

# CHAPTER I

## INTRODUCTION

### 1.1. Background of the Study

In business, customer is king. This expression illustrates the importance of the purchaser or customers for the company. This obviously makes companies vying to win customers buy and use the products offered. Therefore, the company is exerting every effort to understand customers behavior, to know what he needs, what taste and how took the decision, as well as knowing the various changes in the business environment so as to compete with other companies, as well as producing goods and services according to the needs and desires customers (Khair et al., 2022).

The purchasing decision refers to the process by which consumers select and purchase products or services. According to Yahya, et al. (2023), It involves several stages, including problem cognition, information search, substitute validation, purchasing decision, and action after the purchase. The purchase decision is crucial as it involves selecting from various alternatives to make the best choice. It plays a significant role in consumer behavior, influenced by factors like distribution and promotion.

According to Hikmawan and Ismunandar (2023), Perceived value is customers' evaluation of a product or service's merits and its ability to meet their needs and expectations, especially compared with its peers. Perceived value comes down to the price that the public is willing to pay for a good or service. Even a

snap decision made in a store aisle involves an analysis of a product's ability to fulfill a need and provide satisfaction compared to other products under different brand names.

Product innovation involves developing novel products or enhancing existing ones to meet evolving market demands and customer expectations. It encompasses advancements in functionality, design, performance, and user experience. Process innovation revolves around optimizing internal workflows, systems, and technologies to streamline operations, boost efficiency, and reduce costs. It enhances organizational agility and competitiveness (Fajar et al., 2024).

PT. Sinar Sosro was established in Cakung, Bekasi, Greater Jakarta, in 1974 to produce and market Teh Botol Sosro, the first ever bottled tea product in the world. With the aim of product development, then PT. Sinar Sosro in 1997 issued a tea beverage products with a variety of fruit flavors, namely Fruit Tea Sosro, country choice, Prim-a, S-tee dan Tebs spakling.



**Figure 1. 1 Product of PT. Sinar Sosro, Medan**  
Sources: PT Sinar Sosro, Medan (2024)

There is a decrease in purchasing decisions at PT Sinar Sosro, Medan can be seen from the decline in sales each year.

**Table 1. 1 Sales Data at PT Sinar Sosro, Medan (2021-2023)**

Year	Total	%
2021	45.864.469.000	-
2022	43.953.415.000	-4,17%
2023	38.763.518.000	-11,81%

Sources: PT Sinar Sosro, Medan (2024)

Table 1.1 Shows that the rate of decline in sales each year indicates that the rate of purchase decisions made by retail customers has decreased at PT Sinar Sosro, Medan. In 2022 it dropped to 4,17% and continued declining to 11,81% in 2023. This is due to changes in payment systems that are getting shorter and some products are often empty and high competition.

Based on the distribution indicators used in this study that can be described in the table below:

**Table 1. 2Data Phenomenon of Distribution at PT Sinar Sosro, Medan**

Indicators	Description
Availability of Goods	The availability of products is minimal so that sometimes customers want to order Sosro products in large quantities have to wait 2-3 days.
Booking products	According to customers, for ordering products is quite easy and shipping requests are also easy. However, the problem is that the distribution from the company is often late. Companies often do not exactly promise regarding delivery time.
Speed in delivery	Based on consumer transaction experience that sometimes when placing an order Sosro cannot be delivered on the same day.
Ease in obtaining products	In the distribution is quite easy, sometimes some customers want to make transactions quickly can be done by the company. However, many customers say that product distribution is often delayed and does not provide distribution information to customers.

Sources: Prepared by the Writer (2024)

Based on the writer's observations any interviews with the company's decide any customers and as shown at Table 1.2, it shows that customers are disappointed with the distribution system that is still not satisfactory for customers.

