

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Food from home has become an essential component of the life of people. This is due to the change in their attitudes towards food and the rise in disposable income. In restaurants, which are a significant component of our daily lifestyles, eating out usually provides a place to relax and enjoy family, friends, peers and business partners' company. (Walker, 2015). A restaurant takes on a person's need—an act of eating—and turns it into a civilized ritual of hospitality, fantasy, grace and warmth.

Pricing is one of each company's main activities in modern times, in particular as the economic crisis is emerging. Companies should be aware, according to what role the individual plays, and that the price is an item that is in touch with each natural or legal person. In all segments of the business, the cost is included. This is important not only for the sale of a product or service but also is available in all stages of the life of business. It should also be noted that prices are considered a means of distinction, and often the only reason for purchasing a certain item can be the customer's price.

Price is an important part of the marketing mix and can not be divided from it. The business should therefore pay attention to business general policies as well as product strategy, distribution and market promotion whenever it establishes a pricing strategy. From a company's view, price references are used when businesses use inner and external price references to compare the real selling rates (Hsu and Pham, 2015), while one of the variables determining buying management is the consumer price perspective. Price is an amount of value exchanged for products or services for a mixture of products or servicing with an amount invoked by a purchaser. Price is one of 4Ps, such as product, price, place and promotion in the marketing mix.

Price is clearly the only factor to make cash, a clear signal of success and failure of the product (Al-Salamin and Al-Hassan, 2016).

Price needs special attention as an aspect of the marketing mix. One explanation is that price influences the income of customers, unlike other marketing components. Before deciding the price, the company as a legal entity must define the objectives to be achieved. The next change is the pricing strategy, taking into account the targets set by each client. Through the combination of various policies and awareness of the current situation on the market, a business will benefit from each policy. (Hustic & Gregurec, 2015)

A high price is viewed as a symbol of efficiency, popularity and standing in the high end consumer segment. If the price is too low, it is usually related to poor quality and thus has a negative effect on the reputation of the product; it can have an influence on the identity of the brand.

Prices that do not fit with the target market, or with the product's positioning, can be found frequently. A good example is a restaurant, where the food may be inexpensive but drinks expensive; beverage consumption will therefore be lower than what it could be. Another example might be a movie theater with very high prices in snacks and beverages, thereby reducing the sales potential within the target market.

According to Hustic & Gregurec (2015), companies must identify the objectives they wish to achieve in a specified time span. Price is highly versatile and can be adjusted in many ways. Due to the company's view, the price objective may be distinct. The obviously specified company's targets will simplify the price. Some popular objectives are: survival, maximization of present profit, maximization of market share and product quality management.

The emergence of a powerful buyer market established the need for a business-oriented customer approach. Companies had not only to generate and sell products and services on the market. The development of the marketing concept was recognized as such. Additional activity carried out after the completion and manufacturing process would not be viewed as marketing any

more. The marketer instead played a major part in the planning of the products. Marketing and sales are no longer synonymous.

According to Kotler and Armstrong (2016), marketing as a social process whereby people and groups achieve what they want and need by creating, offering and freely exchanging valuable products and services. The marketing method is a continuous method to detect and translate customer requirements and needs into goods and services, to create demand for these goods and services, to meet customer demand via a network of marketing channels and to broaden the business base in the face of competition.

According to Singh (2016), the new concept of marketing is a broader term that regards marketing as a concomitant process for the discovery and transformation of consumers' needs into suitable goods or services through the production of a product on the basis of marketing research, through promotion and service of demand for such goods through transport and storage through distributor chains such as marketing.

According to Porral & Stanton (2018), there is no unanimity regarding the concept of marketing, and consequently there are numerous definitions from various authors. Early definitions of marketing are centered on the exchange or transaction process. Within this context, it proposes to exchange goods and services in mutually satisfying transactions to fulfill the needs and desires of people, but not exclusively through the monetary system.

Another set of definitions suggests that marketing is a management process aimed at delivering customer satisfaction. Nowadays, the conceptualization provided by the American Marketing Association (AMA) has received a general consensus: marketing is the activity and the process for designing, planning and implementing ideas, goods, and services, pricing, promotion and distribution that meet customer, business goals and society in general.

Most significantly, it has become clear that the consumer is the driving force in marketing today. Companies today are investing more resources to determine exactly what the consumer wants.

