

CHAPTER I

INTRODUCTION

1.1. Background of Study

The current conditions really have an impact on many things, one of which is the economic sector, where there is a decrease in purchasing power or demand from consumers because they try to save expenses wisely, manage their financial allocations very selectively, especially in buying goods or using services that are not very it is necessary / not very urgent, so whether we like it or not, many small and large companies feel the impact, where their production activities are not as high as usual, the amount of turnover income has decreased, sales have not reached the target (Apriyanti, 2020).

Purchasing decisions are reasons for how consumers make choices about purchasing a product that is in accordance with their needs, desires, and expectations, so that it can lead to satisfaction or dissatisfaction with the product. In other words, for someone to decide, there must be alternative choices available. Purchasing decisions are consumer decisions regarding preferences for brands in the choice set (Faozi and Handayani, 2019).

When purchasing products, customer unconsciously go through several considerations before finally deciding to buy products or not. There are many things to consider ranging from personal judgement and ranges, cultural and social factors and much more. As for the company, whether offline or online,

understanding these factors can help the company to develop strategies to reach customer and increase business sales. Some factors that influence the purchase

decision in common are easy access, store and product display, information, availability and product quality, affordable prices, attractive promotions, easy to understand communication, reviews from other buyers, service quality and delivery time. Since the use of social media such as Instagram, Facebook, and marketplace become very high, the social media has become one of the factors that influence purchase decision (Ivana, 2021).

Social media is now an inseparable part of the daily life of customers. Social media is very embedded in the daily communication of customers and has taken an important position in people live. Social media is an activity and behavior among communities of people who congregate online. Social media can

be used to share knowledge, information, and opinions using web-based applications/ media. Social media will influence customers from information seeking to buying behavior. The research done by Indriyani and Suri (2020) showed that the social media influences purchase decision.

Furthermore, the research done by Hasan and Sohail (2020) describe social media as the way for company to build the brand trust, brand community, brand awareness, interaction, and emotional attachment. It is aimed to boost the purchase decision. Diventy et al. (2020) described in their research that social media marketing influences purchasing decisions, because the social media

allows company to engage, interact and taking advantages from the customer intention to buy.

Besides the social media, purchase decision can also be influenced by promotion. Promotion is a persuasive communication, invites, urges, persuades, presents. Characteristics of persuasive communication are communicators who plan to organize the news and the way it is delivered to get certain consequences in the attitude and behavior of the recipient (target listener). The promotion can influence the purchase decision if the customers can be persuaded by these activities (Hidayat, 2021).

All parts of promotion activities such as sales promotion, personal selling, direct marketing, advertising, and public relation have direct correlation with the customer's purchase decision (Worku and Mohammednur, 2020). The promotion factor carried out by the company becomes very important because it is a form of marketing communication, since it is a marketing activity that seeks to

disseminate information, influence, persuade and remind the market. With a planned promotion, company can approach potential buyers to buy products they offered.

Product quality can be understood as the ability of a product to carry out its functions so that it can bring benefits to customers. Functions here include durability, reliability, ease of operation, product repair matters as well as other attribute and additional values embedded in the products. Practically, it is very important for company to maintain its product quality. The research by Yulianvera and Ruknan (2022) showed that product quality has a significant

influence towards purchase decision since product has become an important instrument to achieve company success.

Furthermore, Santoso and Sispradana (2021) explained that customers who receive quality products will get value from the products. Good products owned by the company will increase or speed up the purchase decision. Product quality can arise from one's own experience which is the basis for reference about a product. Product quality indicates that customers have positive information about the products. Purchase decision will be triggered by good product quality.

In this research, the writer will use PT Golgon as the research object. This is because PT Golgon is a company that has been established for a long period of time, has experienced an expansion of the products (from iron to households), so it is believed that the company has undergone various changes in its sales strategy so that it can survive this long. In addition, PT Golgon has also used social media such as Instagram and Facebook so that it is very suitable for the research subject.

In this research, the writer will focus on the individual customer, which buy products directly from the company.

PT Golgon, Medan was founded by Mrs. Supina in 1965 as one of the manufacturing and supplier companies that engaged for iron (*besi dan paku*) industry. As the time goes, PT Golgon as one of the consistent ventures in Medan, in a time also focusing for household product at once. The purpose of PT Golgon offered a variety of product, because PT Golgon believes that customer satisfaction is a very important factor for the company's growth in the

future. In addition, PT Golgon also strives to maintain their performance by offering high value of product quality or services.

