their own loyal customers.

Nowadays, a lot of businesses using social media to gather customer feedback. Customers have begun to shop online using apps like Facebook, Twitter, Snapchat and Instagram, because this apps successfully adapted traditional tactics that are used previously to attract customers. This is also a result of a shift from traditional marketing methods. At the same time, social media is regarded as a transformative tool for customer because it allows them to get rid of their limitations and transform their life. (Nelson,2017). The internet has offered a variety of benefits for the users, including increased efficiency and convenience of use, complete information of a product, and a lot wider range of products, prices and customization options.

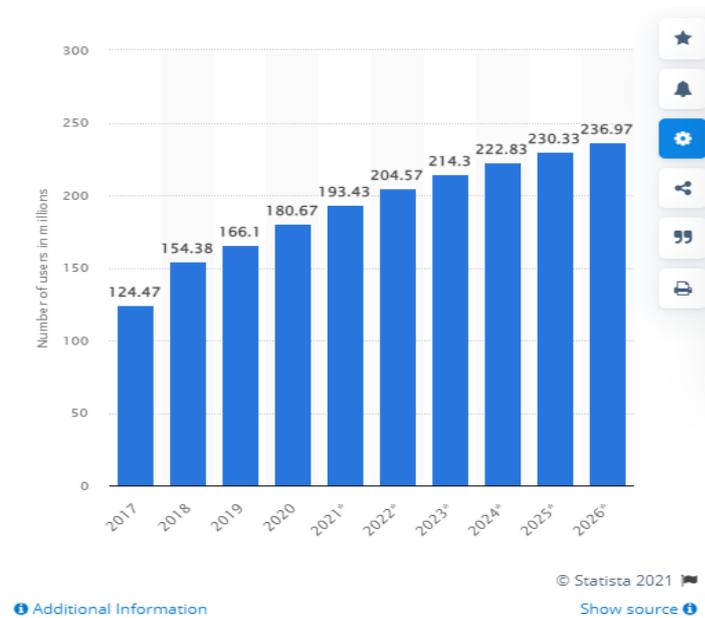
Customers now can easily access to the amount of available data because of the digital revolution. (Oliveira, Gonçalves, Martins & Branco, 2018). Many traditional businesses market is starting to switching from traditional to digital era

marketing which is implementing social media as a platform for their marketing strategy to help them grow and improve.

People all across the world have a variety of communication options for connecting with other people and organizations. As a result, social media marketing has emerged as a form of influence on customers and their purchasing decisions (Perumal, 2018).

In today's businesses environment, social media has risen to the top leader as a marketing strategy platform. The use of social media for marketing and advertising has exploded in recent years. Most businesses are becoming more aware of the importance of social media and are beginning to use it as a platform for their marketing strategy to grow their brand.

Because of the vast amount of people that use social media, it is an excellent platform for marketing techniques because it allows businesses to reach a big number of people both domestically and internationally. According to Hanadian (2021), Indonesia's social media users are expected to increase to over 237 million by 2026, up from around 181 million in 2020. With a market share of almost 70% in July 2021, Facebook has the greatest market share among all social media platforms in Indonesia. Meanwhile, in April 2021 the majority of Instagram users in Indonesia (36.4 percent) were between the ages of 18 and 24. In Indonesia, there were around 87.8 million Instagram users, 52.6 percent of whom were female and 47.4% were male.



**Figure 1.1 Indonesia's Social Media User Chart**

Source: <https://www.statista.com/statistics/247938/number-of-social-network-users-in-indonesia/>

In this era, businesses do not need to spend a lot of money to capture customers' attention by using billboards, printing posters, newspapers, and other forms of marketing and advertisement in this day. As a new tool in the marketing strategy that can boost engagement, relationships between companies and customers, social media has made it easier for businesses.

Social media offers a huge benefit in terms of helping businesses in reaching out to their customer by minimizing the cost. As a result, today's businesses choose to adapt to digital technology, which is using social media marketing as their promotion and advertising tools in order to boost sales and productivity (Ahmadinejad & Asli, 2017).

