

CHAPTER I

INTRODUCTION

1.1 Background of Study

The development of the supermarket business in recent years has experienced good development. The increase in consumption every year triggers the growth of this industry to increase. Thus, it is necessary to have good entrepreneurial management skills in shaping and maintaining current business activities. The growth of the modern retail industry until next year is projected to be sluggish again because it still has to face several obstacles, one of which is the threat of a never-ending trade war between China and the United States (US).

(<http://www.ekonomi.bisnis.com>, retrieved on 18th November 2019)

Entrepreneurship or new firm formation is a fundamental economic geography process. Although empirical research by economic geographers historically has focused on large firms as employers and as agents of globalization, large firms typically start small and attract interest only after they become large. Perhaps partly in reaction to the decline in new firms in recent decades. (Malecki, 2018)

The consumer buying decision process is a systematic way of looking at how a consumer makes the decision to purchase a product or services. These basic psychological processes play an important role in understanding how consumers actually make their buying decisions. Smart companies try to fully understand the

customers' buying decision-making process and their experiences in learning, choosing, using, and disposing of a product. (Al-Dmour, 2017)

Every year the retail business experiences rapid growth, especially in modern retails such as minimarkets, supermarkets and other hypermarkets, which are increasingly developing and competitive in shifting customers. Therefore, companies that can win the competition are companies that are able to produce products according to customer demand.

Consumer purchasing behavior can be said to be something unique because everyone has different preferences for each desired product. The process of purchase decisions is all experienced in learning, choosing, using, and disposing a certain product by a consumer. A smart company will always tries to understand how the process of purchase decision works for their consumer. (Gandhy, 2018)

The product quality is a factor to support purchasing decisions. Atmosphere of competition and the increasing demand by consumers led many companies realize that they need to produce a quality product that can competes in the market. A company should be able to perform a variety of effort and strategy to master the market position and strive to improve and develop the quality of the product. (Brata et al, 2017).

PT Suriatama Mahkota Kencana with the logo SUZUYA derived from Japanese word which means jingling wood. Suzuya is Family Company build by Mr.Aldes. Now the management, led by Mr. Alvin Maryono as the successor of the family business. The application of the entrepreneurial principle is also

applied quite well by the company with very good development from PT Suriatama Mahkota Kencana and the Suzuya brand itself. First established in 1983 with a small 77.5 m² stall under the name SUZUYA Boutique, over time the area expanded to 180m² under the name SUZUYA Fashion. Burned down, in 1988 it was reopened with an area of 900m² under the name SUZUYA Department Store. In 2007, it continued to develop into SUZUYA Group with a wider scope. SUZUYA has 9 business units which synergize with each other, namely: Department Stores, Supermarkets, SuperStore, Fashion Outlet (Romp), Furniture Plaza, Hotel and Restaurant. Currently, Suzuya Groups have 26 outlets which are spread across 11 cities, namely: Medan, Tanjung Morawa, Marelana, Binjai, Pematang Siantar, Rantau Prapat, Bagan Batu, Pekanbaru, Padang, Lhokseumawe and Banda Aceh.

Currently, the company is experiencing a decline in consumer purchasing decisions. This can be seen from the decline in sales experienced by the company. The decline in sales from 2015 to 2019 shows that there has been a decrease in purchasing decisions for products sold by the company. The following is the sales data of PT Suriatama Mahkota Kencana in 2019

Table 1.1
Sales Data of PTSuriatama Mahkota Kencana
2015 - 2019

Year	Sales Target	Sales Revenue	Percentage %
2015	70,000,000,000	65,972,500,000	94.25%
2016	70,000,000,000	62,970,550,000	89.96%
2017	85,000,000,000	61,957,500,000	72.89%
2018	85,000,000,000	61,550,600,000	72.41%
2019	85,000,000,000	58,952,000,000	69.36%

Source: PT Suriatama Mahkota Kencana, 2015-2019

In the sales data for all outlets SUZUYA in the Medan area, the companies tend to experience a decline in sales. In addition, the decline in consumer buying interest due to the economic slowdown is also a problem for the companies. The decline in sales that occurred was allegedly due to high complaints about product quality problems in the company.

In terms of product quality owned by PT Suriatama Mahkota Kencana (SUZUYA), the supermarket products sold to consumers always have product quality maintained by the companies. The companies always perform standards to ensure that consumers' products are still in good condition in terms of physic and quality. However, management continues to face various complaints to maintain product quality because the number of products is quite large and varied, resulting strict control of product quality is difficult to run properly. The following is data on product quality complaints in the company from 2015 to 2019.

Table 1.2
Complaint Data of PT. Suriatama Mahkota Kencana
2015 - 2019

Year	Amount of Complaints	Reason of Complaints
2015	153	1. Food products have expired 2. There is damage to products sold in bundles 3. Lack of product promotion, if the product is not sold out 4. Products often do not have sufficient stock 5. The duration of the latest product updates on the market
2016	164	
2017	152	
2018	155	
2019	165	

Source: PT Suriatama Mahkota Kencana, 2015-2019

From the complaint data received by SUZUYA, it can be seen that the number of complaints in the company is still quite high on retail store products sold. This shows that the decline in purchasing decisions that occur can also be caused by complaints about product quality problems that are still quite high in the companies.

The main problem experienced from the author's observations in this study regarding the decline in consumer purchasing decisions can be seen from the decline in sales experienced in the last 5 years. This problem is thought to be caused by product quality that still does not meet consumer expectations as seen from consumer complaint data which is still quite frequent.

Based on the described, the writer decided to do research with the title **"The Influence of Product Quality towards Customer Purchasing Decision at PT Suriatama Mahkota Kencana"**

1.2 Problem Limitation

This research will limit the problem regarding product quality and purchasing decisions. The population in this research is 185 customers. Population from loyal customers within February 2021 from 3 Suzuya branches Medan Supermarket Marelán, Kampung Baru.

With the limited knowledge and abilities possessed by the writer in conducting research, the writer focuses on product quality (X) as independent variable as the writer will take the indicator from Almirah and Sutanto (2018), which is about: performance, features, reliability, durability. The writer focuses on customer satisfaction (Y) as the dependent variable as the writer will take the indicator from Ariella (2018), which is about: problem recognition, information search, evaluation of alternatives, purchase decisions, and post-purchase behavior.

1.3 Problem Formulation

Based on the problem identification, the authors formulate problems in this study include is:

1. How about product quality at PT Suriatama Mahkota Kencana?
2. How about customer purchasing decision at PT Suriatama Mahkota Kencana?
3. Does the product quality have an influence on customer purchasing decision at PT Suriatama Mahkota Kencana?

1.4 Objective of the Research

The objectives of the writer are:

1. To explain about the product quality at PT.Suriatama Mahkota Kencana
2. To explain about the customer purchasing decision at PT Suriatama Mahkota Kencana
3. To analyze whether product quality has influence towards customer purchasing decision at PT Suriatama Mahkota Kencana

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

The theoretical benefits of this research are as follows:

1. Enrich the knowledge of the writer by doing the research. Also, increase the experience of the writer in doing research.
2. Become reading material for all students at Universitas Pelita Harapan, Medan

1.5.2 Practical Benefit

The practical benefits of this study related to product quality and customer satisfaction are as follows:

1. To the companies: to get information whether the survey that has been made will be useful to improve the company's productivity.
2. To other people, future researchers and readers: to be a guide in leading the readers to do another research that are compatible with this research.
3. To gain insight about what is needed to update the relevant data provided from this research, so that readers will get a picture on how to improve the quality of their data.

