

CHAPTER I

INTRODUCTION

1.1. Background of the Study

In today's era, people can be easily connected to each other across countries through the Internet using various type of smart devices. Especially since the existence of Covid-19, most of our daily activities are required to be conducted online as we are encouraged to create a distance from each other. For example, schools are applying online learning, while offices apply "Work from Home" system, health and medical sector apply the telemedicine concept to treat patients, and so on. Therefore, the usage of internet and modern communication devices such as smartphones, laptops, and other gadgets are increasing day by day.

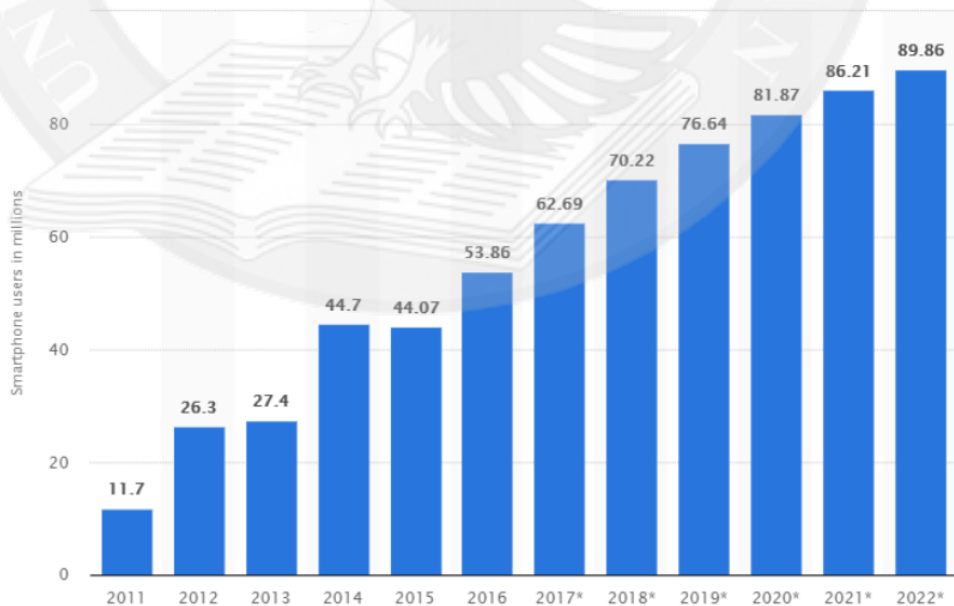


Figure 1.1. The Number of Smartphone Users in Indonesia
Source: Keni et al. (2021)

As shown in Figure 1.1., Smartphone users in Indonesia are rapidly increasing from year 2011 until 2022, where the result for 2021 and 2022 was an estimated result, since the research by Statista was done in 2020. It can be interpreted that the Smartphone users in Indonesia is constantly increasing throughout the 12 years period, except for the year 2015 where it was slightly decreased by 0.63%.

Through this phenomenon of increasing smartphone users in Indonesia, it means that the production and sales of smartphones along with the other tools that support the long-distance communication, such as Laptop, Tablet, Smartphone, SIM Card, the Internet, etc., are also increasing due to the rising demand of them. Even though there are various type of communication devices which indeed can connect people in similar way, there is one device among them that is highly preferable because of its convenient and ease in using it for our daily activities, which is the Smartphone. Smartphones allow people to access the internet, make phone calls, and send text messages, in which it is considered as the fastest way for people to have an online interaction so far. Hence, it is common for everyone these days to have at least a smartphone on the palm of their hand.

As a result, new brands keep appearing and competing by opening their official stores and continuing to expand internationally to allow people experience the in-store shopping. However, it tends to be more expensive and prestigious compared to retail stores that sell the same products. Customers are not allowed to negotiate for a lower price of smartphones

when they purchase in official stores as it will lower its service and product prestigiousness. This occurrence is supported by one of the pricing strategies which explain that a value of a product can rise when an exclusive appearance in the term of price is given to products (Roland, 2022). Nevertheless, it does not mean that the customers will not get any physical benefits when purchasing in the official stores, but they can receive them in a different form, which it through sales promotion that the store offers. Each store might have their own type and program of sales promotion, as it is a marketing tactic that attract more people to purchase (Nicasio, 2021).

