

# CHAPTER I

## INTRODUCTION

### 1.1. Background of the Study

In the era of globalization, the development of the business world is increasingly rapid. This can be seen from the development of knowledge, technological advances and developments in the flow of information that must be conveyed by companies to meet users' information needs. This development is accompanied by very tight and competitive business competition. Existing business competition needs to be balanced with critical thinking and optimal use of company resources (Lensun et al., 2023). The development of a dynamic business environment affects every company. Technological changes and product variations are two factors that significantly affect business development. As such, pre-selected superior strategies are often inadequate and the selection and determination of new strategies are needed to foster a more competitive company. From a resource-based strategy perspective, this exemplifies the importance of the resources and capabilities enterprises need to develop of competitive advantage. Competitive advantages that every company needs to compete in the global market are the mastery of technology (Kasakeyan et al., 2021).

Artech Electronic is located at Jl. Logam No.11B, Sei Rengas II, Kec. Medan Area, Kota Medan, Sumatera Utara 2021, and Cambridge City Square, Jl. S. Parman No.217, Petisah Hulu, Kec. Medan Baru, Kota Medan, Sumatera Utara 20151, Indonesia. Artech Electronics is a reputable electronic retailer in Medan

that has been operating since 1993, gaining recognition as the premier electronics shop in the region. Artech Electronics has established as a reputable and reliable company in the business, with more than 28 years of expertise. Artech Electronics takes great satisfaction in providing a diverse selection of top-notch electrical items to meet the demands of our discriminating clientele.



**Figure 1. 1. Artech Electronics**  
Sources: Artech Electronics, Medan (2024)

Company provides a wide range of products, including TVs, cellphones, household appliances, and audio systems. The extensive assortment guarantees that consumers may locate all requirements in a single location. Artech Electronics is characterized by dedication to providing low pricing to every consumer. As a distributor provides outstanding pricing that is difficult to obtain elsewhere. In addition, the company also provides versatile payment alternatives, such as extended installment plans lasting up to 24 months, which facilitate consumers' acquisition of desired items without causing financial strain.

At Artech Electronics, convenience is of utmost importance when customers comes to purchasing. The company recognizes that consumers have hectic schedules, which provide convenient online buying opportunities via well-

known platforms like Tokopedia and Indotrading. This enables buyers to peruse and acquire merchandise from the convenience of customers own residences, at any hour of the day. Furthermore, the company have a brick-and-mortar establishment situated in Cambridge City Square in Medan, in addition to online platform. The operating hours of business are from 9:30 AM to 10:00 PM, allowing consumers to conveniently visit and benefit from the expertise of our professional staff members.

Purchasing decision is the attitude of using and willing to buy a product either in the form of goods or services that are considered to satisfy the desire or needs and willing to take risks on decisions that have been taken. Interpretation of consumer cognitive and personal factors is very useful and a strong influence on the purchasing attitude of a product or service from products and companies. Therefore from the seller need to know what are some things that can improve consumer purchasing decisions in order to seek profit (Saputra et al., 2023).

Artech Electronic experienced a decline in sales during the period 2020-2023. Artech Electronic's sales data can be seen in the table below.

**Table 1. 1. Sales Data at Artech Electronic**

Year	Transactions	Total	Percentage
2020	84.156	192.456.854.700	-
2021	79.127	178.169.865.403	-7,42%
2022	79.012	176.490.743.100	-0,94%
2023	68.113	152.765.835.550	-13,44%

Sources: Artech Electronics (2024)

Table 1.1 shows that Artech Electronic has experienced a decline in sales since the period 2020-2023. In 2021, it decreased by 7.42%, the following year by 0.94%. However, in 2023 the decline in sales was quite large at 13.44%. From

the conditions of this decline in sales, it can be concluded that consumer purchasing decisions have decreased.

Online customer review is an information evaluation of products and services made by consumers from the experience of buying a product about various aspects such as product quality. Online customer reviews have been recognized to have a tremendous influence on customers' purchasing decisions both practically and academically. Usually traces of reviews left by various sites or platform in the form of positive or negative comments as suggestions and criticism of the seller. Because customer reviews give people more reason to make a decision and increase confidence in making the final decision. These customer reviews provide additional information, expert reviews, and personalized advice, which can add value to potential customers. Thus making the consumer's visit more interesting and increasing the time spent on the website (Ovaliana & Mahfudz, 2022).

