

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Although the market is still under pressure as a result of the COVID-19 pandemic, the furniture and handicraft industries are expected to return to pre-COVID levels soon due to market dynamics that are changing in a positive direction. The prospect of the furniture and handicraft markets in the future will continue to grow. This is because many workers work at home (WFH), which leads to the purchase of furniture for their home offices and changing their living space. In addition, the outdoor furniture market is growing as more social activities shift outside the home (parks). The COVID-19 pandemic has also accelerated the growth of e-commerce for furniture products (www.agroindonesia.co.id).

The development of furniture in Indonesia is currently growing rapidly and causes companies to be able to compete tightly. Furniture is important equipment that supports human needs, not only in a house but also in buildings, offices, malls, schools, campuses, hospitals, and other public places or facilities. This, of course, occurs along with the increase in people's purchasing power, so people's needs for furniture are also very diverse. Currently, consumers when making choices when buying furniture do not only look at furniture products but are also influenced by other factors, such as wood materials for making furniture, so that later consumers

can choose furniture products according to their wishes and also get satisfaction from buying furniture.

The company is making an effort to attract customers by paying attention to how they choose to make purchases. A concept in buying behavior known as a "purchase decision" refers to a consumer's decision to act or do something, in this case, acquire particular goods or services. The process of making decisions for customers is essentially one of solving problems. The use of this purchasing decision variable is made by the researcher because the study of purchasing decisions still warrants further investigation in light of the growing number of products produced by similar businesses, necessitating a variety of factors for the general public to take into account when making purchases. When choosing a product, the majority of customers will experience mental pressure. To put it another way, consumers can make purchasing decisions if the product meets their needs and wants.

Purchasing decisions can also be interpreted as a description of a final decision-making process that involves several choices in choosing a product or service. Increased consumer decisions to make a purchase depends on the interest or interest of consumers in choosing a product and service. This means that the greater the consumer's interest in choosing the desired product or service, of course, it will be able to increase the consumer's decision to make a purchase; conversely, the smaller the consumer's interest in choosing the desired product or service, of course, it will be able to reduce the consumer's decision to make a purchase.

Purchasing decisions are directly influenced by service quality. The term "service quality" encompasses all of the company's efforts to meet customer expectations. Marketing strategies are heavily influenced by service quality, particularly in the retail sector. Whether the quality of service provided by goods or services is dependent on producers' ability to consistently meet consumer expectations, good service quality must be implemented for a company to survive. In this instance, "service" is defined as a service provided by an entrepreneur in the form of "convenience," "speed," "relationship," "ability," and "true hospitality" with the goal of changing people's attitudes and characteristics in order to provide services that are satisfactory to customers. A high level of service quality will result in a high level of contentment, enabling customers to make purchasing decisions. Customers will naturally be interested in making purchases if the quality of service can satisfy them.

The company's distribution channels are another way to observe the development of product purchasing decisions. This is due to the fact that this distribution channel is one of the marketing channels that businesses frequently use to market their products directly to customers. A distribution channel is a route or series of independent intermediaries that connect manufacturers and consumers of goods. The products that consumers require will not be available on the market if there is no distribution channel. On the other hand, a buyer or consumer will immediately decide to purchase the offered product if it is easily accessible and can be reached in a short amount of time.

Related to Service Quality, Distribution Channels and Purchasing Decisions, this research was conducted at PT. Samawood Main Industrial Works. PT. Samawood Utama Works Industri was founded based on the needs of consumers who want quality wood for furniture. PT. Samawood Utama Works Industri is a large company that sells wood for furniture or wood flooring and is located on Riau street in Medan City. There are 3 kinds of products produced by this company, namely: furniture, flooring, and molding components to improve purchasing decisions at PT. Samawood Utama Works Industry because it requires good service quality and fast distribution channels. Because PT. Samawood Utama Works Industries has a large number of orders, they must implement the right marketing strategies so as not to reduce purchasing decisions.

Based on the pre-survey conducted by researchers, purchasing decisions at PT. Samawood Utama Works industri experienced a decline, as reflected in the decline in furniture sales from 2017 to 2021. The following is the sales data of PT. Samawood Utama Works Industri, namely:

Table 1.1 Furniture Sales Data at PT. Samawood Utama Works Industri From 2017 to 2021

Years	Sales Target (Rp)	Total Sales (Rp)	% increase
2017	1.500.000.000	1.148.956.000	-
2018	1.300.000.000	1.054.000.500	-8,26%
2019	1.000.000.000	957.281.000	-9,18%
2020	1.000.000.000	859.778.000	-2,92%
2021	1.100.000.000	954.337.000	-7,48%

Source: PT. Samawood Utama Works Industri (2022)

It can be seen from table 1.1 that there is a decline in sales from 2017 to 2021, when the sales figure is still below the target set by the company. This decline in sales reflects the low purchasing decisions made by consumers at PT. Samawood Utama Works This industry is suffering because consumers are still

not sure how to choose the products offered according to their needs and there are other companies that offer products at lower prices than the company, resulting in a decline in sales. Several similar companies make consumer decisions on the types and brands of products based on what consumers want, how the company sells, and when it buys consumers.

