

CHAPTER I

INTRODUCTION

1.1 Background of Study

Nowadays, many same business that provide similar idea of the products . But there's always a business that more success than the other. It's caused by some factors that the succeed business have done that difference than other did. Meanwhile competition getting tighter. The number of existing cafes and restaurants means that it is increasing competitor. This forces business actors in this business sector to mutually competing to attract the attention of potential customers. For creative business actors, there will be competition exciting challenges to overcome the its competitors. Various ways are done such as attractive providing sales promotion, improving the quality of the products, and quality of services offered. This is done in order to meet the needs of consumers changing and growing. The implementation of either advertising or sales promotion requires responses from consumers which can be positive or negative responses. It can give impact in customer purchasing decisions.

To win the competition increasingly competitive, business actors are required to be capable create a competitive advantage over its products and services in an effort provide satisfaction to consumers. But apparently, in this business world, it's not only about the product or services provide, but also the factors that could attract customer to make decision to purchase. The process of making purchasing decisions on everyone is basically the same, but the decision making

process influenced by several different factors, including: personal factors, social factors and cultural factors. Many think it is the cultural or cultural factors that have the greatest influence their behaviour. Purchasing decision process is part of consumer behaviour that aims to determine the process of developing decisions in buying a good where consumers are directly involved in getting and use any goods offered. One of the factors that could give big impact to attract customer in making their buying decision is advertising. The reason is advertising is the window of brand awareness for consumer. Through advertising, consumer will go through certain important phase such as aware of the brand to attracted, even became need the product of the brand that will lead to purchasing decision. The clearer the information and the more attractive the advertising, the higher chance consumers will make a purchasing decision. Not only advertising that could attract customers, but sales promotion that the company of the brand offer could also impact consumers purchasing decision. Sales promotion could be discounts, reward, voucher, gifts and etc. The more attractive the sales promotion that the company offer, the higher chance consumers will purchase their product. This is the reason why advertising and sales promotion could give impact in customer purchasing decision. Because purchasing decision is a process of assessing and selecting from various alternatives is accordance with certain interests by determining an option that is considered the most profitable (Amirullah, 2002:61). Which this leads customer to choose to whether buy or not (Assauri, 2004). That “buy or not” point of customer purchasing decision is the main point of whether a brand succeed or not to attract customer to buy the brand.

CV. Pangan Kreasi Nusantara is one of the many business players in F&B industry that based in Medan, located at Jl. Ismalyah No.32, Medan Area. CV. Pangan Kreasi Nusantara is a manufacturing company that operates in Food & Beverages sector with their beverages brand Sippin. Sippin sells drinks that are generally tea, coffee, and chocolate based. The drinks is combined with various toppings such as pearls made from tapioca, pudding, jelly, and others. The company was built in 2019, but Sippin brand was founded in 2020 under the auspices of CV. Pangan Kreasi Nusantara. In 2020, Sippin opened its first outlet/store at Jl.Dr.Mansyur No.15, Padang Bulan, in Medan precisely 2 months before Covid get into Indonesia. Now, Sippin not only could be found in Medan but many city in North Sumatera. Sippin's outlet expansion and growth model comes from the franchise business system. Now, Sippin Currently, Sippin has opened 4 outlets in Medan which is operates by CV. Pangan Kreasi Nusantara, and approximately 10+ franchised outlet spread across North Sumatera precisely from Balige, Kabanjahe, Kisaran to Aceh, etc.

For advertising, the company use social media especially Instagram and banner around each of their outlets.

They just developed their TikTok account which is not yet established. For advertising in instagram, they use Instagram sponsored ads tools, and also some influencers that are considered micro influencers to promote their product in Instagram.

For sales promotion, they frequently offer sales promotions with many variety of sales promotion for their customers such as discounts, bundling, free returns, flash sale, free sample, seasonal promotions.

The company's marketing manager also mention to the author that there are sales promotion everyday with varieties of sales promotion (discounts, bundling, free returns, flash sale, free sample, seasonal promotions) at Sippin eventhough the prices of their product is considered very low/cheap and very affordable. Never once missed giving sales promotion, which we could conclude the frequency of sales promotion in Sippin is very high. Here, the author also gather some information such as the sample of sales data of CV.Pangan Kreasi Nusantara that the author took sample from one of Sippin's Outlet Sales Year 2020-2021 that are located in Jl. Dr.Mansyur No.15, Medan.