Artech Electronics focus is on ensuring customer happiness. The company goal is to provide exceptional service, which includes complimentary delivery for certain goods. Customer support staff are consistently available to help and address any enquiries or problems that customers may have. During 2023, Online customer reviews trigger many negative review due to decreased product, service, price and packaging that is not strong so that when customers receive electronic products experience defects. Negative review data can be seen in the table below:

**Table 1. 2 Online Customer Review at Artech Electronic (2023)**

No.	Name	Comments
1.	Simon Siahaan	<i>Barang dibeli hari minggu janji barang sampai hari selasa. Konfirmasi dari artech tidak ada, alasan gudang tidak konfirm ke sales. Janji lagi hari kamis.pengantaran. Let's see la. Next order wajib mikirla. Semoga berubah karyawannya.</i>
2.	Elizabeth	<i>Barang sudah diorder tidak di keep, saat minta diantar stock habis dan mesti nunggu 2mggu lagi. pesan warna putih datang warna hitam dan tidak dikonfirmasi dahulu. Saat ditanya katanya stock putih sudah habis. Bad aftersales!</i>
3.	Denny Hamonagan Chan	<i>Toko elektronik branded dengan koleksi lengkap. Tapi agak mahal.</i>
4.	Ranidya Imanda	<i>Layanan buruk!</i>
5.	Dini Rezy	<i>Kualitas pelayanan sangat tidak memuaskan, cici yg kurus sudah agak tua mulut lantam ngomong tidak ada tata krama sopan santun sama customer.</i>
6.	D***e	<i>Distribusi yang buruk.</i>

Source: Prepare by writer (Google Review, 2024)

Table 1.2. shows that the occurrence of negative reviews during the period 2023. Some online reviews related to unavailable products, complaints related to higher prices, poor product distribution and unsatisfactory service quality for customers. Various online negative reviews are triggering customers do not make repeat purchases in Artech Electronic.

Promotion is one of the factors necessary for success for a company or organization, then promotion is one of the powerful weapons for companies in developing and maintaining businesses. In order for the promotion to be carried out appropriately, company needs to determine the market segmentation that will be entered because of the large number of customers, highly dispersed and diverse in the demands of customer needs and desires. A promotional activity carried out said to be successful or not depending on the promotional strategy applied (Syarifullah et al., 2021).

Artech Electronics has used social media to satisfy and improve customer needs such as approximately branches, items, discounts, and many others to make customers more satisfied with the products sold and improve customer purchasing choices. According to the data assembled by the author, shows that Artech Electronics has held around advancements in 2023. Indeed, in spite of the fact that Artech Electronics has a very large number of followers on social media, which is more than 10,000 people, only a few people have noticed the increase that has been made, judging by the number of individuals who like the content posted. This implies that the reason of special exercises in accomplishing the trade objectives such as affecting the client buy choice has not been maximal.



**Figure 1. 2 Artech Electronics**  
Sources: Artech Electronics, Medan (2024)

Product promotion at Artech Electronics is still not optimal and effective in order to ensure an increase in sales every year. Some of the problems of promotional programs at Artech Electronics are related to promotions that are not

for all electronic brands, promotional programs in the form of advertising on social media, especially Instagram, are still not designed with complete information and make customers easier for customers to understand well. In addition, other problems related to promotional programs are employees in the store who sometimes cannot help customers in presenting and conveying various information about the lack of products needed by customers. In 2023, a little conducted a promotional program in terms of discounts. Artech Electronics more promotions in collaboration with certain banks and then get discounts with installment payments and direct purchase and Tokopedia that can transaction at the customer's home (COD).

Word of Mouth (WOM) is a form of promotional activity with word-of-mouth recommendations regarding the good qualities of a product that has been used. A business owner must produce product with the best possible quality so that consumers can recommend the product to other consumers so that the communication process is word of mouth can happen either way. Word of mouth is an act of providing information by one consumer to other consumers. Consumers who do not yet know information about a product that will use are more dependent on trusted word of mouth. When consumers give each other information about a product, the information obtained can influence customer behavior and satisfaction with the product. Submission of information delivered both personally and non-personally by customers to other people who are not part of the service provider can also influence purchasing decisions (Cahyani et al., 2022).