The company has several competitors engaged in the same production sector. Companies often conduct market research, by purchasing products from competitors to be able to perform surgery on their products so that the quality of the products offered is known. The company also always follows the development of marketing strategies carried out by its competitors, so that the next steps can be taken to be able to compete. Furthermore, the company also pays attention to the prices and models made by competitors, so that the company can take preventive steps to win the market.

The phenomenon in this company, namely a decrease in purchase decision that can be seen from a decrease in the sales value from year to year. The data below showed the decline in sales:

Table 1.1. Sales Data in 2017 - 2021

Year	Sales	Percentage
2017	Rp29.550.000.000,-	-
2018	Rp28.750.000.000,-	(2.71%)
2019	Rp28.500.000.000,-	(0.87%)
2020	Rp27.500.000.000,-	(3.51%)
2021	Rp25.250.000.000,-	(8.18%)

Source: PT Golgon, 2022

Based on the above table, the sales of household product have been declined from years to years. Besides, the decline in purchase decision can be seen from the decrease in regular customers, meaning that the customers who previously made routine purchases are no longer making purchases from the company. The marketing team in the company is also having hard time to find new prospective customers for the company.

One of the problems that caused decline in purchase decision is social media. Social media that are often used for marketing include Facebook and Instagram. Through this media, company or brand can carry out structured and targeted marketing activities. Marketing with social media is not always related to buying or selling directly. In this marketing, the company can market content in the form of posts on the web, images, or videos.

The problems in the company are that even though the company has used social media, their use has not been maximized. This can be seen from the absence of an admin section in charge of handling questions raised through social media, not updating regularly, and not publishing advertisement on social media to make target market notice the company. Company still uses the traditional sales system, so customers who want to make purchases must call the company.

The following figure showed that the usage of social media is not effective, because the company doesn't provide enough information:



Figure 1.1
Instagram of the Company

The first consideration for customers in using social media is the ease. When someone wants to shop through social media, the thing that is considered for online shoppers is the ease-of-use factor. This convenience factor is related to how operational transactions are carried out online. Usually, prospective buyers will have difficulty when they do online transactions for the first time and tend to discourage them because of security factors and do not know how to transact online. On the other hand, there are also potential buyers who take the initiative to

try because they have received information about how to transact online. A good online shop website is one that provides instructions on how to transact online, starting from how to pay, and features for filling out purchase forms. Ease of use is also used as a degree to which a person believes that a technology can be easily used. An online site that is frequently used shows that the site is better known, easier to operate and easier to use by social media users. Ease of finding the information presented in the online shop should include information related to the products and services available in the online shop. In this company, the social media only gives the one direction information to customers, but customer cannot use the social media as tools to purchase. They still must call the company when decide to purchase.

The next thing that a buyer considers is whether they believe in information and sellers in the social media. Buyers' trust in media social or websites lies in the popularity of the social media. The more the popularity of a social media, the more confident buyers and trust in the reliability of the social media. Furthermore, buyer trust in social media is related to the reliability of online sellers in the social media in ensuring transaction security and ensuring transactions will be processed after payment is made by buyers. This reliability is related to the presence of online sellers in the social media. The more technology develops, the more it develops technology-based fraud mode in social media. A buyer must first check the existence of an online seller in the social media. The problem in the company is, it doesn't have admin that handle the social media, so that the social media tends to be inactive and unpopular.

The third problem to be considered in the social media is information quality. Information quality is defined as how much information about products and services is useful and relevant for social media in predicting quality and utility of the products and services offered. In the company, the social media is only having information about the photo and the products name. The customers cannot know the price, the instruction to buy and the specification.

The other problems that caused decline in customer purchase decision is promotion. Although PT Golgon, Medan is well-known in its respective market field, just like other companies, it also has its own challenges in doing business. The presence of competitors makes the company must strengthen its position in the same business field. The company needs promotion not only to persuade customers to buy but also as reminder to customers about the company.

The promotion problem lies in the size of incentives, conditions for participation, duration of promotion, and timing of promotion. The size of incentives is the promotion amount that can be given to customers. This is about the promotion in term of quantity and price. In the company, the company seldom make promotion with amount of discount, but mostly for the extra quantity given as prize. This promotion less attractive to customers because sometimes they don't need extra quantity.

