

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In the current era of globalization, the development of many sectors occurs rapidly, which leads to economic growth of many countries, including Indonesia. Indonesia is classified as a developing country and the country shows huge progress in the growth of the country's economy, hence, allowing Indonesia to achieve the status as the largest economy in South East Asia by the World Bank.

Government Regulation No. 14/2015, stated that Various Industry is one of the leading sectors that is continuously being developed in Indonesia. One of the sectors that is included in Various Industry is the stationery industry. (Roesfitawati, 2017) According to the research result done by Cekindo, the stationery industry in Indonesia is growing significantly along with economic developments and changes in demographic, technological and seasonal trends. Furthermore, Statista also revealed that the total revenue in the "Stationery and Hobbies" sector has reached IDR 11.7 trillion (USD 835 million) in 2018, with an annual growth rate of 17.8% (CAGR 2018-2022), contributing to a market volume of IDR 22.6 trillion (USD 1.608 million) in 2022 and the main contributors in the Indonesian market are specialty stationery stores, bookstores, supermarkets and other large business centres. The demand for stationary products mostly stems from workers, students and the general public, allowing

companies operating in the stationary sector to have a wider market. Furthermore, Indonesia has made an impressive progress over the past 15 years in terms of expanding the level of access of its citizens to education. Student enrolment in Indonesia is increasing by more than 10 million, or 31 % since the year 2002. (Britto, 2020) Indonesia's increasing literacy rate, education level and economic growth provides huge opportunities for businesses operating in the stationery industry due to the increasing number of schools and offices that resulted in the increasing number of demands for stationary products. (Roesfitawati, 2017) The growing demand for stationery products, both locally and globally has encouraged entrepreneurs in the stationary sector to improve the level of the competitiveness of their businesses. However, according to Schmidt (2020), the occurrence of COVID-19 pandemic has significantly impacted the stationery industry negatively. Schmidt (2020) remarked that COVID-19 has contributed a lot to the decline in the stationery industry mainly due to the closing of offices and the increasing rate of employees working from home. With the increasing level of competition in the stationary sector and the negative impact of COVID-19, companies should aim to stay alert of customers' needs and wants in order to meet customers' expectations compared to the competitors, especially at times of the pandemic.

Customer purchase decision is defined as the final decision of individuals and households to buy goods and services for personal consumptions. (Ambarwati, 2020) therefore, it can be concluded that customer purchase behaviour is an important factor for firms to pay attention to in order to design

and implement marketing strategies that will attract and retain customers to keep on purchase from the company.

One of the most important factors that contributes to customers' purchase decision is the variation and completeness of products, including the diversity of the products sold, brands variation, types and sizes of product packaging. The higher product diversity and the more complete the products that a store offer, the more it would attract and influence customers purchase decision, since customers tend to choose stores that offer varied and complete products regarding the area of the store and the quality of the goods sold (Raharjani, 2020).

Kotler and Keller (2018) stated that price perception of customers will also influence customers' decision-making process to purchase the products. Perception is defined as a process when person selects, organizes and translates information stimuli into a comprehensive picture. (Utami, 2020) Price, on the other hand, is an element of marketing mix that is always present whenever a product or service is being offered to the market as price can strongly influence company's profit by influencing customers' purchase behaviour. (Schiffman, 2020) Thus, price perception also plays a huge role in customers' purchase decision.

Service is defined as action or activity that can be offered by one party to another. (Kotler et al, 2018) In principle, service quality aims to fulfil customer needs to meet customer expectations. Based on customers' perspective, service quality is the extent of the service they receive when compared to their expectations. Hence, when service meets customers' expectations, the service quality is known to be ideal. On the other hand, if service does not meet

customers' expectations, service quality will be perceived as bad or negative. (Ambarwati, 2020)

PT Pustaka Benua is a company that was established in the year 1964 in Medan, Indonesia. PT Pustaka Benua, Medan provides many varieties and types of stationeries. The company's vision is to be able to optimally serve its customers' demand for any stationery products. The company first started as a small stationery store and slowly expanded by increasing the product lines it offers and also by expanding its customers base, where they started selling stationeries and office supplies to more schools and other offices. The business expansion also resulted to PT Pustaka Benua, Medan to sell to other retailers such as stationery stores and supermarkets. Today, PT Pustaka Benua, Medan's target market consists of companies such as office, schools, supermarkets, department stores, stationary shops and recently, individual customers.

