

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The culinary business is one of the most competitive business because its business growing rapidly. Competition in marketing products and services continues to be carried out so that businesses can remain competitive and survive. Marketing activities are very important in business. As time goes by, the culinary business is growing dynamic as consumer tastes continue to change and the environment changes happening around him, this is the foundation of entrepreneurs culinary to continue to be able to fulfill the needs and desires of consumers so that they are not left behind by competitors even though there are changes.

To be able to survive and develop, business owner is required to be able to create advantages in terms of consumer purchase decision and face competition in business. The process of meeting the needs and desires of this consumer which is a marketing concept also needs a strategy to achieve the goals of culinary business actors. Purchasing Decisions are problem solving activities carried out by individuals in choosing the right alternative behavior from two or more alternatives behaviors, and are considered as the most appropriate activity in buying by first going through the stages of the decision-making process (Firmansyah, 2019).

There are several factors that can affecting purchase decision including advertising and word of mouth. Advertising as a form of non-personal communication uses mass media. Advertisement can build brand identity, build customer relationships, increase sales, and convey information (Widjojo, 2019). While word of mouth is communication about products and services between people who are considered independent from the company providing the product or service, in a medium that will be considered independent from the company (Firmansyah, 2020).

There are many culinary fields that continue to grow and are in various regions, one of them is in Medan, Usually Chinese people in Medan like to eat Chinese Food. Chinese food is typical food or culinary originating from China, both in China and outside China (overseas), including in Medan City. The development of Chinese food today as it known today developed gradually over the centuries as new food sources and techniques were discovered or introduced. Chinese food is also in great demand in the city of Medan where this has made many entrepreneurs start a Chinese food culinary business which makes competition in this field of business very competitive in the city of Medan itself. Ta Shanghai is one of the typical places with authentic Chinese food which is located at Multa Tuli Raya Street No. 123 Blok SF, Medan, here consumers can enjoy Chinese food cooked by a professional chef. The phenomenon of the problem that occurs is that consumer purchasing decisions at restaurants begin to decline from year to year. Following is the data of Ta Shanghai sales can be seen in the table below:

Table 1.1. Ta Shanghai Sales

Year	Total Sales 2020	Total Sales 2021	Total Sales 2022
January	Rp. 166.513.155	Rp. 281.339.212	Rp. 237.009.272
February	Rp. 163.515.350	Rp. 392.182.482	Rp. 292.732.032
March	Rp. 135.330.151	Rp. 238.928.181	Rp. 200.923.737
April	Rp. 101.531.631	Rp. 243.028.102	Rp. 206.720.777
May	Rp. 133.013.535	Rp. 248.147.463	Rp. 203.923.737
June	Rp. 165.135.105	Rp. 257.436.218	Rp. 200.023.702
July	Rp. 133.013.535	Rp. 272.239.102	Rp. 203.727.379
August	Rp. 111.535.133	Rp. 241.231.291	Rp. 272.737.203
September	Rp. 163.013.501	Rp. 233.928.181	Rp. 272.209.702
October	Rp. 163.561.663	Rp. 246.123.711	Rp. 207.207.297
November	Rp. 151.636.153	Rp. 248.121.819	Rp. 203.707.060
December	Rp. 111.130.501	Rp. 272.181.238	Rp. 297.006.273
Total	Rp. 1.898.929.413	Rp. 3.174.887.000	Rp. 2.797.928.171

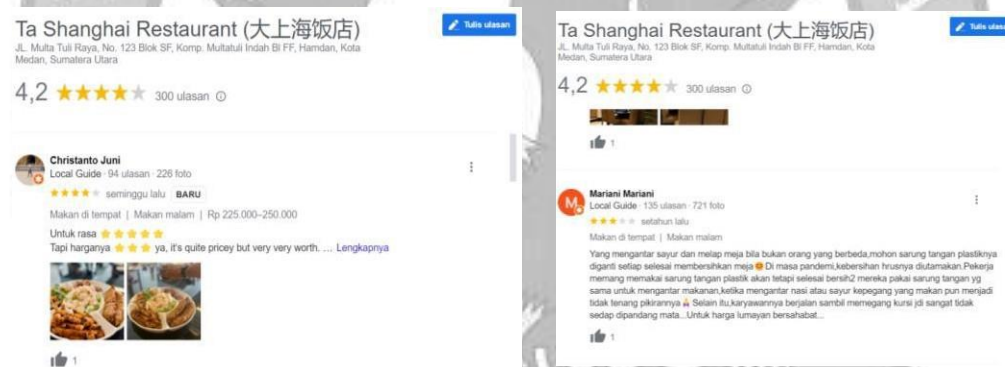
Sources: Prepared by the Writer (Ta Shanghai, 2023)

Based on the table above, the writer concluded that Ta Shanghai are experiencing a decline where total sales in 2020 as much as Rp. 1.898.929.413, in 2021 as much as Rp. 3.174.887.000 and in 2023 total sales as much as Rp. 2.797.928.171 Sales decreased because the number of consumers who came to visit to make purchases decreased from time to time.

