

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Economic progress has led to many rapid developments in the commercial field. At the same time, many entrepreneurs are engaged in retail businesses such as supermarkets, minimarkets, shops, department stores, or others. This causes competition among the companies. To be able to win in the competition, all companies must try to apply the right strategy to dominate the market. In the face of political, social, cultural, and economic changes, companies must be more creative, sensitive, and innovative. With the increased purchasing power of the population, demand for products or services, both in quality and quantity, will also increase, so that producers compete to provide services or products to customers.

Customer-centric companies must consider what their customers want, need, and like as it will have an impact on their decision to purchase a service or product that they require. The purchase decision is an important process for marketers to influence through marketing strategy. A successful marketing strategy necessitates an understanding of customer behavior because customer actions have an impact on the company's sustainability, which is an institution that strives to meet the wants and needs of its customers (Hera and Dian, 2021).

Deciding what to purchase, whether to make the purchase, when and where to buy, and the method of payment are all instances of purchase decisions. (Santoso and Sispradan, 2021). Decision-making is a type of psychological construction, which means that even though the choice cannot be seen, it may be assumed from observed behavior that a choice has been made, leading to the conclusion that a psychological "decision-making" event has taken place. If individuals have committed themselves to take that activity, tying a meaningful commitment to action based on an apparent action is necessary.

In determining purchasing decision, one of the things that customers will consider is product diversity. The range of offerings offered by the store plays a crucial role in the competitive landscape of business. (Fani and Ni'amin, 2021). The variety of product provided by business, including factors like product type, brand, size, quality, and availability, simplifies the process for customers to choose and buy items according to their requirements. Different customers may seek for different kind of products and shopping in a store that sells a variety of products will provide customers with some conveniences. They do not need to shop to other stores because they can get all they need in that shop. Knowing this, consumers will have a positive impression towards the store and hence may encourage to purchase at the store. Having more product variety will increase customer's tendency to purchase and the potential to generate higher revenue for the store.

The next factor that can have an impact on customer purchase decisions is service quality. High-quality service ensures that customers feel comfortable and

satisfied when making their purchases. According to (Hera and Dian, 2021), Service quality is measured by the company's capability to fulfill all the expectations of the customers, ensuring their needs are met. This service is expected to facilitate the purchase of goods by buyers in stores. This variable is significant in the decision-making process because the purchase of customer satisfaction services influences the likelihood of purchase repetition, which increases sales. Service quality is a major concern for customers when making decisions. Quality service drives customers to establish a close relationship with the company. Customers' perceptions of the service provided compared to what they expected can be used to determine service quality by paying attention to the attributes of service companies. If the service they receive is based on their expectations, then the service quality is considered satisfactory and good. Conversely, if the service falls below expectations, it is deemed to be of poor quality.

The quality of a product is a factor that can significantly impact customers' decisions to make a purchase. Product quality is a key factor in customer purchase decisions, and several studies have demonstrated its significance. High product quality contributes significantly to customer satisfaction, thereby positively influencing their intention to make a purchase. (Nguyen, 2020). In a similar vein, research indicated that product quality played a paramount role in shaping customer loyalty and influencing repeat purchase behavior. (Kim and Lee, 2020). Moreover, product quality can impact a company's reputation and brand image, which can ultimately affect sales. The quality of a product had a notable positive impact on

both brand image and customer loyalty. In contrast, low-quality products can lead to negative reviews and damage a company's reputation (Liao and Chen, 2021).

One of the clothing businesses that the writer chooses to conduct research on is PT Wika Wiki Garment Indonesia, a clothing store that specialized in Batik was established in 1976 and is in Jl. Ahmad Yani No. 34-36, Medan, Sumatra Utara, Indonesia. This store sells a batik sarong, shirt, and house wear which is one of the Indonesian's traditional attires. The products that they sell at the store are self-manufactured and hand made all the way from Pekalongan. City. Besides selling in store, they also sell their product through social media such as whatsapp.

