

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Beginning of the year 2020 when this research was started, world-wide economy saw a significant down-turn in numerous sectors, resulting from the impact of COVID-19 pandemic. The pandemic has forced companies and business to adapt and improve simultaneously in order to survive, and in such situations, it is increasingly important to determine which methods of marketing that can significantly enhance sales in order to mitigate the negative effect brought about by the COVID-19 pandemic. The motorcycle industry, which is the object of interest to this research is affected as well with domestic sales seen to decline sharply in the second quarter of the ongoing year. Data from Asosiasi Industri Sepeda Motor Indonesia (2021), reported the condition of domestic motorcycle sales as follows:



Figure 1.1 AISI Domestic Motorcycle Sales 2020

Source: AISI Official Website

One of the most common and time-proven effective method is through sales promotion. Sales promotion is a form of marketing communication that encourages purchase through short term incentive such as lowering the price or adding value to the product/service offered (Lamb, Hair Jr., & McDaniel, 2018). Sales promotion is a very favorable method used to coerce customers into making a purchase due to its nature, and not only beneficial in encouraging purchase by offering lower price or additional value to the products or services during a specific time span, sales promotion is also used in keeping the long-term relationship in good condition with loyal and (or) repeat consumers. Consumers who have made multiple repeat purchases are offered rewards for being patrons of a company or brand, which aims to encourage the relationship. Sales promotion is also very flexible and diverse, seeing that it contains multiple alternatives to choose from; most customers are familiar with coupons, discounts and rebates, and aside from these, other promotions such as patronage rewards, games, sweepstakes, even contests are forms of sales promotion. Such is the effectiveness of sales promotion which made it favorable for businesses to use in order to increase sales.

Another form of marketing which was used in the market for decades besides the sales promotion is social media marketing. Social media marketing is rapidly growing and its importance has shifted from merely serving as the company's digital presence into a form of integrated marketing strategy of the company. Social media marketing, as defined by an expert on the subject, is "the utilization of social media technologies, channels and software to create,

communicate, deliver and exchange offerings that have value for an organization's stakeholders" (Tuten & Solomon, 2017). Numerous forms of social media marketing can be seen today as company showcases their new products through their social media accounts, offer promotional goods and inform consumers of the latest events, promotions, and other marketing items that was previously disseminated through the use of conventional media, has now shifted to be posted in social media instead due to its efficiency and low cost compared to the conventional media, and its functions which are to "attract customer attention, manage customer relationships, develop new product ideas, promote the brand, drive store traffic both online and offline, and converting consumers to customers" (Tuten & Solomon, 2017, p. 55).

As one of the most concerned factors in an industry, it is important to understand how consumers arrive at their purchase decision. According to Ng'etich & Auka (2019), consumer purchase decision "is the decision-making process and physical activity individual engages in when evaluating, acquiring, using or disposing of goods and services". Various factors may affect consumers' purchase decision and it is important for companies to find out which factors actually contribute to consumer purchase decision and enhance them, also determining which factors are detrimental to consumers forming of purchase decision and minimize these factors.

As for the research location, the writer chose to research in PT Alfa Scorpil A.R. Hakim Medan due to its well performing branches of PT Alfa Scorpil especially in sales and service recorded, and can therefore represent the

company in its best. It is also one of the longest operating branches of the company, and is relatively stable compared to other newly established branches. Therefore, it has more experience and less likely to have errors in its operations, and it has also accumulated various experiences of implementing sales promotion onto its products, as well as carried out numerous social media marketing campaigns and thus possesses more data and evidence for the writer to use in the research. This results in the company being more familiar and readily recognizable by the survey participants in this study.

