

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

In today's business world, the emergence of several new businesses trigger competitors in the business they run and this is especially highlighted in the culinary field where people's need for food must be met every day. Due to the presence of variety new businesses engaged in the culinary field, it causes competition between businesses and therefore, it is crucial to build up beneficial marketing strategies that are following the current trend and unique from those of competitors in order to attract potential consumers to make purchasing decisions (Andrianti and Oetardjo, 2021).

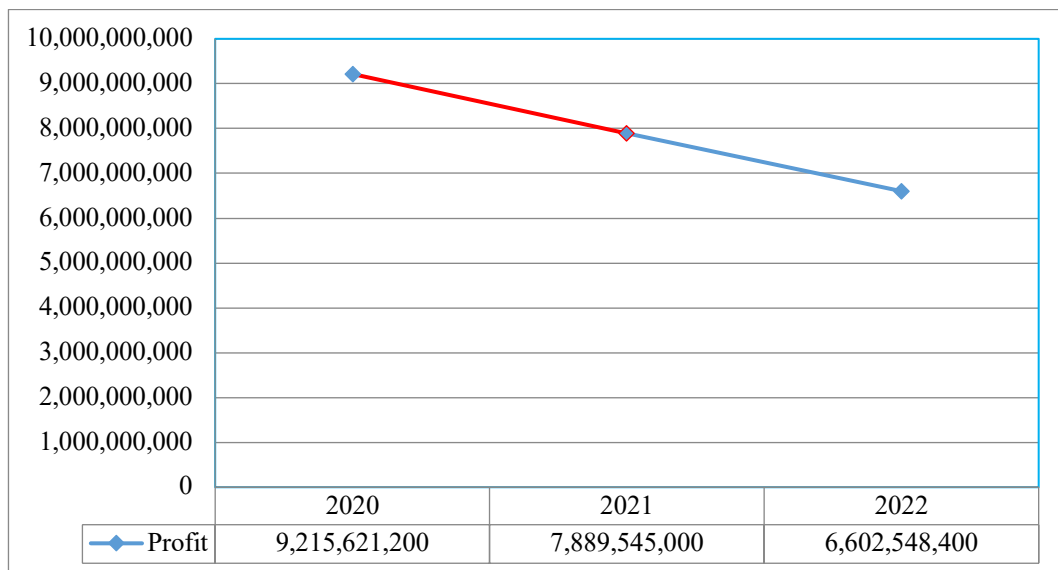
Purchase decision refers to the process taken by consumers to purchase a product or service on the market (Ansari et al., 2019). During the process of purchasing, customers will first contemplate as well as search for the available information and promotions relating to the product and, purchase decision will then be made once the consumers purchase the product or service. According to Upadana and Pramudana (2020), purchase decision is also defined as the stage where customers has made their choices and has purchased and consumed things.

A consumer's purchasing decision is often said to be influenced by several factors such as firstly, digital marketing, which refers to the attempt to market a brand or product through the digital world or the internet (Andrianti and Oetardjo, 2021). The second factor influencing purchase decisions is brand awareness which

is defined as the capacity to identify a brand and its connection with them (Ardiansyah and Sarwoko, 2020). The final factor said to have an influential effect on purchase decision is word of mouth. As one of the oldest form of advertising, word of mouth here refers to the process in which people provide information as well as honest recommendations to others regarding brands, products, goods or services.

Taipan Restaurant, Medan located in Capital Building, Jl. Putri Hijau No.1A, Medan is a restaurant that serves delicious selections of Chinese cuisine to the public. Taipan Restaurant is well known to the general public due to their promotions given, wide variety of menu selection as well as the excellent services provided which are mainly designed to entice customers to make a purchase.