The journey of marketing these smartphones does not end here, the stores still need to provide great and satisfying service quality, since according to Prianggoro and Sitio (2019) customers can build positive perception that leads them to make a purchase when they experienced a better service than they expect. Figure 1.2. below shows a survey result conducted by Zendesk (2020) which contain information that the participants are most likely to make a repurchase and try more products from the company as well as recommend them to others when they can interact well with the employees in the company. This way, it can be said that the staffs have delivered a great quality of service to the customers. However, in Figure 1.3., the result shows the opposite event where the most customers will stop purchasing products from the company when they receive a bad service from them. They even will recommend people not to purchase product from the company.

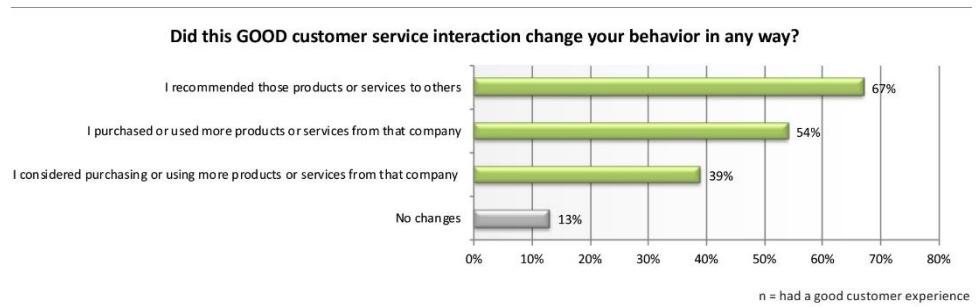


Figure 1.2. Good Customer Service's Influence on Customer Purchase Behavior.
Source: Zendesk (2020)

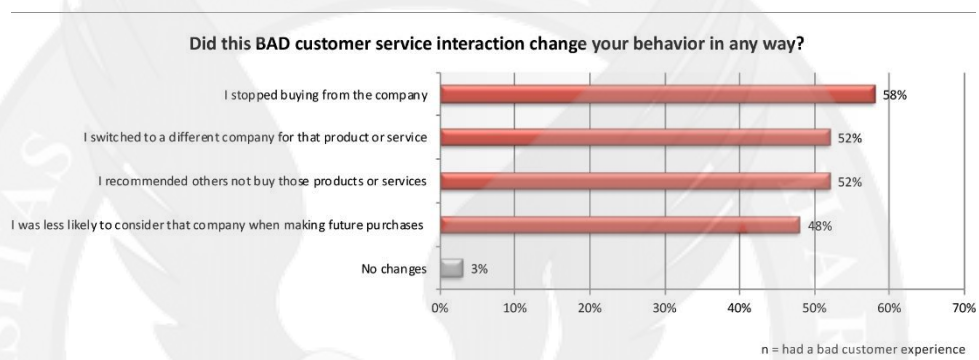


Figure 1.3. Bad Customer Service's Influence on Customer Purchase Behavior.
Source: Zendesk (2020)

Moving on, location is also crucial for customers to visit frequently and increase the store's revenue due to its level of public presence (Waters, 2021). With all that being mentioned, at least these three variables, which are promotion, service quality, and location may influence customers to make a purchase decision after they done enough consideration. In addition, Purchase Decision refers to the process of deciding to buy or not to buy after selecting one out of two or more choices (Rita, 2022).

In this paper, the research object will be GCell Gadget Store, which currently is one of the retail businesses that is operating under PT Pagoda Indah Nusantara which located on Cemara Street in Cemara Asri Residence,

Deli Serdang, North Sumatra. PT Pagoda Indah Nusantara was established since July 16, 2014, and their headquarter office is in the same location as GCell Gadget Store in Cemara Asri. It sells various popular brands of smartphones, accessories, and other electronic devices.



Figure 1.4. GCell Gadget Store Cemara Asri Location.

