

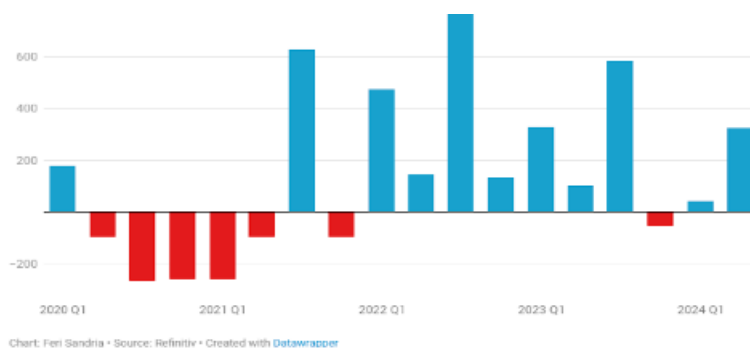
CHAPTER I

INTRODUCTION

1.1 Background of the Study

The concept of purchase intention is critical for understanding consumer behavior, as it reflects the likelihood that customers will buy a product or service. In the context of Matahari Department Store, a leading retail chain in Indonesia, purchase intention becomes an important metric to gauge customer engagement and predict sales performance. Transactional interest reflects a consumer's readiness to engage in the purchasing process and is often the the first step towards actual buying behavior. Referential interest highlights a consumer's inclination to gather information from various sources, such as friends, family, or online reviews, emphasizing the role of social influence in purchase decisions. Preferential interest shows a consumer's preference for a specific brand or product over others, driven by emotional and psychological factors. Finally, exploratory interest indicates a proactive effort by consumers to seek detailed information about a product, reflecting deeper involvement and consideration before purchasing. Purchase intention indicators is shaped by various factors, such as brand image, product quality, pricing, and marketing efforts.

Additionally, in today's digital age, the role of online marketing and digital presence has become increasingly influential in shaping consumers' purchase decisions.



Pendapatan Tahunan LPPF

dalam miliar rupiah

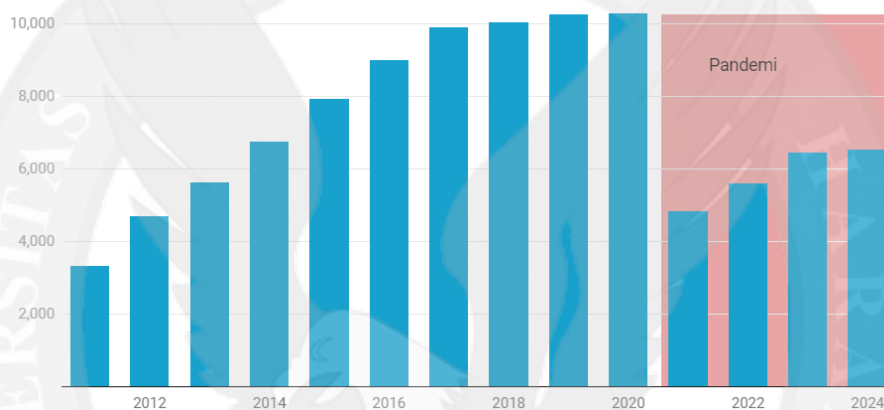


Figure 1. 2 Pendapatan Tahunan LPPF 5 Tahun Terakhir

The picture above show that the increase on percentage in revenue in 2020 has decreased compared to previous years, indicating a decline in transactional interest among consumers in Medan. Matahari face the challenge of aligning their traditional retail strategies with digital trends to maintain and increase customer purchase intention.

The integration of digital platforms is essential for businesses to maintain a competitive edge and effectively influence customer purchase intention. For department stores like Matahari in Medan, digital transformation enables them to

engage customers, streamline operations, and enhance the overall shopping experience. With consumers increasingly turning to online platforms for product research and purchases, the impression of digital marketing on purchasing intention and perceived value becomes crucial. Digital marketing indicators such as websites, affiliate marketing, strategic partnerships, online public relations, and customer relationship management, directly affect how consumers perceive a brand and, ultimately, their decision to buy.