**Table 1.1 Revenue at PT Wika Wiki Garment Indonesia**

<b>Revenue at PT Wika Wiki Garment Indonesia</b>				
<b>Month/Year</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
January	89.500.000	86.790.000	79.845.000	81.558.000
February	87.350.000	86.800.000	77.860.000	73.367.000
March	88.500.000	83.290.000	81.630.000	83.000.000
April	86.300.000	85.000.000	78.890.000	78.989.000
May	89.345.000	84.090.000	76.099.000	70.005.000
June	85.765.000	82.900.000	77.565.000	71.489.000
July	85.800.000	83.440.000	76.550.000	71.360.000
August	85.250.000	81.090.000	74.870.000	69.919.000
September	85.500.000	79.890.000	72.340.000	66.665.000
October	83.600.000	77.560.000	69.550.000	68.746.000
November	84.850.000	78.230.000	66.580.000	65.975.000
December	82.890.000	78.100.000	68.900.000	63.313.000
<b>TOTAL</b>	<b>1.034.650.000</b>	<b>987.180.000</b>	<b>900.679.000</b>	<b>801.386.000</b>

It can be seen in the income data by PT Wika Wiki Garment Indonesia, there is a decrease in income from 2020 to 2023. The lowest number of declines occurred in 2023 with revenue showing a downward. This shows that there has been a decline in customer purchasing decisions at PT Wika Wiki Garment Indonesia.

Since it will be simpler for people to compare and select companies that are thought to be the best, it will increase challenges and test each company's competitiveness in the modern business era. Conditions like this motivate businesses to keep innovating and coming up with new innovations, and they can also pique consumer interest by building a strong brand.

On this research, the writer conducted a short interview with Mr. Wikki Waren which is the chief executive officer of PT Wika Wiki Garment Indonesia and their competitors which are Sonia Mandiri and Ramala. Here are the results of a short interview of the writer.

**Table 1.2 Number of Product Types**

NUMBER OF PRODUCT TYPES					
No.	Store Name	2020	2021	2022	2023
1	PT Wika Wiki Garment Indonesia	2	2	3	3
2	PT Sonia Mandiri	4	5	7	7
3	PT Ramala	2	3	5	5

As can be shown from the table above, since 2020 until 2021 PT Wika Wiki Garment Indonesia only sell two product types of Batiks in the form of sarong and shirt, and in 2022 they added one product types which is house wear. While their competitors sell more and multiple line of batik products such as sleepwear, pants, skirts, dress. shirt, sarong, and house wear. Their competitors strategically utilize a rich palette of colors, offering batik products in a spectrum that caters to diverse customer preferences. Whether it's vibrant and bold hues or subtle and sophisticated tones, the competitors provide a varied selection that resonates with different

consumer tastes. This contrasts with PT Wika Wiki Garment Indonesia, where the color options may be limited, potentially limiting the range of choices for customers.

Moreover, in terms of design, competitors showcase intricate and innovative patterns that go beyond traditional Batik motifs. Their products feature contemporary and artistic designs, reflecting the fusion of traditional craftsmanship with modern aesthetics. This stands in contrast to PT Wika Wiki Garment Indonesia, where the design options may be perceived as more conventional or less diverse. PT Wika Wiki Garment Indonesia got some customers complain that the brand, type, or stock of the products they want is sometimes unavailable, size is not complete and not consistent, the sarong and shirt cutting is different from the first-time purchase.

Due to quality of products is not good forcing them to visit a competitor store that offers a more comprehensive selection. In this case a customer that visits PT Wika Wiki Garment Indonesia competitors are exposed to more variety of products than what PT Wika Wiki Garment Indonesia can show them, and this factor affects the customer decisions to visit the store and their purchase decisions. Most customers would prefer to purchase from a store that provide them a variety of product because they are exposed to more choices than to a store that only offers a single product. This shows that product variety or diversity in a store plays an important role in a customer's purchase decisions.

**Table 1.3 Service Quality**

SERVICE QUALITY		
No.	Factors	Explanation
1	Total sales persons	The company has fewer salespersons than the competitors. There were times that customers were neglected or not entertained enough because the visitors are just too many (for example in Ramadhan month).
2	Skills	The salespersons do not have decent sales, communication, and persuasion skills. Their product knowledge is also quite poor and this especially true among the junior salespersons.
3	After sales service	The process of returning damaged products and getting the replacement back to customers is quite long and tedious. The customers have lodged quite several complaints in recent months regarding this issue.

