

CHAPTER I

INTRODUCTION

1.1. Background of Study

Purchase decisions are choices that consumers make before buying products or using services promoted by the company. The purchase decision-making process is strongly influenced by consumer behavior. Actually the process is part of the problem solving process in an effort to meet consumer wants or needs (Putri, 2022). Purchase decision is a consumer decision-making process for purchases that combines knowledge to choose two or more alternative available products influenced by several factors, including quality, price, location, promotion, convenience, service and others. Decision making by consumers to purchase products or services begins with awareness of the fulfillment of needs or desires and is aware of further problems, then consumers will carry out several stages which ultimately arrive at the post-purchase evaluation stage (Riadi, 2020).

Buyers generally equate the price of expensive goods with good quality and if the price of goods is too cheap, buyers will question the quality of the product itself. The first thing that is usually seen when someone is shopping is the price, followed by several other considerations (Sari and Prihartono, 2021). Research by Fatma (2019) stated that pricing strategy can influence consumer decision making in purchase things. Pricing strategy as the key factor for price is always related to the suitability of what is received by customers. From the customer's point of view, price is often used as an indicator of value when the price is associated with perceived benefits for goods or services. In certain

situations customers are very price sensitive (for example, elastic demand), so prices that are relatively high compared to their competitors can eliminate the product from customer consideration. In order to implement the pricing strategy, it is necessary to first know the structure of the demand and supply in the same industry of the company. Furthermore, it is important and necessary to see how far this industry has responsiveness and sensitivity to its own input and output of the prices.

Promotion is one way that is often used by business actors to boost their business sales figures. Business actor often attracts potential buyers to make transactions with various promotional programs, ranging from special discounts, special offers, or product bundling. It is hoped that the promos carried out will attract potential buyers and directly encourage sales figures. In fact, promotion actually has a broader meaning and purpose (Pamungkas, 2021). The research by Njoto and Sienatra (2018) showed that promotion is significantly affect customer's purchase decision.

PT.Deli Golden Plastindo is a company engaged in manufacturing of rubber boots, safety shoes, and farmer shoes. The company imports the raw materials from abroad and exports its commodity to other countries. Besides, the company often buy some products from abroad to make a research about the quality and model, so that the company can use it as guidance in making its products. The company sells products to the distributor/ reseller (other company) and end user. The end user is usually other companies that buy products for their employees to use in their company.

Based on the preliminary interview with the director, the phenomenon that occurs in the company is a decrease in purchase decisions at the company. Many buyers turn to buy goods from other companies and no longer do repeat orders. The decrease in purchase decision also can be seen from the decrease in the sales number of the company. The table below showed the problems of the purchase decision decline:

Table 1.1
The Purchase Decision Decline in the Year of 2021

Month	Sales (IDR)	Range	Percentage
January	13.398.975.000		
February	13.241.960.000	(157.015.000)	-1,17%
March	13.069.910.000	(172.050.000)	-1,30%
April	13.035.500.000	(34.410.000)	-0,26%
May	12.639.320.000	(396.180.000)	-3,04%
June	12.643.040.000	3.720.000	0,03%
July	12.519.505.000	(123.535.000)	-0,98%
August	12.330.870.000	(188.635.000)	-1,51%
September	12.115.575.000	(215.295.000)	-1,75%
October	12.098.370.000	(17.205.000)	-0,14%
November	12.036.370.000	(62.000.000)	-0,51%
December	12.018.855.000	(17.515.000)	-0,15%

Source: PT.Deli Golden Plasindo, 2022

The director also explained that one of the problems that causes a decrease in purchase decisions is the pricing problem. The company sells based on the price list so buyers often judge that the company's selling price is not flexible. The pricing strategy set by the company is the discounts in the pricelist and only gives discounts when the company buys a certain amount of rupiahs and a cash purchase system. This means that even though the company buys a product in large quantities, but does not reach a certain nominal, the company does not provide a discount.

The price problems can be showed in the table below:

Table 1.2
Pricing Strategy Problems

Discount	Terms and Conditions
5%	Buy products in Rp50.000.000,- and cash payment system
5% + 5%	Buy products in Rp75.000.000,- and cash payment system
10%	Buy products in Rp100.000.000,- and cash payment system
10% + 5%	Buy products in Rp120.000.000,- and cash payment system
15%	Buy products in Rp150.000.000,- and cash payment system
15% + 5%	Buy products in Rp175.000.000,- and cash payment system

Source: PT.Deli Golden Plasindo, 2022

From the table above, it can be seen that the company only give discounts for customers who buy products in certain rupiahs and with cash payment systems, so that the company who buy products with credit payment system will not get the discount. Besides that, the company also use the bundling pricing as the pricing strategy, it means that the company charges lower prices on package sales. The amount of purchase is valid for any products, means that they don't need to buy same products in the certain amount to get the discount. They can mix the products to get the certain amount. This pricing strategy is less attractive to customers because the customers are more likely to purchase with credit payment system and not all customers will purchase products with large amount in one transaction. Based on the interview with the director, the director said that the customer often complained about the pricing strategy, especially the individual customers. This is because individual customers seldom buy products in large amount, so that they cannot enjoy the discount program.