Source: Prepared by the writer, Medan, 2022

Furthermore, PT Pagoda Indah Nusantara have other stores that were closed and sold for some reasons, which specifically are:

Table 1.1. All Stores Location Owned by PT Pagoda Indah Nusantara

No.	Store Brand	Location	Status
1	GCell Gadget Store	Cemara Street, No. 8H-8I Medan Estate, Percut Sei Tuan District, Deli Serdang Regency, North Sumatra	Open
2	G3Rd	Imam Bonjol Street, No. 179, Kisaran, Asahan Regency, North Sumatra	Open
3	Grand Cemara Cellular	Cemara Street No. 88 CB-CD, Medan City, North Sumatra	Sold since 2020
4	GCell Gadget Shop Store	Plaza Medan Fair	Closed since 2018
5	G3Rd GSM Phone	Plaza Medan Fair	Closed since 2018

Source: Prepared by the writer, Medan, 2022

As can be seen in Table 1.1. that half of their stores are closed and sold. According to the Director of PT Pagoda Indah Nusantara, Liu Tjut Pin, who has been short interviewed by the writer on August 1st, those stores are experiencing a decline in the sales revenue and makes it risky to continue operating the store. Meanwhile for the G3Rd store in Kisaran which is still operating, it hardly reaches its monthly target due to a low purchasing power in the town. However, they are still decided to keep operating it because the Director own the land himself and does not require to pay rent, which makes the operating cost low. Hence, although the profit is low, they currently still can manage to cover all the cost to run the store. In addition, the Director also said that "...due to the purchasing power in Kisaran is lower than Cemara Asri's area, we are now put more focus on GCell Gadget Store (Cemara Asri) ...".

Hence, from all the stores mentioned, GCell Gadget Store that located in Cemara Asri is chosen to be the research object as it is considered to be the most suitable store to be analyzed considering the existing circumstances. One of the major reasons is because Mr. Liu Tjut Pin himself has put more focus on GCell Gadget Store in Cemara Asri and less effort on G3Rd in Kisaran, in which it makes the store in Cemara Asri to have more resources and data to be extracted by the writer and used for analysis in this paper. Therefore, solving issues in a GCell Gadget Store may be more effective and accurate compared to G3Rd since there are more influencing data to be collected and analyzed.

Moreover, as can be seen in Figure 1.4. that the store is quite visible to the customer and have spacious parking lot as it is in the corner of the residence's main entrance gate. However, the writer realize that the front side of the store is filled with many brands, not to mention there is a café on the second floor. This makes the store brand, GCell Gadget Store, is less visible because the building is dominated by the product's brands. Hence, it may be hard for people to remember the store by the brand.

Not only that, but since Cemara Asri residence has become an attractive place to visit with family and friends due to its various restaurants, hall, hotel, and attractions, it makes the place crowded and may create traffic jam in the entrance gates. Not to mention the attractive place of prayer, mall, and offices that attracts more visitors to the area which leads to more traffic considering the size of street near it that limits the drivers' ease to pass and cross the road. Through these reasons, the writer is being even more convinced to choose GCell Gadget Store as the research object compared to the other stores that PT Pagoda Indah Nusantara own.

In the Figure 1.5 below, the writer will show the access road to visit GCell Gadget Store, Cemara Asri where traffic jam exists some of the time and it may be hard for customers to visit the store. Specifically, it is on the Cemara Street. Although the road size of Cemara Street can fit 3 lines of vehicles, it suddenly gets narrowed down to 1 line when it is getting closer to the front entrance gate of Cemara Asri Residence. This is the road condition that creates the traffic jam near the residence.