Unlike years the technology of the production function has changed so dramatically that narrowly defined markets can be targeted with products specially designed for them. Equally as important is the technology of communication via the internet and social media that makes it possible to deliver marketing messages to these targeted markets.

It is important that measurable goals are established, that the targets can be monitored and compared with achievements limited to a given period of time. The company's survival is regarded as one of the key objectives, particularly in the event that there is a high market competition and thus the fear of the market vanishing. On the other side, it can be a very hazardous objective to maximize existing profit.

The company is driven by financial legality in the desire to maximize earnings, which states that demand can be managed at various price levels.

There are two choices for businesses. Determining the product or service's greater cost than its rivals. In order to determine a reduced cost and anticipate that greater demand will affect greater profit, if they already have certain demand for the product or service. This increases the issue of the future of businesses if the aim is just to maximize present profit.

If the management board wishes to create greater earnings, it can make incorrect choices, which are not to benefit the business in the long term. The enterprise can also strive to achieve a greater market share. The business will then use a product or service to build a habit for customers, provided they are content with the product cost.

Customer and competitive responses should be taken into account in pricing decisions. In official uses, the customer usually sees the price as a product or service quality indicator and usually evaluates the cost in terms of perceived advantages arising from supply usage. In most cases, customers will have the choice of a range of products and the price is therefore one of the benchmarks on which their decision to buy is based. Of course, the prices are determined by the customer, which in turn is connected with several other variables, including quality. (Alfred, 2013)

In principle, buying choices are buying activities or consumer behavior, and the amount of consumer purchases become one of the variables determining whether the company's objectives are achieved or absent. The customer purchase decision is a series of customer decisions taken prior to the purchase if they wish to purchase (Sagala et al., 2014). Kotler and Armstrong (2014) conclude that cultural and social networks, family, roles & statuses, age, employment, financial condition, lifestyle, persona and self-image can influence customer decision-making. Furthermore, Sagala et al. (2014) states that circumstances, times and places may also affect customer buying procedures.

Consumer buying decisions do not only take the form of consumer response to the goods and services offered but are also responsive to consumer buying forms in an agreeable environment (Diawan et al., 2016). Accordingly, purchasing decisions can measure whether or not company objectives are achieved. In addition, the last experience of the customer in the use of the product also influences the willingness of the consumer for decision making. (Ahmed, 2014). Chen et al. (2016) suggests that many factors influence consumers buying decisions for enterprises, for example the accurate understanding of consumer psychology, so marketers need not do a cutting strategy to attract the consumers if this is done.

In a competitive and evolving company setting today, which continues to grow the authority of distributors and the demand levels of clients. In order to succeed and sustain manufacturers, it's essential to build longer-term relationships with clients. Previous studies have shown that the price varies significantly but that the purchase decision of clients also has other factors such as product and service quality. Price is an important factor in purchases from customers and therefore has a major effect on satisfaction from customers. In addition, customer satisfaction is directly influenced by price perception and indirectly impacted by price equity. In another study it found the impact of a consumer's cost fairness perception in his buying decision and called it a good predictor for a consumer's purchasing choice. Good value in return for cash earned among the customer

requirements is therefore a considerable effect on brand loyalty, which in turn affects customers' intent to buy. (Mirabi et al, 2015)

According to Widyastuti & Said (2017), price influences the decision on purchase. The higher the rate, the lower the option of purchase, the opposite. A flexible price makes easy change. Price is adjustable. The price is the easiest component to adjust and adapt with market trends from the four components of a conventional marketing mix. The fight for profit (discount war) can be seen mainly in the retail market. Settling low prices will increase fair prices, reduce financial risk and reinforce increased demand strategic buying intentions.

The restaurant industry is the fast-growing business field. This is a field which is becoming more common and demanded by entrepreneurs. The industry in this field is today highly competitive; therefore, it is essential to enhance service continuously to fulfill customer requirements and requirements. The better the service, the better the business is. (Tcvetkova, 2017)

4Fingers which is located on Sun Plaza, Jl. KH. Zainul Arifin No.7 Medan city - North Sumatera is a Singaporean chain of fast casual restaurants that specialises in crispy Asian style fried chicken. Headquartered in Singapore, the chain was founded in 2009 and currently has 27 stores across Singapore, Malaysia, Indonesia, Thailand and Australia. Free range Korean style fried chicken, baked burger buns and kimslaw (kimchi cooleslaw) which is fermented on site are offered in the fast casual dining restaurant. Other menus, such as Asian rice boxes, salads and crispy seafood dishes, are featured in our menu. Halal has also been certified in restaurants in Singapore, Malaysia and Indonesia. Its key products are produced out of a basis of naturally produced soy sauces without any preservatives or aromas added to their signature sauces. Each piece of chicken served to clients is hand-brushed with their sauces, and this artisan preparation procedure is applied in every store in all nations.