According to the findings of the research's observations, the company's issues with service quality can be seen in the fact that no one serves each customer directly. In contrast to the employees working in the front, who remain silent and permit the customer to look around without being accompanied, the customer returned once they had finished looking around. Sales frequently decreased as a result of this. Then, when there is a lot of traffic, employees are less likely to respond quickly to any issues that arise from purchasing Customers have to wait a long time to make a purchase at PT. Samawood Utama Works Industry due to employees' lack of knowledge and information about the company's wood sales.

Another thing that causes a decrease in purchasing decisions is distribution channels. The phenomenon that occurs in the quality of service can be seen to have some gaps, such as delays in product availability in the warehouse or distributor so that delivery to consumers is hampered; there are still misunderstandings between salesmen and back office related to sales orders and on-hand stock in the warehouse; the occurrence of price differences; errors in goods that enter or do not match consumer demand with goods provided by the distributor; there are still damaged products in the company that receives the

goods when the delivery takes place; lack of attention to product turnover in the company so that there are still damaged goods sold by the company; and the slow response/process of product recall (return).

Based on the description above, the writer wants to conduct the research with the title **“The Influence of Service Quality and Distribution Channels on Purchasing Decisions at PT. Samawood Utama Works Industri”**.

1.2 Problem Limitation

Due to limited time and ability, the writers set variable problem limits on service quality and distribution channels as independent variables (X) and purchasing decisions as dependent variables (Y). Indicators of purchasing decisions are product selection, brand choice, purchase channel selection, purchase time, and total purchase (Priansa, 2017). Indicators of service quality are reliability, responsiveness, assurance, empathy, and physical evidence (tangible) (Tjiptono & Chandra, 2019, p.171-172). Indicators of distribution channels are information, negotiation, physical distribution, financing, and risk-taking (Tjiptono, 2020, p.351). The study was carried out at PT. Samawood Utama Works Industri, which is located on Riau Street No. 17-19, Dead End Alley, Sub-District East, Medan City, North Sumatera. The population and samples used are all consumers who buy quality wood for furniture in 2021.

1.3 Problem Formulation

Some of the factors that contribute to a company's success in improving purchasing decisions are service quality and distribution channels. Based on the background that the writers described above, the formulation of the problem in this research is as follows:

1. Does the Service Quality have a partial effect on Purchasing Decisions at PT. Samawood Utama Works Industri?
2. Does the Distribution Channels have a partial effect on Purchasing Decisions at PT. Samawood Utama Works Industri?
3. Do the Service Quality and Distribution Channels have simultaneous effect on Purchasing Decisions at PT. Samawood Utama Works Industri?

1.4 Objective of the Research

The objective of this research is:

1. To find and analyze how the Service Quality have a partial affect Purchasing Decisions at PT. Samawood Utama Works Industri.
2. To find and analyze how the Distribution Channels have a partial affect Purchasing Decisions at PT. Samawood Utama Works Industri.
3. To find and analyze how the Service Quality and Distribution Channels have a simultaneous affect Purchasing Decisions at PT. Samawood Utama Works Industri.

1.5 Benefit of The Research

Based on the goals of the study, it is anticipated that this research will have both direct and indirect effects on education. The following are some of the benefits of this study:

1.5.1 Theoretical Benefit

The theoretical benefits of this research are

1. For writer, this study has the following theoretical advantages: as one of the requirements for obtaining a bachelor's degree, for the writer, to add to and deepen knowledge in the field of marketing regarding the influence of service quality and distribution channels on purchasing decisions.
2. For other researchers, the findings of this study are anticipated to be helpful to other researchers as a basis for comparison, advice, and consideration when carrying out subsequent research.

1.5.2 Practical Benefit

The practical benefits of this research are

1. For PT. Samawood Utama Works Industri, anticipates that the findings of this study will be useful as materials for comparison and reference, as well as material for taking into account when making improvements to purchasing decisions. These improvements will be made by taking the necessary steps to restore consumer confidence, which will allow businesses to increase resale and implement corporate strategies related to service quality and distribution channels.

2. For other companies, by providing information on how to conduct a good distribution, this research can assist other businesses in managing product services and enhancing purchasing decisions.