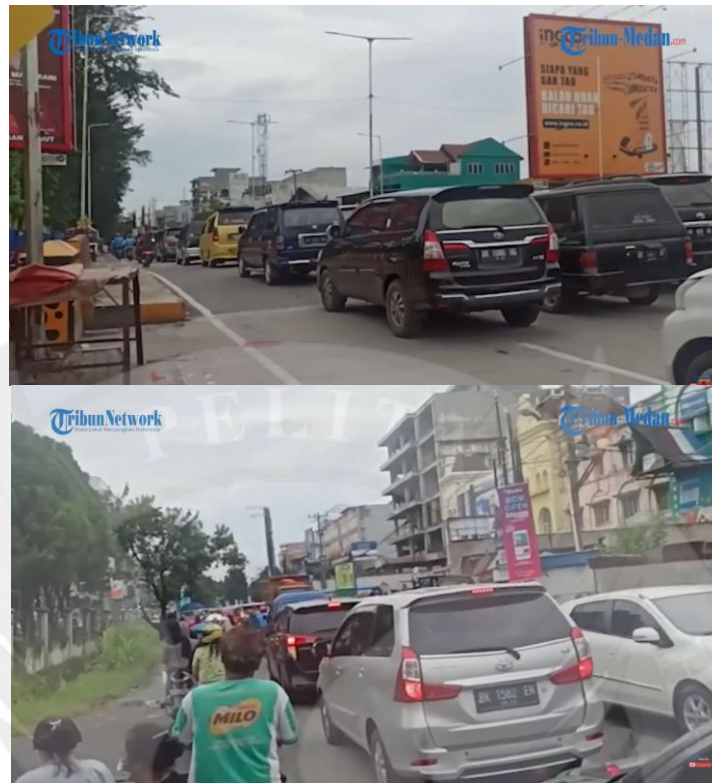


Figure 1.5. Access to GCell Gadget Store (Cemara Street, Deli Serdang)
Source: medan.tribunnews.com (2022)

During the interview, the writer also found out that their sales only can meet their target when there is promotion being applied in peak season such as Christmas, Chinese New Year, and Eid Mubarak. The list of promotion which applied by GCell Gadget Store to attract new customers and retain them can be seen as follow:

Table 1.2. List of Promotion Done by GCell Gadget Store

No.	Type of Promotion	Period	Duration	Type of Customer & Purchase
1	Discount	Always	-	Loyal customer
2	Free Gifts	Always	-	Loyal customer with minimum purchase
3	Lucky Draw	Every peak season	1 month	All customer with minimum purchase
4	Cashback	Every national event day	3 days	All customer with minimum purchase

Source: Prepared by the writer, Medan, 2022

The Director admitted there is no hard requirement to accomplish their sales objective and no fatal mistake in how they set it. They adjusted their target sales by using the prior years or month's target sales as a baseline. They have a different target amount for each month, and when it is a peak season, their target may be increased to 50% or more according to the situation, since the pandemic affected businesses significantly. Since 2020, their monthly sales goals are 100-250 units. Below are the sales and target numbers from January 2020 to July 2022:

Table 1.3. Sales and Target of GCell Gadget Store (2020-2022)

No.	Month	Sales Target	Unit Sold	Change Rate of Unit Sold
1	January 2020	150	176	-
2	February 2020	225	262	48.86%
3	March 2020	200	148	-43.51%
4	April 2020	150	127	-14.19%
5	May 2020	150	98	-22.83%
6	June 2020	225	199	103.06%
7	July 2020	200	104	-47.74%
8	August 2020	150	98	-5.77%
9	September 2020	125	77	-21.43%
10	October 2020	100	97	25.97%
11	November 2020	100	82	-15.46%
12	December 2020	150	134	63.41%
13	January 2021	125	156	16.42%
14	February 2021	175	177	13.46%
15	March 2021	150	143	-19.21%
16	April 2021	150	158	10.49%
17	May 2021	225	247	56.33%
18	June 2021	100	64	-74.09%
19	July 2021	100	71	10.94%
20	August 2021	100	72	1.41%
21	September 2021	100	92	27.78%
22	October 2021	125	112	21.74%
23	November 2021	125	108	-3.57%
24	December 2021	175	189	75.00%
25	January 2022	150	151	-20.11%
26	February 2022	250	266	76.16%
27	March 2022	200	234	-12.03%
28	April 2022	175	166	-29.06%
29	May 2022	250	284	71.08%
30	June 2022	250	237	-16.55%
31	July 2022	225	208	-12.24%

Source: Prepared by the writer, Medan, 2022

Following graph is the visual representation of the data above:

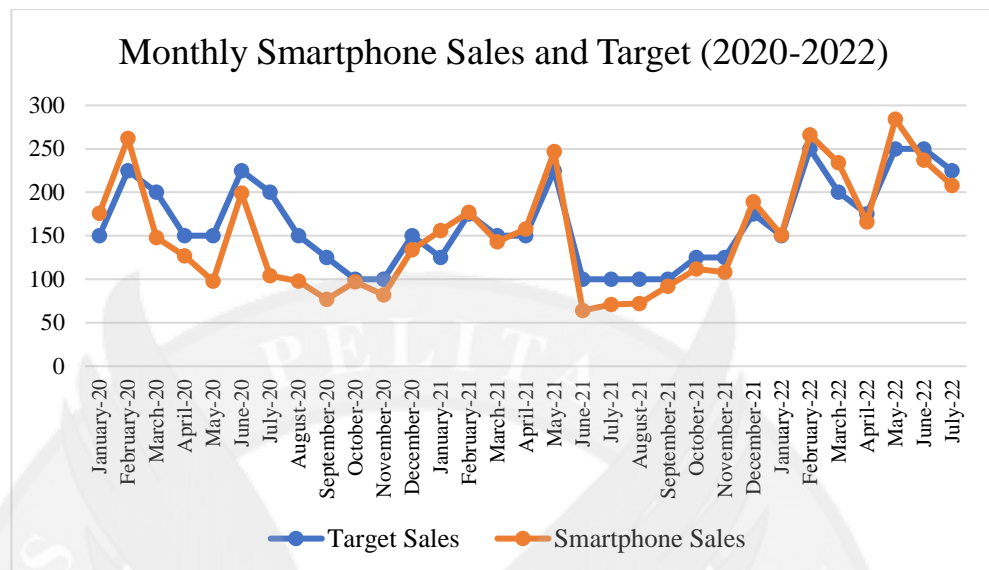


Figure 1.6. Graph of Monthly Smartphone Sales and Target (2020-2022).

Source: Prepared by the writer, Medan, 2022

The data above shows that most of the monthly sales only meet the target when it is a peak season. As the pandemic gets better, it is just normal that the society's purchasing power increases, and it allows GCell Gadget Store to slightly increase their target. But then, the sales are hardly meet the target as well although it may slightly increase as the time goes on. This shows that some problems may exist in the business. Furthermore, as for their service quality, there are some issues found that can become rooms of improvement for the company which can be seen in the Table 1.4. below:

Table 1.4. Rooms of Improvement in Service Quality at GCell Gadget Store

No.	Category	Issue	Company's Reason	Impact/Issue
1	Payment Option	Do not receive credit card installment	Credit cards charge the company additional fee that is considered high	May turn down certain customers purchase intention who prefer to use credit card for installment
2	Stock Availability	Some smartphones require Pre-Order	Limited inventory capacity while products are too varied	May discourage some customers who came and expected a desired smartphone

Source: Prepared by the writer, Medan, 2022

The issues mentioned in Table 1.4. shows that there are quite impactful possibilities for customers to feel unsatisfied and might not come back again because of their service quality in terms of the limited payment option and stock availability. This is also because there are several competitors in the area which are quite powerful, where one of them is called as Pasar HP, who can provide credit card installment as one of the payment options. Specifically, it is located at Jl. Cemara No.26-28, Medan Estate, Deli Serdang.



Figure 1.7. Credit Card Payment Option in Competitor's Store
Source: Prepared by the writer, Medan, 2022

Due to this phenomenon, it may influence GCell Gadget Store's business performance which then leads to a strange situation in the company, because it is supposed to be able to meet every monthly sales target and have a significant sales increase instead of a slight increase as well as only meet the target when it is a peak season, considering the fact that smartphone users in Indonesia is significantly increasing and the store

has a stable sales target. Due to this issue raised, the writer decided to conduct research on it with a title “The Influence of Service Quality, Promotion, and Location on Customer Purchase Decision at PT Pagoda Indah Nusantara (GCell Gadget Store) - Cemara Asri, Deli Serdang”.

1.2. Problem Limitation

Due to limitation of time and budget exist for the writer to do this research, the focus of it will be narrowed down to several aspects, such as:

- a. This research will only focus on one of PT Pagoda Indah Nusantara business, which is the GCell Gadget Store at Jalan Cemara Asri No. 8H-8I, Medan Estate, Percut Sei Tuan District, Deli Serdang Regency, North Sumatra.
- b. Since GCell Gadget Store sells many electronic devices, this research will only focus on the smartphone, as it has the most influence on the business' sales.
- c. Only the promotion offered by GCell Gadget Store will be discussed in this research, instead of including the promotion offered by the product brand. Hence, the number of sales analyzed will also be limited to the sales gained from purchases which did not use the promotion offered by the product brand.
- d. The respondent will also be limited to the customers who ever make a purchase without the influence or gaining benefit from the product brand's promotion or the store's partners promotion.