Matahari's website, matahari.com, is a key tool in driving sales. Matahari benefits from strategic partnerships with well-known clothing brands, however its limited payment and delivery options negatively impact its perceived value. For example, Matahari only supports a few payment methods like Kredivo and ShopeePay, while customers increasingly expect more flexibility, including debit and credit cards, as well as popular e-money services like OVO and GoPay. Additionally, relying solely on JNE for delivery may fall short of customer expectations for faster or more flexible shipping options, further affecting purchase intention. Customer Relationship Management (CRM) also plays a vital role in shaping purchasing intentions by fostering loyalty and improving the perceived value of the shopping experience.

However, Matahari's current online logistics shipping items from Jabodetabek even for customers outside that area can lead to longer delivery times, This delay can diminish customer satisfaction and negatively affect perceived value, making it

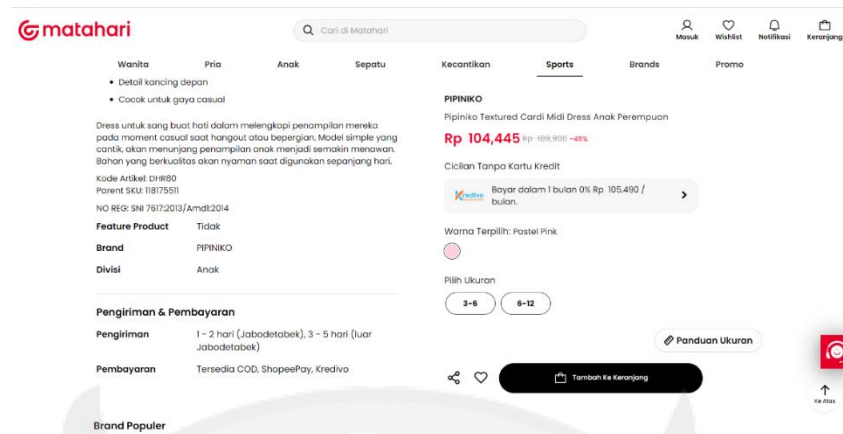


Figure 1. 3 Website Matahari

harder for Matahari to compete with faster, more efficient e-commerce platforms, ultimately weakening purchase intention.

Online public relations involves using digital platforms, such as blogs and social media, to shape positive perceptions of a product within the community. While Matahari Department Store has established a presence on social media, like Instagram, and maintains a personal website, but it does not consistently upload content, and its updates are infrequent. In today's digital age, regular online promotion is essential for building brand visibility and engaging with customers. Matahari's inconsistent online activity undermines its ability to enhance perceived value and influence purchase intention, as it misses opportunities to connect with and attract potential buyers.

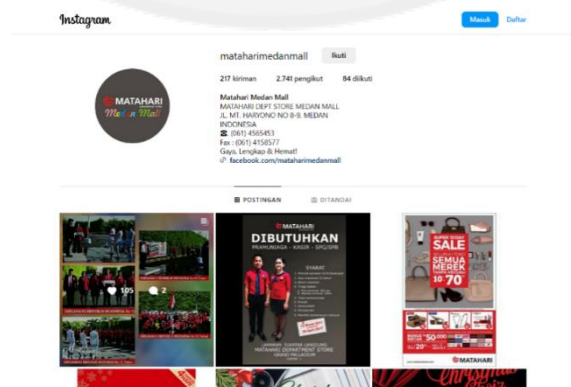


Figure 1. 4 Instagram Matahari

Brand image remains a fundamental factor influencing customer decisions, as it fosters loyalty, trust, and emotional connection, all of which significantly impact purchasing intention. Matahari, one of Indonesia's leading department stores, has developed a well-established brand over the years. However, in the face of growing competition from e-commerce giants and other retail outlets, maintaining and enhancing this brand image is essential for the company's continued success.

Key indicators of brand image include quality, trustworthiness, usability, and service. Quality refers to the standard of products a brand offers and plays a critical role in shaping customer perceptions. At Matahari Department Store in Medan, product quality has been a recurring concern, as seen in various reviews and studies (Yusnandar & Habib, 2024). Customers often judge items based on their physical attributes and brand reputation, and when these fall short, it negatively impacts perceived value and reduces the likelihood of repeat purchases. This, in turn, diminishes customer satisfaction and their intention to buy from the store again.

Perceived trustworthiness and reliability also play a crucial role, often stemming from community opinions and shared experiences about product quality. While promotions like discounts may attract buyers and spur impulse purchases, they do not always address deeper concerns about a product's value. Research shows that while promotions can boost purchase intention, poor product quality ultimately leads to customer dissatisfaction. No promotion can fully compensate for a lack of quality, as true value lies in a product's functional benefit.