Table 1.1 Sales Data of CV. Pangan Kreasi Nusantara from Sippin's Outlet Sales (Jl. Dr. Mansyur No.15, Medan), Year 2020-2021

No.	Month	Number of sales (per cups) Any variety of Sippin products	
		Year 2020	Year 2021
1	January	912	795
2	February	946	808
3	March	1161	912
4	April	674	826
5	May	425	903
6	June	498	967
7	July	583	1143
8	August	577	926
9	September	627	1098
10	October	754	987
11	November	823	1086
12	December	786	1201
	TOTAL	8735	11652

Source : CV. Pangan Kreasi Nusantara

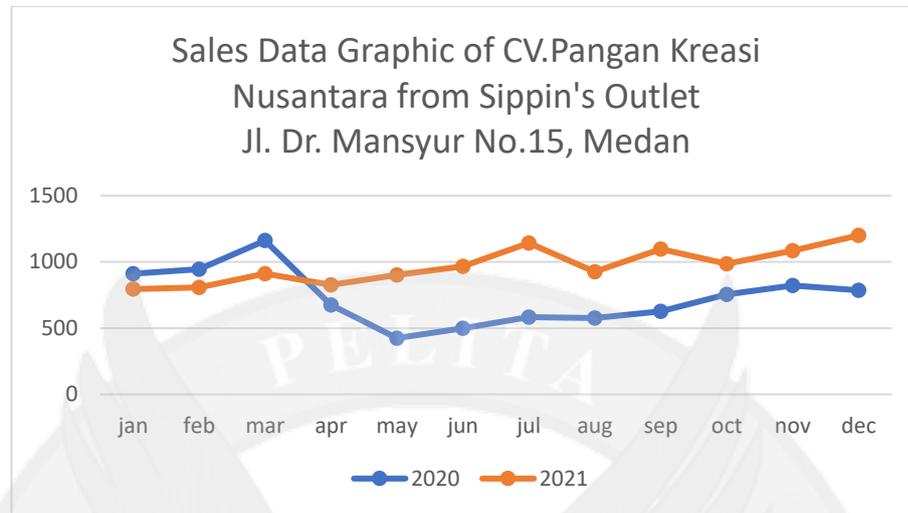


Figure 1.1 Graphic of Sales Data

Source : Prepared by the writer

As we can see in the table&graphic of sales data of CV.Pangan Kreasi Nusantara from Sippin's Outlet Sales (Jl. Dr. Mansyur No.15, Medan) that are provided by the author, the sales aren't stable yet. In the early 2020 we could see that the sales increased from January to March. In March they hits the highest sales in 2020 which is 1161pcs products sold and then decreased hardly from March to May which hits the lowest sales point only 425pcs product sold. Start from June, the sales are increasing until end of the year, even though the sales were slightly decreasing in August and December. In 2021, the sales graphic going through unstable sales, which starts from January – March the sales was increasing. Then decreased in April, after that going through increases start from May – July. In July 2021 there were 1143pcs products sold which are the second highest in 2021. Then sudden decreases and increases in August until November. Then they hits 1201pcs products sold which is the highest in their sales record. So in conclusion of the

table&graphic above we could see that the sales of CV.Pangan Kreasi Nusantara is very unstable.

Customer purchasing decision gives big impact for a company's sales. The higher level of a company's customers purchasing decision, the higher the profits and sales for the company. Customer purchasing decision is defined as a decision-making process regarding purchases that includes decisions about what to buy or not to buy. (Harahap, 2017)

From all of the factors that customer will consider about in order to make purchasing decision of a product ofcourse there's advertising and sales promotion that became the factors. In narrow sense, advertising is the purpose of media in informing consumers about something and lead them to do something ,usually the action is to make the consumers purchase their product. From the eyes of a consumer, advertising is a source of information or just a form of entertainment. he relationship between advertising and consumer purchasing decisions plays an important role in determining the attitudes of consumers to decide what product or brand they will choose. Purchase decisions from consumers can determine the success or failure of an advertisement (M.A Hasibuan, 2017). Other than advertising, sales promotion is also one of the factors that customers consider when its come to making purchasing decision. Sales promotion is a short-term incentive to increase the purchase or sale of a good or service where the purchase is expected to be made now. Promotional activities included in this sales promotion include giving out coupons, sales, contests, exhibitions and others. The relationship between sales promotion and purchasing decisions is influenced by the

characteristics and opinions of each consumer on the products offered and certainly requires something that attracts the attention of consumers in order to directly determine the purchase decision.

Because advertising and sales promotion are important factors of customer purchasing decision, in order to know what potential customers think of Sippin's advertisement & sales promotion, the author held a small survey in her social media (Instagram) which contains questions and votes with 100+ respondents of the main target market (millennials) :

Table 1.2 Votes Survey Results (1)

Question 1	Do you know Sippin brand?	Percentages
a.	Already knew Sippin before	44%
b.	First time heard of Sippin	56%

Source : Prepare by the writer (2022)

Almost half of the respondents knew Sippin before which is 44% of the respondents, and there are 56% of the respondents that just knew about Sippin.

Table 1.3 Votes Survey Result (2)

Question 2	Have you ever try/buy Sippin?	Percentages
a.	Ever try/buy Sippin	15%
b.	Never try/buy Sippin, only know about Sippin	85%

Source : Prepare by the writer (2022)

Eventhough almost half of the respondents who already knew Sippin, Only 15% of them ever try/buy Sippin. The rest 85% already knew about Sippin before but never try/buy any of Sippin's products.