Instagram has evolved into a marketing platform that allows businesses to easily communicate with customers by sharing photos and videos. Customers also can leave likes, comments, and feedback in the section below the photos and videos. Because Instagram's advertising strategy approach has effectively encouraged businesses to use this platform as their marketing foundation, businesses are increasingly using Instagram as a social media platform to operate their operations and promote their brands.

Social media may be a platform where business people and customers can establish strong relationships and communicate. This is the reason why PT. Ozin Karya Pratama needs to make good use of social media. In addition to being a location where they can promote their brand and make it known to a large number of people. Indeed, now PT. Ozin Karya already has a social media account on Instagram, but they don't actively use it, even though there are lots of features in it that can help in developing the company.

PT. Ozin Karya Pratama already has an Instagram account with the username creatingplace. However, PT. Ozin Karya Pratama doesn't make a good use of their Instagram. They rarely post a picture/video for their content. The Instagram account of PT. Ozin Karya is only used to post some of their designs and they also only post occasionally (maybe 1-2 months). Due to their inactivity on Instagram, they must not be aware of that Instagram's advertising strategy has developed which can provide businesses to use business intelligence methods to undertake data mining and track how many times customers have visited the page and how many times they purchase the goods.

As a result, this strategy will give an advantage and help in the search for reaching new customers that meet the business's criteria, perhaps increasing sales. Usually, after seeing something that can attract their attention, Instagram users usually make a decision about whether or not to buy the product or service. Social media platforms also play an important role in the development of a stable relationship between businesses and customers. Furthermore, it helps in the growth of a business by allowing them to better understand their target market and engage with potential clients.

To create a brand image, companies must identify what their brand identity is before creating a feeling about product service (Shirvani Dastgerdi & De Luca, 2019) and as we know that PT. Ozin Karya Pratama specializes in designing luxury homes. But even though it has been established for 10 years, not many people know about PT. Ozin Karya Pratama. This is all due to the lack of promotion about the brand. PT. Ozin Karya Pratama has to build and maintain a good brand image for the company. They need to build their brand so that customers know about the brand. Such as stating about their brand company that they focus and specialize in the luxury home sector.

The reason why brand image is very important in a company is because the company's brand image symbolizes the company itself. It is not easy for a company to maintain and maintain a good image. One mistake, whether intentional or not, can destroy a company's good image that has been maintained for years. Therefore, it must be known that everyone in the company plays an important role in maintaining the company's image.

Armstrong et al (2018) say that a brand's market place is established by its stated image, which can insulate it from competitors. A brand cannot be created overnight, but the company's words and actions should aid in the development of the brand image. To successfully drive a firm, the brand image feature must be a long-term aim and become an asset.

With the high competition in the architectural sector, it is not easy to build and maintain a good brand image for the company because to get that, it requires the trust of the customer. It is very difficult to gain customer trust. Company knows whether they have successfully gained their customer trust or not, when customer giving positive feedback to the company after they use the company services and they become your loyal customer.

Customer will only repeat using the company services when they feel satisfied with your service. This is why having a great service quality will always be the most important thing that must be applied by company because this is what will connect everything to the brand image. The examples of great service that PT. Ozin Karya Pratama provide for their customer are for new customers and don't know too much about house design and so on, architecture from PT. Ozin Karya Pratama provides free consultation and also always shares information about housing to customers.

If the customer has a deal to work with the architecture of PT. Ozin Karya Pratama, customers can revise the design if there is something they want to change twice for free. Architects will also help customers by recommending various places that sell home needs at more affordable prices so that customers can also save costs.

PT. Ozin Karya Pratama has always do their best to the customer. When the customer can feel the sincerity and kindness in every employee that serve them, they will automatically feel satisfied with them. Next is what the customer will say after using the company's service can determine the good or bad image of the company. Without realizing it, this can develop a long-term relationship with their customers, which is more than just making sales where they can build and maintain customer loyalty that can then attract new potential customers.

The price is the amount of money that customers must pay to company in order to obtain the product or services they desire. The most significant unit in marketing is the price. This is because the price is a monetary unit exchange rate for a product or service. Furthermore, price is a key factor in a company's success. According to Oentoro (2012) in Sudaryono (2016:216), For a person or group at a given time, price is an exchange rate that can be equated with money or other items for the advantages acquired from an item or service.