Taipan Restaurant, Medan is a company engaged in the culinary field and they always prioritize customer satisfaction in order to make repeat purchases. Based on a survey conducted, there is a decrease in purchasing decisions in this company. The decline in purchasing decisions was marked by a decrease in the company's profit since 2019. The following is the profit data of Taipan Restaurant, Medan in Figure 1.1 below:



**Figure 1. 1 Data Profit at Taipan Restaurant (2020-2022)**

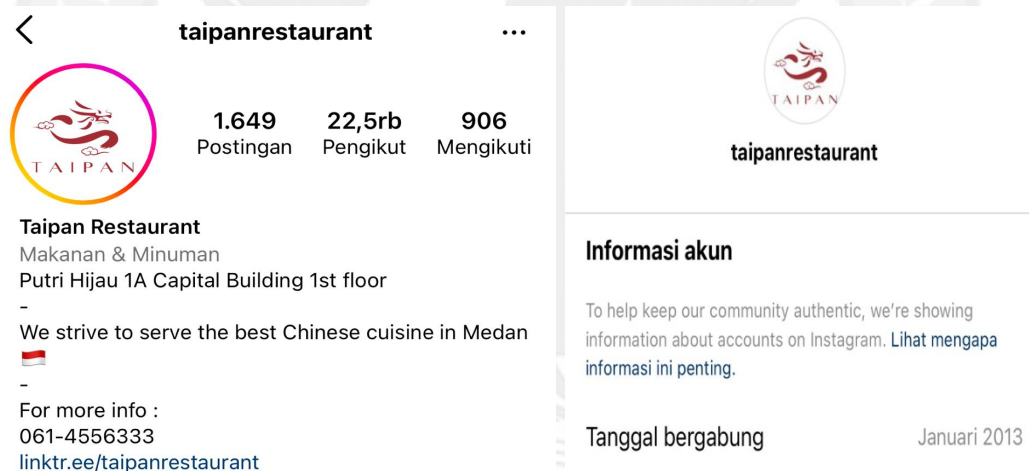
Sources: Prepared by the writer (Taipan Restaurant, 2023)

Figure 1.1 shows that during 2019 to 2022 there was a decrease in profit. This decrease in profit in 2021 was 14% (Rp 7.889.545.000) of the profit in 2020. In 2022, it also experienced a 16% (Rp 6.602.548.400) decline in profit. This decline in the company's profit indicates that there is a decline in purchasing decisions.

Nowadays, the Internet has opened doors for firms to exploit incredible digital marketing chances. By using a variety of digital marketing channels, businesses cannot just share products and services online can also increase the number of their customers, attract them and be able to increase their Return on Investment (ROI). Also, in the advancement of markets and technologies that are highly competitive with the use of the internet, digital marketing strategies have replaced the traditional marketing ones. Digital marketing covers a vast area in the global market and includes business models that use digital technologies that reduce costs and grow businesses worldwide (Rafiq and Malik, 2018). At present, digital marketing has a

more extensive scope to grow their business in the future because customers are much more satisfied with doing online shopping and find digital marketing much safer than traditional marketing (Alzyoud, 2018).

The implementation of digital marketing in this company is still relatively minimal. Taipan restaurant, Medan is classified as a luxury restaurant however the company is still less intensively using digital marketing in promotion so that it can compete with other restaurants that utilize digital marketing well. This can be seen from the use of social media such as Instagram which opened in 2013 but only as many as 1,649 posts. This indicates that Taipan restaurant, Medan is still lacking in the implementation of digital marketing.



**Figure 1. 2 Instagram of Taipan Restaurant**  
Sources: Taipan Restaurant (2023)

Brand Awareness is the main goal of a company from the promotion applied to products and services. The formation of brand awareness or brand awareness of consumers is the first step sought by brand owners in building consumer perception in order to become the best brand. Customers tend to look at brands that are already well known than brands that customers do not recognize at all because consumers

think customer are safer and better. The recognizing the importance of brand awareness as the first step in building a brand in order to have a rating as the best brand according to consumers, encourage manufacturers to carry out various marketing efforts (Andriani, 2019).

Taipan Restaurant, Medan has a luxurious brand impression because it is supported in terms of restaurant design is luxurious, classic, and classy.



**Figure 1.3 Decoration of Taipan Restaurant**

Sources: Taipan Restaurant, Medan (2023)

From the picture above it can be seen that this restaurant seems luxurious and classy so as to create comfort for customers. However, the brand awareness of the taipan restaurant has decreased due to the rise of restaurants that have the same concept which causes Taipan Restaurant to have difficulty in competing today.