Table 1.4 Votes Survey Result (3)

Question 3	How do you know about Sippin	Percentages
a.	From Social Media Advertisement (Instagram)	42%
b.	From relatives	16%
c.	From Outlet's banner	28%
d.	Others (grabfood)	14%

Source : Prepared by the writer (2022)

From the respondents who already knew Sippin, 42% of them knew Sippin from Social Media Advertisement, 16% knew from their relatives, 28% knew from outlet's banner, and 14% knew from grabfood.

From all of the surveys result above, we could conclude some points about the advertising and sales promotion of Sippin :

a. Advertising (not effective enough)

Although almost half of the respondents (44% of respondents) already knew about Sippin before, which most of them ever saw Sippin's advertising and aware of Sippin brand from their advertisement on social media & banner, the advertising still couldn't be conclude effective. The reason is because the advertising only lead most of the respondents (potential customers) to the first step of advertising which is awareness. As you can see from the survey results, only 15% of the respondents who already knew Sippin that ever try/buy Sippin, which considered very few amount of the respondents who attracted because of the advertisement and feel the desired to try/buy Sippin. The advertising could grab the respondents attention which they already aware of Sippin brand existence but it fails to lead most of the respondents to make an action to try/buy Sippin's product which is the highest level that good/success advertisement could achieve.

b. Sales promotion (not effective enough)

As the company's marketing manager mention before, they offer sales promotion of Sippin everyday, which the frequency of sales promotion is very high with varieties of sales promotion (discounts, bundling, free returns, flash sale, free sample, seasonal promotions). Then with some of the sales promotion the product

prices could turn to affordable become cheaper/ at a very low price. But we could conclude that Sippin sales promotion is not effective enough. The reason is because although the frequency of sales promotion is very high and the price become very cheap, the sales promotion haven't succeed to attract most of the potential customers to feel the urge or fomo (Fear of missing out) to make a purchasement or trying Sippin which is usually the purpose of sales promotion. As you can see from the survey results, most of the respondents which is 85% of them who already knew Sippin's existence didn't feel the urge to try/buy Sippin eventhough Sippin never skip a day offering sales promotion with very low prices.

By looking at the facts of the problems that occurred, CV. Pangan Kreasi Nusantara is required to be more aware and pay more attention of giving suitable advertising and sales promotion in order to meet customer interest in making purchasing decision and attract more customers. Attracting customers to make purchase decision is very important to gain wider and bigger number of consumers and sales which is benefit to the company. Based on the description of the background of the problem, the author wants try to do a more in-depth analysis of how sales promotion and prices can influence the purchasing decision process customer of CV. Pangan Kreasi Nusantara

The research will be form in a thesis with title : **“The Influence of Advertising and Sales Promotion on Customer Purchasing Decision of CV. Pangan Kreasi Nusantara”**

1.2 Problem Limitation

Due to limitation of time and budget, the writer will limit the research by conducting several limitation, as follows :

1. The data of this research is gathered from CV. Pangan Kreasi Nusantara that located in Jl. . Ismaliyah No.32, Medan.
2. The respondents were only taken from customers of CV.Pangan Kreasi Nusantara that are located in Medan.
3. The research uses three (3) variables, wwhich is :
 - a. The first independent variable is Advertising (X1) , with indicators : Attention, Interest, Desire, Action.
 - b. The second independent variable is Sales Promotion (X2), with indicators : Promotion frequency, Quality of promotion, Promotion Quantity, Time of promotion, Accuracy or suitability of promotion.
 - c. The dependent variable is Customer Purchasing Decision (Y), with indicator : Stability on a product, The habit of buying products, Providing recommendations to others, Make repeat purchases.

1.3 Problem Formulation

Here are the problems of formulation that you have found during your research for your *skripsi* :

1. Does advertising partially has influence towards customer purchasing decision in CV.Pangan Kreasi Nusantara?
2. Does sales promotion partially has influence towards customer purchasing decision in CV.Pangan Kreasi Nusantara?

3. Do advertising and sales promotion simultaneously have influences towards customer purchasing decision in CV.Pangan Kreasi Nusantara?

1.4 Objective of the Research

Here are some objective of the research that you can make to solve the problem that've been found, which are:

1. To know whether advertising partially has influence towards the customer purchasing decision of CV. Pangan Kreasi Nusantara.
2. To know whether sales promotion partially has influence towards the customer purchasing decision of CV. Pangan Kreasi Nusantara.
3. To know whether advertising and sales promotion simultaneously have influence towards customer purchasing decision in CV.Pangan Kreasi Nusantara.

1.5 Benefit of the Research

Here are the benefits of doing this research :

1.5.1 Theoretical Benefit

This research are expected to give benefit to the marketing management about how price and sales promotion will affect their customer purchasing decision and this research contribute in developing the theory of the influence of advertising and sales promotion towards customer purchasing decision.

1.5.2 Practical Benefit

- a. For Company

This research provides the company information about how advertising and sales promotion can affect the customer purchasing decision.

b. For Researchers

The benefit of doing this research is to gain addition knowledge, especially about how advertising and sales promotion affect the customer purchasing decision.