Service is another important aspect of brand image, reflecting the responsibility of manufacturers to meet customer needs. However, at Matahari Medan, there have

been instances of customer dissatisfaction with service, particularly concerning employee responsiveness (Novalin Bako & Sihombing, n.d.). This poor service quality can lead to decreased sales for products like Levi's jeans, highlighting the gap between purchase intention and perceived value no matter how attractive a product may be, inadequate service can undermine its overall worth in the eyes of consumers.

Finally, price is a crucial factor in shaping consumer decisions, influencing both product appeal and brand image. At Matahari Medan, sales of brands like Levi's have declined, primarily due to customers' price sensitivity. Despite other contributing factors like poor service quality and store location, the inability to maintain competitive pricing has significantly affected purchase intention. This reflects a disconnect between the perceived value of the product and what consumers are willing to pay, further challenging Matahari's ability to retain customers.

By exploring the relationships within this variable, the study aims to provide insights that could help Matahari refine its digital strategies and enhance its brand image, thereby increasing customer engagement and purchase rates. Additionally, the findings could offer actionable recommendations for retail managers in Medan and other cities who are grappling with the challenges posed by the increasing importance of digital channels and customer expectations for value.

1.2 Problem Limitation

The issues to be addressed are as follows:

1. This study will focus the problem on the relationship of Digital Marketing and Brand Image on customer purchasing intention at PT Matahari Department Store Tbk Medan where the mediating variable is perceived value.
2. This research will be limited to all PT Matahari Department Store Tbk Medan: Plaza Medan Fair, Medan Mall, Thamrin Plaza, Manhattan.
3. There are four variables that will be discussed in this topic. Digital Marketing (X_1) and Brand Image (X_2) are independent variables, while dependent variable is the customer purchase intention (Y_1) and perceived value (Z) that acts as mediating variable

1.3 Problem Formulation

1. Does the digital marketing on PT. Matahari Department Store Tbk have significant influence on perceived value?
2. Does the Brand Image on PT. Matahari Department Store Tbk have significant influence on perceived value?
3. Does the Perceived Value have significant influence on customer purchasing intention in PT. Matahari Department Store Tbk ?
4. Does the digital marketing on PT. Matahari Department Store Tbk have significant influence on purchasing intention?
5. Does the Brand Image on PT. Matahari Department Store Tbk have significant influence on purchasing intention?
6. Does the digital marketing on PT. Matahari Department Store Tbk significantly influence customer purchasing intention through perceived value?

7. Does the Brand Image on PT. Matahari Department Store Tbk significantly influence customer purchasing intention through perceived value?

1.4 Objective of the Research

1. To determine whether the digital marketing on PT. Matahari Department Store Tbk have significant influence on perceived value.
2. To determine whether the Brand Image on PT. Matahari Department Store Tbk have significant influence on perceived value.
3. To determine whether the Perceived Value have significant influence on customer purchasing intention in PT. Matahari Department Store Tbk.
4. To determine whether the digital marketing on PT. Matahari Department Store Tbk have significant influence on purchasing intention.
5. To determine whether the Brand Image on PT. Matahari Department Store Tbk have significant influence on purchasing intention.
6. To determine whether the digital marketing on PT. Matahari Department Store Tbk significantly influence customer purchasing intention through perceived value.
7. To determine whether the Brand Image on PT. Matahari Department Store Tbk significantly influence customer purchasing intention through perceived value

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

The study could extend existing theories of digital marketing by providing empirical evidence on its impact on purchasing intention in a specific retail sector (Matahari Department Store) and geographic region (Medan). By

focusing on the brand image of Matahari, the study can contribute to the theory of brand equity, showing how a positive brand image enhances consumer trust and loyalty, ultimately impacting their purchase intention.

1.5.2 Practical Benefit

A. Company

Matahari Department Store can use the findings to optimize its digital marketing efforts, tailoring strategies to enhance perceived value and influence customer purchasing decisions more effectively. Insights from the study could help the store strengthen its brand image by understanding how it impacts customer perception and purchase intention, leading to better brand positioning.

B. Writer

The writer gains a deeper understanding on the Influence of Digital Marketing and Brand Image PT. Matahari Department Store Tbk customer purchasing Intention in Medan mediated by Perceived Value

C. Other Researcher

The research can help business leaders and marketing teams make informed decisions on allocating resources effectively for marketing campaigns that boost customer intention to purchase.