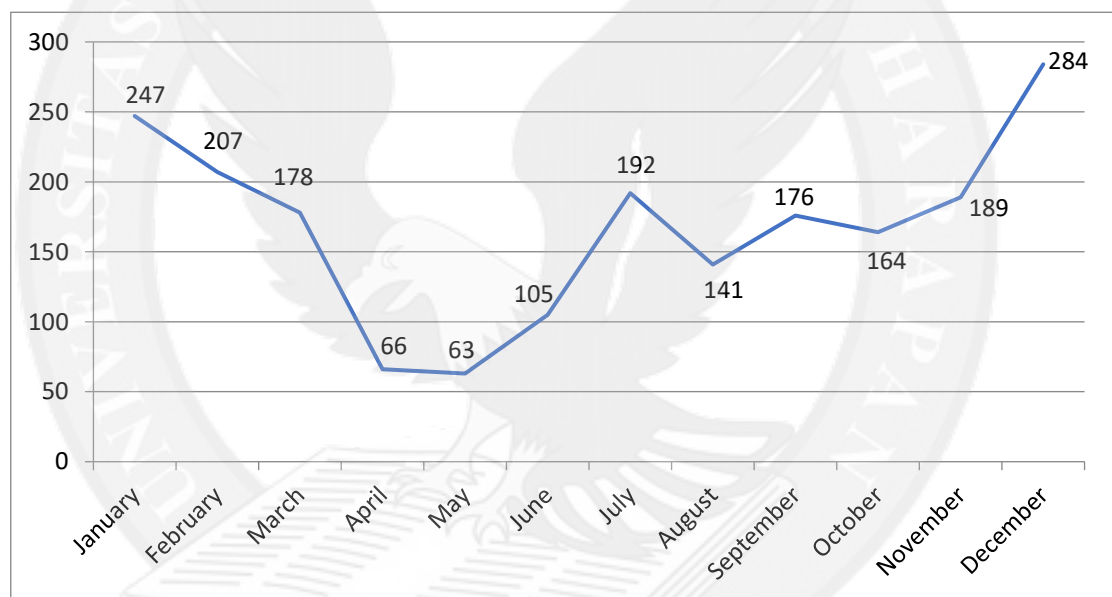


Figure 1.2 PT Alfa Scorpil A.R. Hakim Medan 2020 Unit Sales

Source: PT Alfa Scorpil A.R. Hakim Medan Sales Data (2021)

As can be seen from the table above, the quantity of units sold was on a declining trend starting from January, reaching the lowest point in May at 63 units (5 months consecutive decline); this declining unit sale reflects a very serious problem with the company's consumer purchase decision. Aside from that, unit sales can be seen to fluctuate significantly from June to October, which again

implies instability in the company's consumer purchase decision. From the unit sales data, it can be gathered that there is indeed a problem with consumer purchase decision in PT Alfa Scorpii A.R. Hakim Medan, which is the gap between the actual and the ideal state. The COVID-19 pandemic which happened during the writing of this undergraduate *skripsi* is also an important factor to be considered; hence it is even more important for the company to focus on enhancing its sales promotion and social media marketing efforts in order to mitigate the decrease of unit sales which the pandemic has contributed to.

It is to be noted that social media marketing and sales promotion campaigns were carried out during this period, even more emphasized in the year 2020 as the company increases its marketing efforts to boost sales during the global pandemic, but yet no significant results.

Table 1.1 PT Alfa Scorpii A.R. Hakim Medan 2020 Sales Promotion Programs

Month	Number of Sales Promotion (per Product Type)	Types of Sales Promotion
January	9	Discount on Installment, Voucher and Free Accessory (Lexi S only)
February	9	Discount on Installment and Free Custom Accessory
March	9	Discount on Installment and Voucher
April	9	Discount on Installment, Voucher and Free Accessory (Lexi S only)
May	9	Discount, Voucher, Free Accessory (Lexi only)

June	9	Discount on Installment, Voucher and Free Accessory (Lexi and WR 155R only)
July	9	Discount on Installment, Voucher and Free Accessory (Lexi and WR 155R only)
August	9	Discount on Installment, Voucher and Free Accessory (Lexi and WR 155R only)
September	9	Discount on Installment, Voucher, Free Accessory (Lexi and WR 155R only) and Cash Discount (R25 only)
October	9	Discount on Installment, Voucher, Free Accessory (Lexi and WR 155R only) and Cash Discount (R25 only)
November	9	Discount on Installment, Voucher, Free Accessory (Lexi and WR 155R only) and Cash Discount (R25 only)
December	9	Discount on Installment, Voucher and Free Accessory (Lexi, WR 155R, Vixion, and XSR 155 only)

Source: PT Alfa Scorpii A.R. Hakim Medan Data (2021)

As can be seen from the table above, the company consistently gave out sales promotion each month; when the amount of sales promotion is compared to its expected result which is the unit sales, it can be seen that sales promotion did not achieve its ideal purpose which is to increase sales. Data also showed that in January to May sales promotion neither achieved its purpose which is to boost

sales, nor was it able to mitigate the decrease in sales, resulting in consecutive decline in unit sales. These phenomena imply a problem to be researched further.

