

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The development in tourism industry in Medan has been able to drive sectors that have a direct relationship with tourism industry, such as the hotel, restaurant, entertainment and others sector (Dalimunthe, 2019). The development of culinary business today is increasing rapidly and causes every culinary company must be able to compete strictly. The condition of society as consumers of various types of food today is increasingly showing development. This certainly happens in line with the increasing purchasing power of the society, so the needs of the society are also very diverse. Currently consumers in making choices when buying food is not only influenced by the taste of food but also influenced by several other factors, such as the price of food and the form of promotion run by the culinary companies. As a result of these factors, of course, consumer interest in a product also varies.

The decision to buy is based on the results of the previous activity including determining what to buy or not a purchase decision (Assauri, 2018). In the purchase decision, there are two parties involved in the exchange and purchase process, namely the seller and the consumer. So that without the right seller activity to consumers, product sales will decrease in line with the decrease in purchasing decisions from consumers and vice versa with sales activities such as

proper promotion to consumers, product sales will increase in line with increasing purchasing decisions from consumers.

Price becomes a factor that has a real and strong influence on the interest of consumers to make purchases. According to Sunyoto (2017), a certain number of products must be obtained at the price. Price is frequently used as a value indicator from a consumer perspective when price is linked to perceived benefits of a product or service. So the policy to set prices that are constantly changing all the time sometimes affects consumer interest. In other words, high price can lower consumer interest in purchasing the product or service, and vice-versa, low price could enhance consumers' intention to buy a product/ service.

In addition to price, to see the development of the purchase of a product, the company can pay attention to the activities contained in the company's promotional strategy including advertising, sales promotion, personal sales, publicity, direct marketing. Kotler and Keller (2016, p.47) mention that promotions are activities that communicate product excellence and persuade target customers to buy them. By paying attention to promotional activities, the company can communicate products to consumers so that consumers can know various information about the products they want. However, without good promotional activities, consumers or prospective customers will not get information about the desired product, causing consumers not interested in buying products offered by the company.

The author chose Wowrung Medan as the research location to be researched further. Wowrung which is located at Jalan Adam Malik Medan is one

of the places to eat that is quite liked by the people of Medan city so as to allow Wowrung Medan to increase their purchasing decisions from the sales of various food and beverages available at Wowrung Medan. However, when making observations, the writer is informed that the purchase decision at Wowrung Medan is not always good. This can be seen from the number of consumers who come to eat at Wowrung Medan for the last four years.

Table 1.1 Amount of Consumers of Wowrung Medan from January to December 2020

Month	Total Consumers	Consumer Differences	% Consumer Differences
January	1.598	-	-
February	1.521	-77	-4,82%
March	1.483	-38	-2,50%
April	1.357	-126	-8,50%
May	1.228	-129	-9,51%
June	1.185	-43	-3,50%
July	1.140	-45	-3,80%
August	1.095	-45	-3,95%
September	1.026	-69	-6,30%
October	930	-96	-9,36%
November	815	-115	-12,37%
December	702	-113	-13,87%

Source: Wowrung Medan, 2021

From this data can be explained that in the consumer environment, Wowrung Medan calculates based on the number of invoices or bonds received in per month. From the data above, it can be concluded that the number of consumers of Wowrung Medan decreases every month, this is because of the consumers do not know Wowrung Medan such as the taste or food offered by Wowrung Medan, consumers receive little information about Wowrung Medan from print media, consumers are still not sure about the food at Wowrung Medan

and after eating at Wowrung Medan, consumers did not feel happy or satisfied so consumers choose other places.

The decrease in purchasing decisions seen from the number of consumers due to price factors including Wowrung Medan is still less efficient in promoting food to be offered to consumers so that consumers feel the prices offered to consumers are still more expensive if consumers buy food in other places such as Lembur Kuring restaurants. In addition, the price of food listed on the Wowrung Medan food menu is still not in accordance with the taste desired by consumers which makes consumers not interested in buying food in the future and consumers feel that the price of food offered by Wowrung Medan is still far different from the price of food offered in the other places so that consumers feel unsure about their food purchase decisions at Wowrung Medan.

The decrease in purchasing decisions was also caused by the promotional factors of Wowrung Medan's food, including in terms of making advertisements, there were still problems with language quality where the language of food promo advertisements was still less attractive so that most consumers did not see the food promos made by Wowrung Medan. In addition, Wowrung Medan is a place for food that can be ordered through the Go Food application, but in carrying out food promotions, the food provided in a special menu is often unattractive which makes consumers switch to buying food menus elsewhere. And during the food promotion period from Wowrung Medan in the Go Food application, consumers were not satisfied with the Rp 6,000 discount because there were still cheap food

prices and in accordance with the tastes desired by consumers so that consumers were not interested in buying food at Wowrung Medan.

From the previous descriptions, making the writer is conducting research with the title: **“The Effect of Price and Promotion on Purchase Decision at Wowrung Medan”**.

1.2 Problem Limitation

The problem limitation is used to avoid irregularities or broadening of the core topic, allowing the research to be more focused and the debate to be more productive, allowing the study objectives to be met. Price and promotion as independent factors (X) and purchasing decision as dependent variables are some of the concerns in this study's limitations (Y). The research was conducted at Wowrung Medan located on Jl. Adam Malik No. 36, West Medan, North Sumatra. The population and samples used are all consumers who come and eat at Wowrung Medan during 2020.

1.3 Problem Formulation

Price and promotion are the keys to a company's success in improving purchase decision. The problem formulation in this study is as follows, based on the context stated by the writers:

1. Does the Price has a significance effect on Purchase Decision at Wowrung Medan?

2. Does the Promotion has a significance effect on Purchase Decision at Wowrung Medan?
3. Does the Price and Promotion has a significance effect on Purchase Decision at Wowrung Medan?

1.4 Objective of the Research

The objective of this research is:

1. To explain how Price has a significance effect on Purchase Decision at Wowrung Medan.
2. To explain how Promotion has a significance effect on Purchase Decision at Wowrung Medan
3. To explain how Price and Promotion has a significance effect on Purchase Decision at Wowrung Medan.

1.5 Benefit of the Research

Based on the objectives of the research to be achieved, this research is expected to have benefits in education both directly and indirectly. The benefits of this research are as follows:

1.5.1 Theoretical Benefit

The theoretical benefits of this research consist of:

1. For the writer, this research can be used as information in developing knowledge about how the relationships of price and promotion with improving purchase decision at business world.

2. For other researcher, other researchers can use the results of this research as a reference in developing further research with titles related to purchase decision.
3. For University, expected to be used to add references as a further research material in the future.

1.5.2 Practical Benefit

The practical benefits of this research consist of:

1. For Wowrung Medan, the results of this study can provide additional information and benefits for the company to be used as an overview in determining the right steps in order to improve the purchasing decisions so that the company is able to carry out strategies related to price and promotion.
2. For other culinary companies, this research can provide input in management about prices and promotions and also can provide input on how to improve purchasing decisions in the future.