According to Kotler and Keller (2009:67) in Enjela (2017:15), other aspects of the marketing mix produce costs, but price is one that generates money. Customization, channel product characteristics, and even communication require a lot of effort in a marketing program.

Architectural companies are always labeled expensive by customers, without them knowing that actually as customers, they have the right to choose and request all things needed to build a house. The advantage that customers will get in using the services at PT. Ozin Karya Pratama is that customers can adjust their budget to the architect to produce a house design that suits their wishes and

economic conditions. Architects will certainly know better where to find for household needs that people need when building a house that sell products at affordable prices. Eventually, architects from the company will also be happy to help and recommend household needs needed by customers so that they customers do not need to incur additional costs that are not needed.

Based on the explanation above about Instagram social media, brand image, price and customer purchase decision, the writer wanted to help all businesses people out there to be aware and know that how social media advertising strategies can help them maximize the revenue while minimizing the cost which can be beneficial for their business . Therefore, the writer is interested in conducting research with that title : **The Influence of Instagram Social Media, Price and Brand Image on Customer Purchase Decisions at PT. OZIN KARYA PRATAMA.**

## **1.2 Problem Limitation**

Due to the limitation of the ability, time and budget, the writer will set up several limitations to avoid wider discussion, such as :

1. The data of this research is gathered from PT. Ozin Karya Pratama which located in Jalan Laboratorium no.35, Kesawan, Medan, Sumatera Utara.
2. The respondents were taken from the customers of PT. Ozin Karya Pratama which located in Jalan Laboratorium no. 35, Kesawan, Medan, Sumatera Utara.

3. The research only uses three (4) variables, which are Instagram Social Media Marketing as variable  $X_1$  ( independent variable ), Brand Image as variable  $X_2$  ( independent variable ), Price as variable  $X_3$  (independent variable), and Customer Purchase Decision as variable  $Y$  ( dependent variable ).
4. Questionnaires are limited only to 90 respondents who are customers of PT. Ozin Karya Pratama.
5. Questionnaire respondents are limited to 25-65 years old.

### **1.3 Problem Formulation**

Based on the background of the study, the question to be answered in this research are as follow :

1. Does Instagram Social Media Marketing partially influence Customer Purchase Decision at PT. Ozin Karya Pratama?
2. Does Brand Image partially influence Customer Purchase Decision at PT. Ozin Karya Pratama?
3. Does Price partially influence Customer Purchase Decision at PT. Ozin Karya Pratama?
4. Does Instagram Social Media Marketing, Brand Image and Price have influence simultaneously on Customer Purchase Decision at PT. Ozin Karya Pratama?

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

The objective that the writer aims to achieve in this research are as follow :

1. To know about Instagram Social Media Marketing partially influence Customer Purchase Decision at PT. Ozin Karya Pratama?
2. To determine Brand Image partially influence Customer Purchase Decision at PT. Ozin Karya Pratama?
3. To analyze whether the Price determined by PT. Ozin Karya Pratama affects customers?
4. To define does Instagram Social Media Marketing, Brand Image and Price have influence simultaneously on Customer Purchase Decision at PT. Ozin Karya Pratama?

## **1.5 Benefit of the Research**

The benefits of conducting this research are as follow :

### **1.5.1 Theoretical Benefit**

Based on the theoretical benefit, The purpose of the theoretical benefit is to make both the writer and reader understand and gain information according to the research study topic which is “ The influence of Instagram Social Media Marketing, Brand Image and Price towards Customer Purchase Decision “ and it is also expected to give a benefit to the marketing management especially in increasing the Customer Purchase Decision.

### **1.5.2 Practical Benefit**

The practical benefit in which the purpose of this research is to benefit the company, the writer, the customer and the next researchers.

1. For the company

The research can be used as additional information or input that can help the company to improve their social media marketing, brand image and price which can influence customer purchase decision.

2. For the writer

The research aims to expanding the knowledge for the writer, about the influence of Instagram social media marketing, brand image and price towards customer purchase decision in a real-life situation.

3. For the customer

From this research the customer will know how the Instagram social media, brand image and price will influence their customer purchase decision.

4. For the next researchers

It is believed that it would serve as a reference and source of further information for future academics, particularly in terms of how Instagram social media, brand image and price influence customer purchasing decision.