Besides that, the company also faced the problems from the competitor. The competitor set the discount price which is bigger than the company's program. For example, the competitor makes the buy 1 get 1 program which the

company doesn't have. This problem has caused the customers to consider buying products from competitor. The competitor also doesn't state any purchase payment system.

The company's promotional program is less attractive to buyers, so buyers are less interested. For example, promotional programs for discounted prices for the purchase of certain product series, which are usually old products whose models are not up to date and customer needs to buy them in a series, cannot be bought separately. Buyers are less interested because promotional programs are still made for certain products which sometimes do not match their wishes. This promotional program that gives discount to certain product series is more attractive to reseller because they can buy one series of product and sell them separately to end user, but this program will be less attractive to end user. The end user rarely makes purchases in a series because they need to buy more than one product, besides, the promotional program usually involves the old products that are less attractive to them. This is because not all customers want to buy products in one series so that they cannot get any benefit from this promotion program.

The other promotional problems are that the company rarely use any media to promote the products, means that the advertising to promote the products are not enough to attract customers. Besides, the personal selling as the person who interact directly with the customers are less able to influence customers to buy products. This is because the company doesn't have management trainee to help the personal selling to have skills to influence customers. The company also

never make specific programs such as giveaways, loyalty rewards to customers, other than only has the bulk selling which is combined with the pricing strategy.

Based on description above, the writer want to conduct the research with title **“The Effect of Pricing Strategy and Promotion on Customer’s Purchase Decision at PT.Deli Golden Plasindo in Medan.”**

1.2. Problem Limitation

In order to this research to be more precise, there are some limitations as follow:

1. The research will study about several variables including pricing strategy, promotion and purchase decision. The writer will explain about pricing strategy with indicators: affordable price, price and quality match, package price, discounts, payment method (Liniga, 2020); the promotion with indicators: personal selling, mix selling, sales promotion, public relations and direct marketing (Melati, 2020); and cultural factor, social factor, personal factor and psychological factor (Nurmawati, 2018).
2. This research will take place at PT.Deli Golden Plasindo, Medan, the population in the research is the customers which already be the company’s customer for at least 2 years and always make routine purchases at the company. The research will be held from January to February 2022. The writer will choose end user as the respondent because it is easier to ask end user to fill the questionnaire than the reseller, because the writer cannot know who is the person in charge to fill the respondent if it is distributed to reseller.

In this research, the writer will distribute the questionnaire randomly to the end user who happened to buy from the company. There are 14 indicators in this research, each of them has two questions become 28. The respondents will be 28 times 5 which are 140 respondents, the sample size should be in the range of 100-200 or at least five times the number of indicators (Susanto, 2020).

3. The writer will use questionnaire to obtain data from the respondents. The respondents in this research will be end user and reseller. The writer will distribute to the purchasing department of the reseller company as the representative to answer the questionnaire.

1.3. Problem Formulation

The problems formulation in this research are as follow:

1. Does pricing strategy partially and significantly have effect customer purchase decision at PT.Deli Golden Plasindo in Medan?
2. Does promotion partially and significantly have effect customer purchase decision at PT.Deli Golden Plasindo in Medan?
3. Do pricing strategy and promotion simultaneously and significantly have effect customer purchase decision at PT.Deli Golden Plasindo in Medan?

1.4. Objective of Research

Objectives of research is that researcher aims to find out about the solution and conclusion about the hypotheses, and to provide advantages to stakeholders.

The objectives of the research are as follow:

1. To analyze and evaluates the partial effect of pricing strategy towards customer purchase decision at PT.Deli Golden Plasindo, Medan.
2. To analyze and evaluates the partial effect of promotion towards customer purchase decision at PT.Deli Golden Plasindo, Medan.
3. To analyze and evaluates the simultaneous effect of pricing strategy and promotion towards customer purchase decision at PT.Deli Golden Plasindo, Medan.

1.5. Benefit of the Research

1.5.1. Theoretical Benefit

This research has benefit to compare the theories and practice in working field. This research will provide information about the theories about the research variables which are pricing strategy, promotion and its effect on purchase decision.

1.5.2. Practical Benefit

Some practical benefits of the research are as follow:

1. For the writer, this research can be used as reference to have comparison between theories and practice.

2. For the company, this research can be used as reference to increase the purchase decision.
3. For the reader and upcoming researcher, this research can be used as the previous research that give overview about the research variables.