Usually, Ta Shanghai looks crowded packed with consumers who make reservations for family meals. What's more, during special occasions, Ta Shanghai always runs out of places so consumers who don't make reservations won't get a table. However, for now, Ta Shanghai looks quiet and there is always a place for customers who come even without making a reservation. This is known because more and more competition with similar businesses makes consumers have lots of places to enjoy eating with family. Even though the decline in purchasing decisions is not too significant where Ta Shanghai runs out of consumers, if the decline in consumer purchasing decisions is allowed to continue it will have a bad impact on Ta Shanghai where in addition to reducing the number of consumers

who come to make purchases, new consumers will also decrease. because there are no recommendations from old consumers.

The decrease in consumer purchasing decisions at Ta Shanghai is caused by the infrequent implementation of advertising by restaurants which makes consumers less aware of the existence of the restaurant. Lots of new restaurants continuously advertise the food menu and the atmosphere of the restaurant which attracts consumers to try it and when consumers feel the menu is served according to their tastes, consumers will feel at home to always visit. As for Ta Shanghai itself, it only advertises its dishes with banners and is very rarely seen advertising its menu or restaurant atmosphere on social media as other restaurants do.



In addition, poor word of mouth or from the results of consumer reviews who have experienced visiting make consumers less interested in visiting and coming to make purchases. There are also a few consumers who provide their complaints or critics using social media which makes some reviews about Ta Shanghai not good. The results of the review also affect the perception or impression of other consumers who just want to try visiting because in general consumer behavior before trying a restaurant that they have never been to will see the results of reviews from other consumers before deciding to try food from that restaurant.

This research is important to do because with a decrease in purchasing decisions at Ta Shanghai Restaurant and if repairs or improvements are not made, then this will have an impact on the survival of the restaurant in the future which is closely related to the lack of advertising carried out as well as the effect of the word bad word of mouth.

This research also according to previous conducted by Setiagraha (2021) entitled The Effect of Word of Mouth, Price Perception, and Product Quality on Purchase Decision Pempek the Local Culinary Products in Palembang City. Based on the background study, The objective of this study is to see if there is an effect of advertisement and word of mouth towards consumer purchase decision. As a result, the writer wishes to carry out a research with the following title: **“The Effect of Advertisement and Word of Mouth Toward Consumer Purchase Decision at Ta Shanghai Restaurant, Medan.”**

1.2 Problem Limitation

The writer will concentrate on three variables for the problem limitation, which are advertisement (X_1), word of mouth (X_2) as independent variables, and consumer purchase decision (Y) as dependent variable. This thesis intends to examine on how advertisement and word of mouth can affect purchase decision. This thesis has three variables, which are advertisement with the indicator (missions, money, messages, media, measurements). Word of mouth with the indicators (talkers, topics, tools, talking part, tracking). Consumer Purchase decision with the indicators (problem recognition, information search, alternative evaluation, purchase decision, post-purchase behavior). This research will focus on consumer of Ta Shanghai Restaurant since they have the experience there.

1.3 Problem Formulation

Accordance with the background of the study, the problem formulation on this study can be identified as follow:

1. Does advertisement have partial effect toward consumer purchase decision at Ta Shanghai Restaurant?
2. Does word of mouth have partial effect toward consumer purchase decision at Ta Shanghai Restaurant?
3. Do advertisement and word of mouth have simultaneous effect toward consumer purchase decision at Ta Shanghai Restaurant?

1.4 Objective of the Research

Accordance with problem formulation that mentioned above, the objective of the research is as follow:

1. To identify whether advertisement have partial effect toward consumer purchase decision at Ta Shanghai Restaurant.
2. To identify whether word of mouth have partial effect toward consumer purchase decision at Ta Shanghai Restaurant.
3. To identify whether advertisement and word of mouth have simultaneous effect towards consumer purchase decision at Ta Shanghai Restaurant.

1.5 Benefit of the Research

The benefit of the researches will be divided into two types which are theoretical benefits and practical benefits:

1.5.1 Theoretical Benefit

The writer is expected the result to give more understanding, insight about the advertisement variable and word of mouth variable toward consumer purchase decision in a restaurant. The writer will determine if consumer decision to eat at the restaurant is related to the variables or not. Then this research can also be used as a reference for other researchers who conducted the same topics related to advertisement, and word of mouth toward consumer purchase decision.

1.5.2 Practical Benefit

The practical benefit such as:

1. For Company

The writer expect that this study's result can help business expand. Based on the research that was done, the restaurant could also use the result as a suggestion to learn how advertising and word of mouth can affect consumer purchase decisions and understand how to look for a solution.

2. For Writer

The study's result helps the writer gain new knowledge, experience, and observations about real life situations. Result of this study may also provide the writer with additional information regarding the significance of advertising and word-of-mouth in effecting purchase decisions.

3. For Future Researchers

The writer hopes that the result of this study will serve as a basis for comparison and references for future writers who are interested in studying the same subject, which is the effect of advertising and word-of-mouth toward consumer purchasing decisions on the restaurant.