

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Covid 19 Pandemic has made the entire world face hard situation. Business sectors have to find several strategies for ensuring the company can survive under uncertain and difficult condition. Covid 19 had an effect on every industry, including the pharmacy industry (Yolandha & Wulandhari, 2020). Although in the covid 19 era people are becoming more health concerned, but the pharmacy sector was still impacted by the covid 19 due to restriction of some trade products by other countries (Junida & Buchori, 2020). Honesti Basyir, the executive director of Bio Farma, said that it is not totally accurate to say that the pharmaceutical business profits from the epidemic because the expense of importing raw materials, whose prices have climbed 3-5 times, remains a burden on the pharmaceutical business. To add to that, 90% of the raw materials for the pharmaceutical business in Indonesia are still imported (Fitra, 2020).

Pharmacy industries which are also engaged to beauty industry also got the impact of this pandemic because every shopping center has to lockdown. One of those companies which engaged as a retailer of health and beauty products is PT. Duta Intidaya, Tbk, which is known as Watsons, also impacted by the covid 19 pandemic.

Watsons is a retailer of health and beauty products, that offers medicine, pharmacy goods, medical and wellness equipment, personal and skincare products, perfume and cosmetics, baby products, and general merchandise in stores and/or pharmacies and also trades in food and beverages. Impacted by the covid 19, at that time the company experienced a decline in consumer purchasing. This can be seen from the revenue that company sales did not increase significantly.

**Table 1.1 DAYA.IJ Financial Statement**

	31 December 2019	31 December 2020	31 December 2021	31 December 2022
Sales and Revenue	1,094,836,588	886,244,543	971,296,065	1,161,578,724

Sources: idx.co.id, DAYA.IJ Financial Statements (data was processed)

The information above shows Watsons revenue and sales from 2019 to 2022. It shows that sales in 2019 to 2020 decreased, the sales in 2021 are not higher than sales in 2019. In 2022, the sales and revenue also did not increase significantly compared to the sales and revenue in 2019. The sales and revenue indicated increased significantly if increased at the same rate as inflation increased. According to data from the Bank Indonesia on inflation data, the overall rate of inflation from 2019 to 2022 was 9.06% yet the sales growth from 2019 to 2022 was only about 6%. This may indicate that the sales were not increase significantly.

The growth of sales that did not increase significantly was indicated by customer behavior in purchasing decisions. Knowing customer behavior is particularly significant because the success of a company depends on how well it can recognize consumer behavior (Kotler and Caslione in Hosaini & Rojhe, 2020)

The purchasing decision is the process of consumer in determining to purchase a product or service among several available alternatives (Kotler & Keller in Widyastuti et al., 2020). In making the decision, consumers are influenced by one of which is marketing stimuli that is related to the marketing mix consist of product strategy, price strategy, distribution (place) strategy, and promotion strategy. Brand image has a positive and significant effect on purchase decisions (Metaq in Supana et al. 2021). Brand image and product quality have a positive impact on the purchase decision process (Waluya et al., 2019)

Customer review and promotion positively and significantly influence purchasing decisions (Mardiana & Sijabat, 2022). There are several indicators of purchasing decisions, which is Perceived needs, Activities before purchase, Behavior time of use and Behavior post purchase (Kotler in Harahap et al., 2018). So, it concludes factors that can influence the purchasing decision, such as Brand image, Price, Place, Promotion, Consumer review, Product, Availability of product, and Service.

**Table 1.2 Preliminary Survey Regarding Factors Influencing Consumer Behavior in Purchasing Decisions at Watsons (n=30)**

No	Factor Influencing Consumer Behavior in Buying Decision	Question	Score
1.	Brand Image	In your perception, Watsons have a good brand image	<b>119</b>
2.	Price	Watsons selling product with the affordable price	<b>124</b>
3.	Location	Watsons location easy to find and access	<b>120</b>
4.	Promotion	Watsons always make promotion that attract your attention to buy	<b>83</b>
5.	Word of mouth	You shop at Watsons Because of friends' recommendation	<b>112</b>
6.	Product Quality	The quality of product that sell by Watsons was in a good condition	<b>115</b>
7.	Availability of Product	The product that you want to buy is always available at Watsons	<b>67</b>
8.	Service Quality	Service at Watsons was so helpful	<b>72</b>

Source: Pre survey result (Data was process)

Numerous factors can have an impact on how customers behavior when making purchases, and some of these aspects at Watsons aren't good enough and can have an impact on how customers behavior when making purchasing decisions, thus leading to Watsons revenue not increasing considerably. By the experience service at Watsons is not very good. The employee was not helpful because when asking a product that customer is looking for, the employee is not friendly and are not responsive in providing service, mostly the employee will say the product is not available rather than give another option of product. Moreover, when asking for a product, the employee is lack of knowledge and the employee does not care if the product is suitable to the customer, the employee only cares that the product is sold.