Table 1.1 Revenue Collected Per Customer Group in PT Pustaka Benua, Medan

Year	Revenue collected from	Total Revenue earned
2019	Office, school and resellers	Rp. 11,203,677,646
	Supermarket and department stores	Rp. 1,050,347,500
	Total revenue from companies	Rp. 12,254,025,150
	Individual customers	Rp. 564,350,650
2020	Office, school and resellers	Rp. 8,547,049,700
	Supermarket and department stores	Rp. 516,580,570
	Total revenue from companies	Rp. 9,063,630,270
	Individual customers	Rp. 775,250,300
2021	Office, school and resellers	Rp. 7,439,289,650
	Supermarket and department stores	Rp. 550,206,500
	Total revenue from companies	Rp. 7,989,496,150
	Individual customers	Rp. 750,840,650

Source: Prepared by the writer (2022)

Since COVID-19 pandemic started on the year 2019, the data collected are from the year 2019. Based on the data regarding the revenue contributions of different customer groups displayed above, it can be concluded that total revenue

from the year 2019 to 2021 keeps on declining, including the revenue contribution from the customers who are also companies such as offices, schools, resellers, supermarket and department stores. On the other hand, the revenue generated from individual customers has increased rapidly from the year 2019 to 2020, however, revenue from individual customers fell slightly from the year 2020 to 2021. This conclusion can be explained by the graph displayed below.



Figure 1.1 Revenue Collected from Customers Who are Companies at PT Pustaka Benua, Medan in the Year 2019-2021

Source: Prepared by the writer (2022)

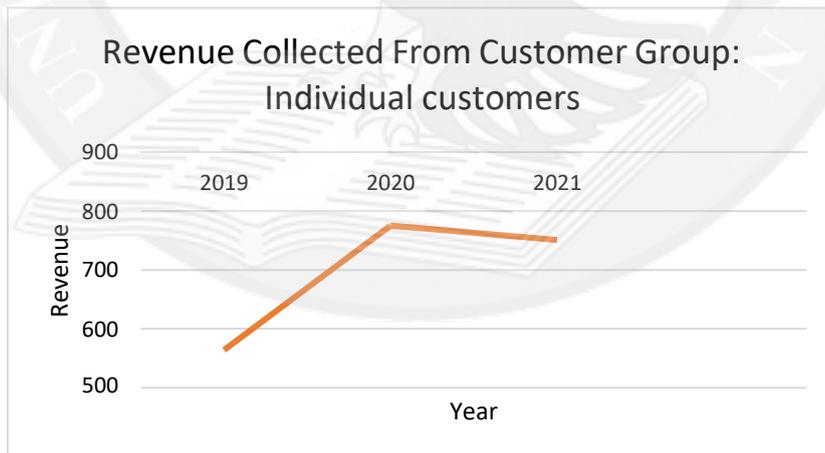


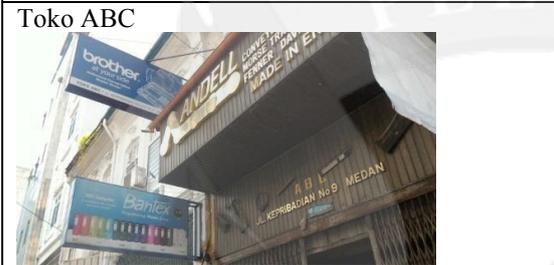
Figure 1.2 Revenue Collected from Individual Customers at PT Pustaka Benua, Medan in the Year 2019-2021

Source: Prepared by the writer (2022)

Based on the interview conducted with the director of PT Pustaka Benua, Medan, it is concluded that ever since COVID-19 pandemic happened, the company is now starting to expand its target market. The sudden change of the company's aim to expand its target market was due to the lasting impacts of COVID-19, as majority of its customer groups which includes schools and especially offices purchases from them are falling rapidly, this is because of the fact that they are still sticking to the implementation of work or study from home and hybrid protocols, this explains the declining revenue collected from customers who are companies and the increasing revenue collected from individual customers from year 2019 to year 2020. However, since revenue from individual customers fell slightly from the year 2020 to 2021, hence, this caused PT Pustaka Benua, Medan to become greatly pressured to improve their retailing and marketing strategies to attract private individuals in order to ensure that the company's revenue will increase and remain. The list of the company's main competitors are as follows:

Table 1.2 Competitors' Description

Company	Ratings	Address	Main Product
Pustaka Benua 	4.5	Jl. Bandung No.24/33, Ps. Baru, Kec. Medan Kota, Kota Medan, Sumatera Utara 20212	Stationery and office supplies
John's Co 	4.3	Jl. Biduk No.34, Petisah Tengah, Kec. Medan Petisah, Kota Medan, Sumatera Utara 20111	Stationery and office supplies
Citra Perdana	4.4	Jl. Palangkaraya	Stationery