Considering that there are still some customers who are still hesitant to transact online, due to the risk of product inconsistency displayed by the seller, word of mouth (WOM) and online consumer review (OCR) can be used as a means for consumers to obtain additional information. By enhancing promotion and word of mouth, the store can attract more customers, retain existing customers, and differentiate from competitors in a competitive marketplace. This also has a positive impact on business growth, and the store reputation in the electronics industry. Overall, Artech Electronics can focus on service quality, employee quality, and building brand image and customer trust will help the store to create positive customer experience, gain positive reviews and improve customer purchasing decision (Asia, 2023).

WOM at Artech Electronics is still low as seen from the number of customers who do not make recommendations to others. The problem with WOM is that the online service is still quite bad because the response is long enough so that if customers need complete and fast information. Artech Electronics could not meet the needs of customers. Artech Electronics also gives less cash back for every customer transaction and then uploads on social media at Artech Electronics and tags in Instagram Artech Electronics. This triggers customers do not want to do because does not get the motivation of Artech Electronics. Some customers, less want to make recommendations because customers have a negative experience due to poor service received by customers when making a purchase transaction.



Based on the focus of the problem, the writers wish to examine more deeply this research paper is entitled: **“The Influence of Online Customer Review, Promotion, and Word of Mouth on Customer Purchase Decision at Artech Electronics, Medan”**.

### **1.2. Problem Limitation**

Based on this research, this research conducted by focusing only four variables. Those variables are Online Customer Review, Promotion, and Word of Mouth as independent variable and purchase decision as dependent variable. The limitation of the discussion that has been determined by the writer is where the research focused at Artech Electronics, Cambridge City Square, Medan. The selection of this place aims for the writer to be able to obtain data through customer in the research variable.

### **1.3. Problem Formulation**

Based on research on the company produced by the writer, the writer makes the problem formulations in the questions in this study such as:

- a. Does online customer review has partial influence on customer purchase decisions at Artech Electronics, Medan?
- b. Does promotion has partial influence on customer purchase decisions at Artech Electronics, Medan?
- c. Does word of mouth has partial influence on customer purchase decisions at Artech Electronics, Medan?

- d. Do Online Customer Review, Promotion, and Word of Mouth simultaneous influence customer purchase decisions at Artech Electronics, Medan?

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

From the formulation of the problem compiled by the writer, the writer makes the research objective of the problem in this study such as:

- a. To analyze whether online customer review has partial influence on customer purchase decisions at Artech Electronics, Medan.
- b. To analyze whether promotion has partial influence on customer purchase decisions at Artech Electronics, Medan.
- c. To analyze whether word of mouth has partial influence on customer purchase decisions at Artech Electronics, Medan.
- d. To analyze whether online customers review, promotion, and word of mouth simultaneous influence customer purchase decisions at Artech Electronics, Medan.

#### **1.5. Benefits of the Research**

For the research on Online Customer Review, Promotion, and Word of Mouth can influence on customer purchase decision at Artech Electronics, Medan, this research has two benefits:

##### **1.5.1. Theoretical Benefit**

Research Online Customer Review, Promotion, and Word of Mouth on customer purchase decision at Artech Electronics, Medan is expected to be used

as a lesson, information and as reference material to other parties to focus on future research.

### **1.5.2. Practical Benefit**

Based on the purpose of this research can provide research benefits:

a. For the Writer

In this study, the writer has the ability and capability about online customer review, promotion, word of mouth and customer purchase decisions to be able to understand the knowledge in this study.

b. For Artech Electronics

In this study, Artech Electronics is able to evaluate and understand about the problems regarding the influence of Online Customer Review, Promotion, and Word of Mouth on customer purchase decisions at Artech Electronics, Medan.

c. For other researchers

In this study results, other parties can be use this research paper about the influence of Online Customer Review, Promotion, and Word of Mouth on customer purchase decisions at Artech Electronics, Medan, to be reference in focusing on future research.