The above table explains that PT Wika Wiki Garment Indonesia employs fewer staffs than their competitors. This situation sometimes makes the customer must wait for a quite a long time before being served by the staff. The staffs are not well equipping with decent product knowledge and communication skills and that caused the customers doubt to make a purchase decision. The quality of after sales services are low which shown by a long process of returning and replacing the damaged products with new products

Other than that, PT Wika Wiki Garment Indonesia are also facing a product quality issues, some customers have reported issues with the performance of the clothes, such as fabrics that do not breathe well or do not keep their shape after washing. They have also reported issues with features such as zippers or buttons that fall off easily, or pockets that are too small to be practical. Additionally, customers have complained about the conformance of the clothes to the stated measurements, with sizes not fitting as expected. Durability is also a concern, with customers reporting clothes that quickly develop holes or fade after a few washes.

Finally, the aesthetics of the clothes have also been an issue, with customers complaining about the quality of the stitching or the design of the clothing. These quality issues have led to a decrease in customer purchase decision.

The discussion above shows that product diversity, service quality, and product quality can influence customer purchase decisions. Hence, to study this phenomenon further, the author will carry out research that titled "**The Influence of Product Diversity, Service Quality, and Product Quality on Customer Purchase Decisions, at PT Wika Wiki Garment Indonesia**".

## **1.2 Problem Limitation**

So, the results of the research will be less accurate if it is not constrained, the writer decides to perform the investigation by imposing numerous restrictions, such as:

1. The data of this research is gathered from the head office at PT Wika Wiki Garment Indonesia located at Jalan Ahmad Yani III, No. 34-36, Medan, Sumatera Utara, Indonesia.
2. Due to geographical, time, and cost constraints, the respondents were only taken from the customers of PT Wika Wiki Garment Indonesia that are in, Medan Sumatera Utara, Indonesia.
3. This study will make use of primary and secondary data sources for research purpose.
4. The writer will only focus on Product Diversity as the first independent variable, Service Quality as the second independent variable, Product

Quality as the third variable, and Customer Purchase Decisions as the dependent variable.

### **1.3 Problem Formulation**

Based on the observations made during the writer's preliminary research within the company, a set of questions has been formulated to guide this research:

1. Does Product Diversity have an influence on Customer Purchase Decisions at PT Wika Wiki Garment Indonesia?
2. Does Service Quality have an influence on Customer Purchase Decisions at PT Wika Wiki Garment Indonesia?
3. Does Product Quality have an influence on Customer Purchase Decisions at PT Wika Wiki Garment Indonesia?
4. Do Product Diversity, Service Quality, and Product Quality have an influence on Customer Purchase Decisions at PT Wika Wiki Indonesia?

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

Here are some objectives of the research that the writer can make to solve the problem that have been found, which are:

1. To describe the influence of Product Diversity on Customer Purchase Decisions at PT Wika Wiki Garment Indonesia.
2. To describe the influence of Service Quality on Customer Purchase Decisions at PT Wika Wiki Garmnet Indonesia.

3. To describe the influence of Product Quality on Customer Purchase Decisions at PT Wika Wiki Garment Indonesia.
4. To describe the influence of Product Diversity, Service Quality, and Product Quality on Customer Purchase Decisions at PT Wika Wiki Garment Indonesia.

### **1.5 Benefit of the Research**

In this research, it is expected that it can provide usefulness and can be used in both theoretical and practical aspects, including:

1. Theoretical Benefit

Provide insights and considerations to set goals for PT Wika Wiki Garment Indonesia, assisting in the formulation of marketing strategies to boost sales.

2. Practical Benefit

- a. For the company, the study's outcomes aim to support PT Wika Wiki Garment Indonesia, by providing insights to enhance sales and addressing challenges related to purchasing decisions.
- b. For the writer, one of the requirements to fulfill undergraduate skripsi subject in Management study program at Universitas Pelita Harapan, Medan and increase the knowledge, experience, and insight of writers and readers regarding marketing strategies.
- c. For other parties, the results of this research can provide a knowledge especially in the field of developing marketing strategies to increase sales.

- d. For science, the results of this research can be expected to be input for the development of science, especially in the field of marketing science.