		No.22 / 55, Ps. Baru, Kec. Medan Kota, Kota Medan, Sumatera Utara 20212	and office supplies
	4.6	Jl. Palangkaraya No.15/72, Ps. Baru, Kec. Medan Kota, Kota Medan, Sumatera Utara 20212	Stationery and office supplies
	4.3	Jl. Kepribadian No.9, Kesawan, Kec. Medan Bar., Kota Medan, Sumatera Utara 20111	Stationery and office supplies

Source: Google Review (2022)

According to the table above, the ratings of each shop are almost the same, which is around 4.3 and 4.4, except for PT Pustaka Benua, Medan rating of 4.5 and the rating of Mari Mampir store, which is 4.6 and the highest compared to all of the stores displayed on the table above. A more detailed review for each of PT Pustaka Benua's competitors can be found on Google Review. John's Co is known for the completeness of their stationery products that are always available and also for the affordable prices of their products, however, according to Google Review, the service quality rating of this company is low as the complaints include unfriendly employees and also inconvenient parking area for vehicles. Citra Perdana is a stationery company that is also well-known for the completeness of the stationery products that they offer, however, according to Google Review, there are mixed perceptions about the price range of their products where most reviews state that the price is somewhat affordable but there

are several comments that state that the price is much more expensive compared to other stores. The service quality that this company offers are also not very competitive as according to Google Review, the service is slow most of the time due to the lack of employees, especially during busy times when the store is crowded. Mari Mampir offers complete stationery products with a very competitive price and reviews of their service are mostly positive, where the employees are all very friendly and many kinds of payment method are available, however, most customers have problems regarding the lack of parking space around the shop. Toko ABC is also famous for the completeness of stationery products with a very affordable price that it offers, however, according to Google Review, since the shop is always crowded, hence, service can be quite slow.

According to the director of the company, the PT Pustaka Benua's main competitor is Mari Mampir, since the company has a more established line of loyal B2C customers and has the highest rating of 4.6 and the most positive reviews from their customers.

Since PT Pustaka Benua, Medan already has a list of loyal customers who are mostly companies instead of individual customers, by focusing on attracting more individual customers, the company do not have to always rely on the purchases from customers who are companies in the future, this will increase the stability of the company in the future as their market grows from selling mainly to customers who are companies to also selling to individual customers, thus, risks can be spread as the target customers expands. Lastly, due to the fact that every customer that are in the form of companies are paying in credit, whilst all individual customers pay through cash or bank transfers instantly after every of

their purchases, thus, they contribute better in terms of the company's cashflow, therefore, the director mentioned that it is one of PT Pustaka Benua, Medan's aim to focus more to encourage individual customers to purchase from them.

Although the director of PT Pustaka Benua, Medan mentioned the company now aims to focus more on targeting on individual customers, from the results of preliminary interview with the customers who have visited the company, the writer found that the most complaints from individual customers includes problem regarding product diversity, price perception and service quality of the company. It is concluded that product diversity problems include the fact that sometimes the brand, type or stocks of the products that customers want are unavailable. The problem regarding price perception of the individual customers arises mostly due to the fact that some products may cost more compared to other stationery stores if they are not purchased by bulks. The price comparison of several products is as follows:

Table 1.3 Price Comparison Between Bulk and Per Piece Purchases

Products	Price (When purchased per piece)	Price (When purchased per bulk)	Price Difference
Joyko electronic calculator CC-868	Rp. 150,000 / piece	Rp. 100,000 / piece (12 pieces)	Rp. 50,000
Pakar letter file type: 401	Rp. 20,000 / piece	Rp. 14,000 / piece (12 pieces)	Rp. 6,000
Joyko scissors SC-848	Rp. 12,000 /piece	Rp. 6,000 / piece (12 pieces)	Rp. 6,000
Kenko eraser ERW-40SQ	Rp.2,000/piece	Rp. 700/ piece (12 pieces)	Rp. 1,300
Dong-A gel pen	Rp. 9,000 / piece	Rp. 4,000 / piece (12 pieces)	Rp. 5,000

Source: Prepared by the writer (2022)

Lastly, problems regarding service quality happens when the employees can be busy and may not be responsive, reliable and empathetic enough when dealing with the customers during busy times.

