

# **CHAPTER I**

## **INTRODUCTION**

### **1.1. Background of the Study**

According to American Marketing Association (2000) in Deepak and Jayakumar (2019:1), marketing is an organizational function and set of processes for creating, communication, and delivering value to customers, and for managing relationships in a way that benefit both the organization and the stakeholder.

The company's ability to develop and maintain the business is one part of the marketing carried out. Marketing is the process of selling products to consumers to gain profit for the company. According to Mothersbaugh (2019), the marketing mix is used to design a marketing plan, which includes identifying the features, prices, communications, distribution, and services that will give customers with the best overall value for their money. It's common to refer to the full set of qualities as the total product. Individuals and households are constantly processing information and making decisions to preserve or improve their quality of life or performance, thus the entire product is presented to the target market (businesses and other organizations).

Purchasing decisions are decisions made and given by customers according to the products and services they will use. According to Jasmani and Sunarsi (2020), purchasing decisions are greatly influenced by consumer behavior. The purchase decision process is the solution of problems in order to meet the desires or needs of consumers. Purchasing decisions are decisions that are influenced by financial

economics, technology, politics, culture, products, prices, locations, promotions, physical, people and processes so as to form an attitude to consumers to process all information and draw conclusions in the form of responses that appear what products will be bought.

Price is the value offered by the company to customers in exchange for a product. Competitive pricing will be one of the considerations for customers in buying a product. According to Lie et al (2019), price measurements play a vital role in the process of interchange with an object with a clear pricing list. Price is the quantity money available to get a mixture of goods and products service.

Service quality is a form of service provided in meeting customer expectations and desires when using products in the company. According to Egdair and Abdelsalam (2020), service quality is limited to individual customer perceptions, which makes it an intangible aspect. Service can be interpreted as equating the expectations and needs of employees, customers, and owners. Customer needs and expectations must be consistently met by service.

CV Indah Jaya Lestari is a company engaged in the distribution of cosmetics. The company's marketing area is currently located in Medan and its surroundings. At this time the company experienced a decline in consumer purchasing decisions. This can be seen from the number of consumers who have decreased and have an impact on sales owned by the company. The following is sales data at the company currently.

In the aspect of price, where CV Indah Jaya Lestari offers customers a high price, so it is not uncommon for customers to compare prices with the offers given

by CV Indah Jaya Lestari and decide to buy elsewhere. At the price offered by CV Indah Jaya Lestari has competitive prices and complete products in supporting the company to make sales. At the price offered has a price that can compete with other similar companies. The following is the product price data in CV Indah Jaya Lestari.

**Table 1.1**  
**Product Price at CV Indah Jaya Lestari**

Cosmetic Merk	Type	Price
Whitelab	Face Scrum	Rp 75.000
	Face Toner	Rp 42.000
	Day Cream	Rp 59.000
	Night Cream	Rp 64.000
	Facial Wash	Rp 37.000
	Sunscreen	Rp 75.000
	Body Serum	Rp 67.000
	Eye Cream	Rp 75.000
Everwhite	Facial Wash	Rp 58.000
	Brightening Essence Serum	Rp 125.000
	Day Cream	Rp 95.000
	Night Cream	Rp 115.000
	Essence Toner	Rp 78.000
Somethinc	Brightening Body Cream	Rp 77.000
	Ombrella Liptint	Rp 59.000
	Fabric Lasting Tint	Rp 79.000
	Wake Me Up Concealer	Rp 79.000
	Copy Paste Cushion	Rp 185.000
	Forever Stay Waterproof Eyeliner	Rp 59.000
	Superstar Eyeshadow Pallette	Rp 180.000
	Immortal Highlighter	Rp 79.000

Source: CV Indah Jaya Lestari, 2022

At the prices offered by CV Indah Jaya Lestari, the prices are quite diverse and competitive for each product. However, the price offered at this time cannot compete to increase the company's current income. In addition, customers also complain about the problem of product discounts that are not provided by the company, and the company's payment method that only provides credit for a maximum of 1 year is also a complaint from customers. The following is sales data from CV Indah Jaya Lestari from 2019 to 2021.

**Table 1.2**  
**List of sales value at CV Indah Jaya Lestari**

Month	Year		
	2019	2020	2021
January	579,000,000	371,000,000	359,000,000
February	555,000,000	322,000,000	305,000,000
March	320,000,000	420,000,000	350,000,000
April	537,500,000	437,500,000	367,500,000
May	351,000,000	471,000,000	321,000,000
June	325,000,000	455,000,000	315,000,000
July	560,000,000	460,000,000	320,000,000
August	568,500,000	468,500,000	828,500,000
September	390,000,000	430,000,000	320,000,000
October	350,000,000	450,000,000	320,000,000
November	360,000,000	320,000,000	330,000,000
December	338,500,000	428,500,000	350,000,000
TOTAL	5,234,500,000	5,033,500,000	4,486,000,000
Percentage	-	-2.6%	-14%

Source: CV Indah Jaya Lestari, 2022

From the sales data in the table, the number of sales shows that CV Indah Jaya Lestari has decreased from 2019 to 2021. The decline in sales that occurred shows that there has been a decrease in purchasing decisions from customers. Sales decline from 2019 to 2020 by 2.6% and to 2021 by 14%. The high percentage of sales decline shows that the company is not able to maintain customer purchasing decisions. Declining purchasing decisions show that consumers are decreasing their interest in purchasing decisions that are currently in the company.