Aside from sales promotion, PT Alfa Scorpil A.R. Hakim Medan conducts social media marketing through Instagram. The company's account *alfascorpii.arhakim* has 1600 posts, 679 followers and 1478 following as per 14th January 2021. As data evidence for the previous statement that the company's social media marketing efforts leads to no significant result, the following table displays the effectiveness of the last 10 posts of the company's Instagram profile, using "like" as a measure for engagement:

Table 1.2 PT Alfa Scorpil A.R. Hakim Medan 2021 Last 10 Instagram Posts

Date Posted	Number of Likes
6 th January 2021	4
7 th January 2021	3
7 th January 2021	3
7 th January 2021	1
7 th January 2021	5
9 th January 2021	5
9 th January 2021	6
11 th January 2021	10
11 th January 2021	6
11 th January 2021	7

Source: PT Alfa Scorpil A.R. Hakim Medan Instagram Account (2021)

Considering the number of followers the account possesses (679 followers), it is accurate to state that engagement is alarmingly low. The post with

the most likes which signifies the highest engagement was the first post on 11th January 2021 with 10 likes; the essence of which is more of social awareness rather than marketing the company's products or services. The follower-to-following ratio of the company is not exactly ideal either, with the company following more than twice the amount of users who are interested in following its Instagram profile. These facts imply that there is a gap between the ideal and actual state of being of the company's social media marketing which leaves room for research.

In theory, sales promotion and social media marketing should both increase unit sales, but as can be seen the combined implementation of both in PT Alfa Scorpii A.R. Hakim Medan still leads to a rather unsatisfactory result (consecutive declines in unit sales for the first five months, and fluctuation in unit sales from June to October); referring to the data above, there is a chance for another problem in the company's sales promotion and social media marketing, which is the gap between theory and actual findings which this research is conducted to answer.

The writer believes that there are concrete problems in the company's consumer purchase decision, sales promotion and social media marketing programs as concluded from data evidence. Thus, to further learn the influence of sales promotion and social media marketing towards consumer purchase decision in the motorcycle retail market, the writer attempts to investigate how substantial are the effects of sales promotion and social media marketing done by PT Alfa Scorpii A.R. Hakim to influence the customers' purchase decision. Hence, the

reason of the writer to choose undergraduate *skripsi* title of **“The Influence of Sales Promotion and Social Media Marketing towards Consumer Purchase Decision in PT Alfa Scorpii A.R. Hakim Medan”**.

1.2 Problem Limitation

Due to the limitations of time of research, which started from December 2020 and finished in April 2021, this study is limited only to “Influence of Sales Promotion and Social Media Marketing” towards “Consumer Purchase Decision” at PT Alfa Scorpii A.R. Hakim Medan; with the scope of the company’s problems limited to its sales of products. The study has influence of sales promotion and social media marketing as the independent variables, and consumer purchase decision as dependent variable. Respondents, who are customers of PT Alfa Scorpii AR Hakim Medan will be selected by random and given a questionnaire to be answered to; it is also to be noted that while PT Alfa Scorpii A.R. Hakim Medan has several NEQ (Near-Easy-Quick) shops which also serve consumers in motorcycle purchase and maintenance, the respondents in this research is limited to the main office only. The data will then be analyzed quantitatively and using the SPSS software.

1.3 Problem Formulation

Determining the influence of sales promotion and social media marketing towards consumer purchase decision is the intention of this research, therefore it attempts to answer the following questions:

1. Does sales promotion influence consumer purchase decision in PT Alfa Scorpil A.R. Hakim Medan?
2. Does social media marketing influence consumer purchase decision in PT Alfa Scorpil A.R. Hakim Medan?
3. Do sales promotion and social media marketing, simultaneously, have an influence on consumer purchase decision in PT Alfa Scorpil A.R. Hakim Medan?

1.4 Research Objectives

The purpose of this study is:

1. To analyze the influence of sales promotion towards consumer purchase decision in PT Alfa Scorpil A.R. Hakim Medan.
2. To analyze the influence of social media marketing towards consumer purchase decision in PT Alfa Scorpil A.R. Hakim Medan.
3. To analyze the simultaneous influence of sales promotion and social media marketing towards consumer purchase decision in PT Alfa Scorpil A.R. Hakim Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

The theoretical benefit expected of this study is to become a basis and reference to further studies that relate to the influence of sales promotion and social media marketing towards consumer purchase decision, and become the subject for further studies.

1.5.2 Practical Benefit

Benefits of this research are:

1. For the writer to gain knowledge of the influence of sales promotion and social media marketing towards consumer purchase decision.
2. For the company to understand the influence of sales promotion and social media marketing towards its consumers' purchase decision, in order to make better decision and adjustments in their sales promotion and social media marketing program.
3. For other researchers, as reference and information for those who researches on influence of sales promotion and social media marketing towards consumer purchase decision.