Pt. Pustaka Benua

Jl. Bandung No.24/33, Ps. Baru, Kota Medan, Sumatera Utara

4.5 ★★★★★ 8 reviews ⓘ



Jusup Tiono

Local Guide · 96 reviews · 21 photos

★★★★★ 3 years ago

(Translated by Google) Stationery shop, things are complete. . .

(Original)

文具店, 东西齐全。 . .



Figure 1.3 Customer's Review Regarding Product Diversity

Source: Google Review (2022)

Pt. Pustaka Benua

Jl. Bandung No.24/33, Ps. Baru, Kota Medan, Sumatera Utara

4.5 ★★★★★ 8 reviews ⓘ

Sort by

Most relevant

Newest

Highest

Lowest



Delena Lovamez

2 reviews

★★★★★ 14 hours ago **NEW**

This stationery store offers many types of stationery products in an affordable and cheap price. The employees are friendly and they are always there to guide the customers.



Figure 1.4 Customer's Review Regarding Product Diversity, Price Perception and Service Quality

Source: Google Review (2022)

According to the customers' reviews found on Google Review, it can be concluded that although PT Pustaka Benua, Medan already has many types of stationery products that it offers in an affordable price and friendly employees who are always ready to guide the customers, the company should also ensure that the products are always available whenever customers need them, the price perception of the customers regarding the price of the company's products should also reflect the competitive price of the company's products and ensuring

employees are always reliable and can provide quick and reliable service is also important to satisfy customers' needs and expectations whenever they shop.

Based on the discussion above, the writer is interested in determining the influence of product diversity, price perception and service quality on customer purchase decision at PT Pustaka Benua, Medan.

1.2 Problem Limitation

Due to time and budget limitations, the results from the research to be conducted will not perfectly satisfy the accuracy criteria. Therefore, the writer decides to set up several limitations before conducting the research. Limitations set are as follow:

- a. The data collected for this study are sourced from sales data and interviews with the director and customers of PT Pustaka Benua, Medan that is located Jl. Bandung No.24/33, Ps. Baru, Kec. Medan Kota, Kota Medan, Sumatera Utara 20212
- b. Questionnaires that are distributed for research purposes are limited in numbers. 75 respondents consist of people who have purchased from PT Pustaka Benua, Medan at least twice.
- c. The study focuses on only 2 variables, variable X or independent variable includes product diversity, price perception and service quality and customers purchase decision as the variable Y or Dependentvariable.

1.3 Problem Formulation

The purpose of this study is to assess the influence of the aspects that receive the most complaints from the customers at PT Pustaka Benua, Medan on customer purchase decision, hence, the problem formulation of this study will aim to answer the following questions:

- a. Does product diversity have partial influence on customer purchase decision at PT Pustaka Benua, Medan?
- b. Does price perception have partial influence on customer purchase decision at PT Pustaka Benua, Medan?
- c. Does service quality have partial influence on customer purchase decision at PT Pustaka Benua, Medan?
- d. Do product diversity, price perception and service quality have simultaneous influence on customer purchase decision at PT Pustaka Benua, Medan?

1.4 Objective of the Research

To answer the problems stated on this study, the objectives of this research include:

- a. To explain whether product diversity has partial influence on customer purchase decision at PT Pustaka Benua, Medan.
- b. To describe whether price perception has partial influence on customer purchase decision at PT Pustaka Benua, Medan.
- c. To assess whether service quality has partial influence on customer purchase decision at PT Pustaka Benua, Medan.

- d. To investigate whether product diversity, price perception and service quality have simultaneous influence on customer purchase decision at PT Pustaka Benua, Medan.

1.5 Benefit of the Research

This study aims to assess the influence of product diversity, price perception and service quality, which are the aspects that receive the most complaints from the customers towards customers purchase decision at PT Pustaka Benua, Medan. This study will present 2 types of benefits, which consist of theoretical benefits and practical benefits.

1.5.1 Theoretical Benefit

The theoretical benefit of this study is to determine whether product diversity, price perception and service quality, which are the aspects that receive the most complaints from the customers towards customers purchase decision at PT Pustaka Benua, Medan, is able to influence customers purchase decision of the company. Furthermore, this study will allow readers to gain more insights regarding the theories about the product diversity, price perception, service quality, customer purchase decision and how they can influence each other.

1.5.2 Practical Benefit

Other than theoretical benefit, this study also provides practical benefits that can prove to be useful:

- a. For the writer, this study will help the writer to gain more knowledge regarding product diversity, price perception, service quality and customer purchase decision.
- b. For the company, this study can be used as a guidance for the company to make better decision that are supported by this research.
- c. For other researchers, this study can be used as a reference for those who are conducting a study that is similar or related to this study.