The other promotion problem is about the conditions for participation. Every promotion usually has conditions that must be met. In this company, the customers need to buy specific quantity to have the promotion. For example, when customers buy 1 dozen of plastic chair, they will get one extra chair. But

when the customers buy ½ dozen of plastic chair and ½ dozen of plastic bucket they will not get any extra. This problem also has caused the promotion less attractive for customers. The company also doesn't announce the duration of the promotion. The customers will know about the promotion when they call the company. Besides, the company doesn't do the promotion in specific timing, such as in the holidays, but the timing of promotion is unpredictable.

The other problems that caused the decline in purchase decision is product quality. The problem in the company is product quality of PT Golgon, Medan is not admirable enough. Due to a lot of demand towards warranty claim, PT Golgon, it is claimed that the product quality is not good enough. Product quality lies in performance, features, reliability, durability, usability, aesthetics, and perceived quality. Performance is about providing products benefits for customers. The company products have good performance because the company has been around for a long time so there have been many improvements and innovations made to the products. The products feature also change along with changes in product performance. The product quality problems in the company lies in durability and aesthetics. The customers often complaint about the durability, they stated that the durability was inferior when compared to durability of products in the past. The product is getting thinner so it's easy to crack. Besides, the customer also complaint about the aesthetics because the company's products do not experience a change in model but only play with colors in the design.

The writer is interested in conducting research on PT Golgon by taking theme of purchase decision because based on existing trends in company data, it

shows decrease in sales which figures caused by decreased in customer purchase decision to buy products from company. In addition, the company also has a relationship with research topics namely social media, promotion and product quality. The writer will focus on the research topics to find the relation from each variable to the purchase decision problem in the company.

Based on description above, the writer wants to conduct the research with title **“The Influence Of Social Media, Promotion, And Product Quality on Customer Purchase Decision at PT Golgon.”**

1.2. Problem Limitation

The problem limitation in this research are social media, promotion, product quality and the influence of the variables on purchase decision. This research will use questionnaire to obtain data from respondents. The writer will limit the respondents to customers from the company within the last 3 months.

The questionnaire will be about social media with indicators of ease, trust and information quality (Bate'e, 2019). The questionnaire will be about promotion with indicators the size of incentives, conditions for participation, duration of promotion, timing of promotion (Brahim, 2021). The questionnaire about product quality with indicators of performance, features, reliability, conformance to specifications, durability, usability, aesthetics, and perceived quality (Afnina and Hastuti, 2018). The questionnaire about purchase decision with indicators acquire information, alternative evaluation, make decisions and post purchase behavior (Rossanty et al., 2018).

The analysis method will use Statistical Program for Social Science (SPSS) as a statistical technique used to build and test statistical models.

The writer will describe the relationship among variables which are social media, promotion, product quality and customer purchase decision.

1.3. Problem Formulation

The problems formulation in this research are as follow:

1. Does social media influence customer purchase decision at PT Golgon, Medan?
2. Does promotion influence customer purchase decision at PT Golgon, Medan?
3. Does product quality influence customer purchase decision at PT Golgon, Medan?
4. Does social media, promotion and product quality influence customer purchase decision at PT Golgon, Medan?

1.4. Objective of Research

Objectives of research are as follow:

1. To know the influence of social media towards customer purchase decision at PT Golgon, Medan.
2. To know the influence of promotion towards customer purchase decision at PT Golgon, Medan.

3. To know the influence of product quality towards customer purchase decision at PT Golgon, Medan.
4. To know the influence of social media, promotion, and product quality towards customer purchase decision at PT Golgon, Medan.

1.5. Benefit of the Research

The following are some of the benefits of the research:

1.5.1. Theoretical Benefit

Based on the explanation above, some theoretical benefits of this research are as follow:

1. To gain knowledge about social media, how to use the social media in marketing and the impact of social media on purchase decision.
2. To get information about promotion activities that can be used by the company to boost their purchase decision.
3. To gain insight into the importance of maintaining product quality, which include performance, features, reliability, durability, usability, aesthetics, and perceived quality, as well as to find their relationship to purchase decision.
4. To compare between the theories from this research to the actual events in the company.

1.5.2. Practical Benefit

Some practical benefits in this research are as follow:

1. To provide input for company about the social media that has been run in the company and how to take advantage from the social media to boost the purchase decision.
2. To provide explanation about strength and weakness of promotion activities which have been done by the company and give input to the improvement to the company's promotion activities.
3. To help company to analyze the product quality and formulate the things that need to be improved and developed about the product quality.
4. To give recommendation for the company to maintain and boost the purchase decision by using social media, promotion, and product quality.