- e. There will be four variables involved in this research, where Service Quality, Promotion, and Location will be the independent variables, while Customer Purchase Decision will be the dependent variable.
- f. As what has been cited in Ramadani (2019), according to Kotler (2013:361), the indicators for Service Quality includes Tangible, Empathy, Reliability, Responsiveness, and Assurance.
- g. As for Promotion, based on Kotler and Keller (2012:272) as cited in Senggetang et al. (2019), the indicators of Promotion are Promotion Frequency, Promotion Quality, Promotion Quantity, Promotion Time, and Accuracy or Suitability of Promotional Target.
- h. Based on Suhardi (2002:173) as cited in Rahayu and Alfian (2018), the indicators of Location are Ease of Access, Visibility, Traffic, Parking Space, Expansion, Competitor, Government Regulation. However, to make it more relevant to this research objective, which is to discover its influence on customers purchase decision, the writer will only focus on 5 indicators, which are the Ease of Access, Visibility, Traffic, Parking Space, and Competitor.
- i. Lastly, for the indicators for Purchasing Decision according to Thomson (2013) as cited in Ramadani (2019) are Accordance to Needs, Have Benefits, Accuracy in Buying, and Repeat Purchase.

1.3. Problem Formulation

By aiming to discover the influence of Service Quality, Promotion, and Location towards Customer Purchase Decision at PT Pagoda Indah Nusantara (GCell Gadget Store) – Cemara Asri, Deli Serdang, the writer decides to formulate four questions as below:

- a. Does Service Quality have partial influence on the Customers Purchase Decision at PT Pagoda Indah Nusantara (GCell Gadget Store) – Cemara Asri, Deli Serdang?
- b. Does Promotion have partial influence on the Customers Purchase Decision at PT Pagoda Indah Nusantara (GCell Gadget Store) – Cemara Asri, Deli Serdang?
- c. Does Location have partial influence on the Customers Purchase Decision at PT Pagoda Indah Nusantara (GCell Gadget Store) – Cemara Asri, Deli Serdang?
- d. Does Service Quality, Promotion, and Location have simultaneous influence on the Customers Purchase Decision at PT Pagoda Indah Nusantara (GCell Gadget Store) – Cemara Asri, Deli Serdang?

1.4. Objective of the Research

Considering the issues raised in the background section of this research along with the problem formulation and limitation, there are four objectives that the writer would like to obtain in this research, in which it can be seen as follow:

- a. To analyze whether Service Quality have partial influence on the Customers Purchase Decision at PT Pagoda Indah Nusantara (GCell Gadget Store) – Cemara Asri, Deli Serdang.
- b. To investigate whether Promotion have partial influence on the Customers Purchase Decision at PT Pagoda Indah Nusantara (GCell Gadget Store) – Cemara Asri, Deli Serdang.
- c. To discover whether Location have partial influence on the Customers Purchase Decision at PT Pagoda Indah Nusantara (GCell Gadget Store) – Cemara Asri, Deli Serdang.
- d. To know whether Service Quality, Promotion, and Location have simultaneous influence on the Customers Purchase Decision at PT Pagoda Indah Nusantara (GCell Gadget Store) – Cemara Asri, Deli Serdang.

1.5. Benefit of the Research

This research which analyzes the influence of service quality, promotion, and location toward customer purchase decision have two types of benefit which includes:

1.5.1. Theoretical Benefit

The existing theories, such as those related with the influence of service quality, promotion, and location on customer purchase decisions, may be benefited from this research. In addition, this research will provide

a better understanding regarding the theories of service quality, promotion, location, and customer purchase decisions.

1.5.2. Practical Benefit

On the other hand, the practical benefit that can be obtain in this research includes:

- a. For writer, new perspective on the influence of service quality, promotion, location, towards consumer purchasing including the essence of each variable will be understood and experienced more.
- b. For PT Pagoda Indah Nusantara, this research will help the company to understand more regarding how their service quality, promotion, and location will influence the customer purchase decision, in which it will help them improve their performance and generate more profit in the future.
- c. For other researchers, this research has the capability to become one of their sources or references for their research which related to service quality, promotion, location, and customer purchase decision