Based on the random interviews with several customers who visited 4Fingers Sun Plaza Medan, they acknowledged that the price offered by 4Fingers was more expensive compared to several other similar outlets. However, despite the slightly more expensive price, 4Fingers is able to offer the taste and pleasure

of typical fried chicken food that exceeds other similar outlets, although this is subjective. The table below shows the comparison of menu prices at 4Fingers with several other similar outlets.

Table 1.1 Price Comparison of Several Menus in 4Fingers with Other Outlets

No.	Menu	4Fingers Sun Plaza	Outlet 1	Outlet 2	Outlet 3
1.	Drumstick Rice Box	Rp. 43.000,-	Rp. 40.000,-	-	Rp. 38.000,-
2.	Chicken Katsu Salad	Rp. 42.727,-	-	Rp. 36.500,-	Rp. 42.000,-
3.	Seafood Salad	Rp. 42.727,-	Rp. 39.900,-	Rp. 38.000,-	-
4.	Battered Shrimp	Rp. 49.091,-	Rp. 47.000,-	-	-

Source: Prepared by the Writer (2019)

In this study, the researcher wants to analyze the influence of price towards customer's purchase decision at 4Fingers Sun Plaza Medan and write it in this thesis entitled **"The Influence of Price Towards Customer's Purchase Decision at 4Fingers Sun Plaza Medan"**.

1.2 PROBLEM LIMITATION

In order for research conducted more focused and easily in collecting and processing data, the scope of research is limited as follows. There are so many restaurants and cafes in Medan. This study only examines one of the fast casual restaurants in Medan, which is only limited to 4Fingers Sun Plaza Medan.

1.3 PROBLEM FORMULATION

Based on the description on the background of the study above, the research questions in this study are as follows:

1. How is the price at 4Fingers Sun Plaza Medan?
2. How is the customer purchase decision at 4Fingers Sun Plaza Medan?
3. Does price have influence toward customer's purchase decision at 4Fingers Sun Plaza Medan?

1.4 RESEARCH OBJECTIVE

The research objective are as follows:

1. To evaluate the price at 4Fingers Sun Plaza Medan.
2. To evaluate the customer's purchase decision at 4Fingers Sun Plaza Medan.
3. To discover whether price has influence toward customer's purchase decision at 4Fingers Sun Plaza Medan.

1.5 BENEFIT OF THE RESEARCH

1.5.1 Theoretical Benefit

Theoretically, the results of this study are expected to be useful to strengthen the theory in management and marketing, especially about the influence of price towards customer's purchase decision in a restaurant.

1.5.2 Practical Benefit

The practical benefits expected from this research are as follows:

1. For the writer
This research can provide an overview and knowledge about management and marketing, especially about the influence of price towards customer's purchase decision in a restaurant.
2. For the company
This research is expected to be used as a suggestion to give more attention about the aspect of price in order to run a business.
3. For the other researchers
The results of this research are expected to be used as a source of references who are concerned in conducting related research in the future.

1.6 SYSTEMS OF WRITING

The researchers compiled the writing with the following details:

CHAPTER I : INTRODUCTION

This chapter contains background of the study, problem limitation, problem formulation, research objectives, benefit of the research, and the systems of writing.

CHAPTER II : LITERATURE REVIEW

This chapter contains theoretical background, previous research, hypothesis development, research model, and framework of thinking.

CHAPTER III : RESEARCH METHODOLOGY

This chapter will describe the research design used, the object of research, the method of data collection performed and the method of data analysis.

CHAPTER IV : DATA ANALYSIS AND DISCUSSION

This chapter describes the overview of the research objects discussed in this study and describes the data analysis and the detailed discussion.

CHAPTER V : CONCLUSION

This chapter contains the conclusions of what has been described in the previous chapters, and also contains suggestions for improvement for research development related to this research topic.