The average score to indicate factors which influence purchase decision is 90. If the score gets above 90, it may indicate that that factor is good. This score gets from the middle value of Likert scale (1-5), the middle value is 3, and times with total of respondents, which is 30. So, the result will be so:  $3 \times 30 = 90$ .

The pre-survey data shows that the service score at Watsons is insufficient for customers, with just a score of 72 from the average score of 90. The consumer may feel that the service is not helpful when they are making a purchase, which is a sign that the service is not good. The quality of the service influences purchases in a significant and advantageous way. The various components of service quality include tangibles, reliability, responsiveness, assurance, and empathy (Prianggoro & Sitio, 2019).

The availability of the product in Watsons is one of things that can affect a purchase decision, if a customer can get the item they are looking for, they will be satisfied, and there is a possibility the customer will return to the store. However, at Watsons, the availability of product is frequently not ready, the employee often says that the item is empty, or the item is not being sold at the store. This is also supported by the survey data is also lower than the average number, which sometimes in the store customers can't get the product that they find, and it leads to customer dissatisfaction. The availability of products at Watsons gets low score which is 67. In order to encourage customers to make purchase decisions, need to consider the completeness of products (Harahap et al., 2018). Perceive need become one of the indicators of purchasing decision (Kotler in Harahap et al., 2018). Product is everything that can be offered to a market to meet the needs or desires (Kotler & Garry in Harahap et al., 2018).

Promotion also serves to influence the preference of consumers in choosing a company product and to motivate consumers to take action, that is to make purchasing decision on the products offered. Promotion that made by Watsons, such as banners on the side of the road, did not attract attention because only wrote that there was a discount without writing down in more detail what product was being discounted and made people feel that the promotion carried out by Watsons was less attractive. Pre survey data above it can be seen that the factor of promotion that made by Watsons get the total score of 83 which indicated that the promotion not too affected to customer to make purchasing decision and promotion that held by Watsons is not success to attract customer to do purchase.

Based on this review in background of the study, the writer decides to conduct research entitled “**The Influence of Service Quality, Promotion, And Availability of Products on Customer Behavior in Purchasing Decision at Watsons**”.

## **1.2 Problem Limitation**

Due to the limitation of time, budget and data access, the researcher decided to set up several limitations before conducting the research. Limitations set are as follow:

- a. This study will collect data through the customers that ever-bought product at least once at Watsons. The object of research is customers of Watsons and will be supported by using financial statement of the company from [idx.co.id](http://idx.co.id) with code DAYA.IJ.
- b. This research will only examine the Watsons offline store at Medan.
- c. Questionnaires that are distributed for research purposes are limited in number, will using 120 respondents consist of people who have purchased from Watsons Medan at least once.
- d. In this research, the study focuses on service, availability of product and promotion as the independent variable (x) and customer behavior in purchase decision as the dependent variable (y).

### **1.3 Problem Formulation**

Based on the identification of the research problem that have been disclosed, the problems can be formulates as follow:

1. How does the service quality influence customer behavior in purchasing decision at Watsons?
2. How does the availability of products can influence the purchasing decision at Watsons?
3. How does the promotion can attract customers to make purchase decisions at Watsons?
4. How does the service quality, availability of product, and promotion can simultaneously influence purchasing decisions at Watsons?

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

Here are some research objectives to help writer solve the problem that have been discovered:

1. To know how service influence customer purchase decision at Watsons store Medan
2. To know how availability of product influence customer purchase decision at Watsons store Medan
3. To know how promotion influence customer purchase decision at Watsons store Medan
4. To know how service, availability of product, and promotion simultaneously influence customer decision at Watsons store Medan.

## **1.5 Benefit of the Research**

This study's purpose is to evaluate the influence of service, availability of product and promotion, which are the aspects that get lower number from the pre survey towards customer behavior in purchase decision at Watsons Medan. This study will have two kinds of benefits, which consist of theoretical benefit and practical benefits.

### **1.5.1 Theoretical Benefit**

This research will give a better theoretical understanding about the influence of service, availability of products and promotion to consumers behavior in purchasing decision. Therefore, it will broaden the writer's knowledge and will give references to others who are interested in conducting similar or related research, as well as helping them in writing their research papers.

### **1.5.2 Practical Benefit**

- a. For the writer, the result of this research is expected to contribute to the exciting theories relevant to service, availability of product and promotion have effect on customer behavior in purchasing decision.
- b. This research as information about whether the survey that has been conducted will be useful to improve the company's performance, Watsons Medan.
- c. To be a guide or reference in leading the researcher to do other research that is compatible with this research.