Companies really need to maintain the quality of service provided to customers. With good service, it will make customers comfortable to continue buying products from the company. While on the quality of service, CV Indah Jaya Lestari is less capable in providing good service to customers. This can be seen from the complaints from customers regarding unsatisfactory service and complaints from customers. The following is data on complaints from customers.

**Table 1.3**  
**Complaint data at CV Indah Jaya Lestari**

Month	Complaints			Problems
	2019	2020	2021	
January	2	4	3	1. Employees speak impolite 2. Product returns that have been processed for a long time 3. Error in recording payment notes 4. Items delivered are incomplete 5. Unable to explain answers well to customers 6. Not active in communicating with customers
February	4	2	4	
March	2	1	2	
April	3	2	2	
May	2	1	3	
June	2	2	4	
July	2	3	2	
August	0	2	3	
September	0	0	2	
October	2	2	1	
November	2	1	3	
December	3	2	-	
Total	24	22	29	

Source: CV Indah Jaya Lestari, 2022

From table 1.2, customers who filed complaints increased from 2020 to 2021 with problems including employees who spoke impolitely, could not explain products properly, lack of communication, length of product returns and errors in preparing payments to customers. The increase in complaints that occur shows that the current quality of service is not in line with the expectations of customers.

The writer chooses the price variable as the variable of this research because the price offered is still highly valued by customers, the price discount given is only for a certain amount and the types of payments are less diverse. In addition, the current service quality has not been assessed according to customer expectations because there are still complaints that occur because the service is considered not optimal by the customer.

Based on this review in background of the study, the writer decides to conduct a research entitled **“The Effect of Price and Service Quality towards Customer Purchase Decision at CV Indah Jaya Lestari”**

## **1.2. Problem Limitation**

The writer of this study will collect data through the employee and customers from CV Indah Jaya Lestari. The object of research is customers of CV Indah Jaya Lestari. However, due to the limitation of time, budget, and data access. In this research, the writer will focus only on price and service quality and relationship towards purchase decision. Problem limitations are price and service quality as the independent variable (x) and purchase decision as the dependent variable (y).

Indicators of price as the independent variables include variables include affordability of price, match price with product quality, price competitiveness, price match with benefits (Lubis, 2016), indicators of service quality include tangibles, assurance, reliability, responsiveness, empathy as the independent variables (Allarusi and Alkhamim 2016) and indicators of purchase decision as the dependent variables include introduction of needs, information search, alternative evaluation, buying decision and behaviour after purchase product quality (Anggita and Ali, 2017).

## **1.3. Problem Formulation**

Based on the background of the study, the question to be answered in this research are as follows:

- a. How about the price implemented by CV Indah Jaya Lestari?
- b. How is the service quality provided by CV Indah Jaya Lestari?
- c. How is the customer purchase decision at CV Indah Jaya Lestari?

- d. Does price have partial influence on customer purchase decision at CV Indah Jaya Lestari?
- e. Does service quality have partial influence on customer purchase decision at CV Indah Jaya Lestari?
- f. Do price and service quality have simultaneous influence on customer purchase decision at CV Indah Jaya Lestari?

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

The objective of this research are as follows:

- a. To assess price at CV Indah Jaya Lestari.
- b. To explain service quality at CV Indah Jaya Lestari.
- c. To evaluate about customer purchase decision at CV Indah Jaya Lestari.
- d. To determine whether price has effect on customer purchase decision at CV Indah Jaya Lestari.
- e. To identify whether service quality has effect on customer purchase decision at CV Indah Jaya Lestari.
- f. To investigate whether price and service quality have effect on customer purchase decision at CV Indah Jaya Lestari.

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

The benefit of this research are as follows:

### **1.5.1. Theoretical Benefit**

The results of this research are expected to contribute to the existing theories relevant with price and service quality and their effect on customer purchase decision.

### **1.5.2. Practical Benefit**

- a. For the writer, the result of this research is expected to contribute to the exciting theories relevant with price and service quality have effect on customer purchase decision.
- b. For CV Indah Jaya Lestari, this research as information about whether the survey that has been made will be useful to improve the company's performance.
- c. For other researchers, to be a guide or reference in leading the researcher to do other research that is compatible with this research.