Word of Mouth marketing is one form of marketing used by the company to market its products. This method is considered the most effective in recruiting new customers and convincing them not to hesitate to buy a product. Especially in today's digital era, the role of word of mouth on the development of a business is

greatly influential. However, recently negative reviews and low ratings are left by customers which impacted the purchases in the restaurant.

As a result, what needs to concern Taipan Restaurant is the influence of digital marketing, brand awareness, and word of mouth on the purchase decisions of customers. If the use of digital marketing, brand awareness as well as word of mouth have a positive impact on the customer, they will affect the purchase decisions of the customers of Taipan Restaurant in a positive manner. Hence, the writer decides to conduct a research with the title **“The Influence of Digital Marketing, Brand Awareness and Word of Mouth on Purchase Decisions at Taipan Restaurant, Medan”**.

## **1.2 Problem Limitation**

There may be several feasible factors that can be discussed thoroughly, but the writer has to limit the concerns according to the company background as well as the issues that will be covered by the writer through this research. It is conducted to maintain that the writer able to maintain each of the factors that will be completely discussed and to ascertain that the reader can receive the knowledge and solutions as stated. The goal of this study is to find out the influence of digital marketing, brand awareness, and word of mouth as the independent variables on purchase decision as the dependent variable at Taipan Restaurant, located in Capital Building, Jl. Putri Hijau No.1A, Medan.

This research is focused on the relation between digital marketing as Variable X1, brand awareness as Variable X2, word of mouth as Variable X3, and

purchase decisions as Variable Y. According to Bhosale, et al. (2020), the indicators of digital marketing are social media, customer relationship, as well as affiliate marketing and strategic partnerships. According to Gima and Emmanuel (2019), the indicators of brand awareness are brand recall, brand recognition and customers' consumption. According to Hasan (2019), the indicators of word of mouth are positive experience, promote and recommend. According to Kotler and Keller (2018), the indicators of purchase decisions are atmosphere, the quality of food, quality of service as well as psychological factors.

### **1.3 Problem Formulation**

Based on the background of the study, the writer formulates several questions, follows:

- a. Does Digital Marketing have partial influence on Purchase Decisions at Taipan Restaurant, Medan?
- b. Does Brand Awareness have partial influence on Purchase Decisions at Taipan Restaurant, Medan?
- c. Does Word of Mouth have partial influence on Purchase Decisions at Taipan Restaurant, Medan?
- d. Do Digital Marketing, Brand Awareness and Word of Mouth have simultaneous influence on Purchase Decisions at Taipan Restaurant, Medan?

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

Based on the problem formulation, the objectives of this research are:

- a. To analyze whether Digital Marketing have partial influence on Purchase Decisions at Taipan Restaurant, Medan.
- b. To examine whether Brand Awareness have partial influence on Purchase Decisions at Taipan Restaurant, Medan.
- c. To explain whether Word of Mouth have partial influence on Purchase Decisions at Taipan Restaurant, Medan.
- d. To evaluate whether Digital Marketing, Brand Awareness and Word of Mouth have simultaneous influence on Purchase Decisions at Taipan Restaurant, Medan.

## **1.5 Benefit of the Research**

The benefits of the research are divided into two types, which are:

### **1.5.1 Theoretical Benefit**

The theoretical benefit of this research is to specify whether digital marketing, brand awareness, word of mouth have influence towards purchase decisions. Furthermore, this research is done to obtain more information toward the theories regarding digital marketing, brand awareness, work of mouth and purchase decisions altogether with the relationship among the variables. Additionally, the result obtained in this research can be used to expand, improve, and develop the relevant theories especially in the digital marketing, brand awareness, word of mouth, and its influence towards purchase decisions.

### **1.5.2 Practical Benefit**

The practical benefits on this research are:



- a. For the writer, by doing this research, it can give a broad understanding and new insight with regards to digital marketing, brand awareness, word of mouth, and purchase decisions.
- b. For the company, this research is expected to provide research is expected to be useful as a guidance and can be helpful in analyzing the influence of digital marketing, brand awareness and word of mouth on purchase decisions.
- c. For other researchers, this paper could be an additional reference material for further research material on digital marketing, brand awareness, word of mouth, as well as purchase decisions.