There are several obstacles that must be faced by at PT Sinar Sosro, Medan in the distribution process, such as the amount of demand for goods that vary in each customer but the stock of products is a lot, causing disappointment. In this company is experiencing not optimality in the distribution of products, causing delays in product delivery due to limited capacity of vehicles and some vehicles are old enough so often damaged. The company's vehicles are classified as over 6 years old and therefore often require repairs. This triggered the cancellation of purchases from customers, resulting in a decrease in sales.

Based on the perceived value indicators used in this study that can be described in the table below:

**Table 1. 3 Data Phenomenon of Perceived Value at PT Sinar Sosro, Medan**

<b>Indicators</b>	<b>Description</b>
Economy Value	Price the bottle sosro has a much higher price than its competitors such as, <i>Teh Pucuk</i> . According to customers, the price of sosro has increased more than once per year.
Emotional Value	The aroma of Sosro is not very characteristic as it used to be. Then the service is still not good because when customers want to return products, the company does not respond well and quickly.
Social Value	Customers feel disappointment because the company gives rewards every year is not comprehensive even though customers have been committed to making purchases to the company and in large quantities for approximately 4 years.

Sources: Prepared by the Writer (2024)

Based on the writer's observations on that company and as shown at Table 1.3 shows that companies do not pay much attention to the perception of value for customers. In the variable perception of value has a phenomenon related to the quality of bottled tea Sosro decline, where many customers complain that the aroma of bottled tea sosro that there is no particular characteristic. In addition, in terms of price the bottle sosro has a much higher price than its competitors such as, *Teh Pucuk*.

Based on the innovation product indicators used in this study that can be described in the table below:

**Table 1. 4 Data Phenomenon of Product Innovation at PT Sinar Sosro, Medan**

<b>Indicators</b>	<b>Description</b>
Product Quality	The quality of tea that has decreased is seen from the box packaging that is easily wet so that sometimes fruit tea pouch products or bottles are dirty. According to consumers, the quality innovation of Sosro has decreased as seen from the same variety of flavors and more packaging changes but has a higher price..
Product Variants	The company has been innovating various packaging that is environmentally friendly, PET and makes it easier for customers. According to customers, the company has added many flavor variants such as the latest fruit tea in 2024 is Cocopandan.
Product style and design	The fruit tea pouch straws that are not too sharp (blunt) resulting in difficulties for customers. Sosro's packaging design is monotonous, some years only adding a small size or a larger size.

Sources: Prepared by the Writer (2024)

Based on the writer's observations on that company and as shown at Table 1.4 shows that PT Sinar Sosro, Medan has made many innovations both in terms of adding flavors and PET plastic bottle packaging and variations in size and pouch. However, there are some complaints related to the innovations made are related to the fruit tea pouch straws that are not too sharp (blunt) resulting in difficulties for customers when customers want to be enjoyed.

The writer relate the decrease of the purchase decision might relate or is suspected to the lack of distribution, perceived value and product innovation, therefore the writer is interested to form a research with the title **“The Influence of Distribution, Perceived Value, and Product Innovation on Purchase Decision at PT Sinar Sosro, Medan.”**

## **1.2. Problem Limitation**

Due to the limited of time and fund, this research is conducted by focusing only to four variables. Those variables are distribution, perceived value, and product innovation as independent variables and purchase decision as dependent variable. Location of the research is located at. PT Sinar Sosro, Medan. Customer in this research is wholesaler.

According to Raharjo and Rinawati (2020), indicators of distribution are availability of goods, booking products, speed in delivery and ease in obtaining products. According to Ferine and Yuda (2022), Indicators of perceived value are economic value, emotional value and social value. According to Sunarjo (2024), indicators of product innovation are product quality, product variants and product style and design. According to Sudaryono (2020), purchase decision indicators are decisions about stability of the buying decision, fast in deciding and confident the right decision.

## **1.3. Problem Formulation**

The problem formulations on this research are:

- a. Does distribution have partial influence on purchase decision at PT Sinar Sosro, Medan?
- b. Does perceived value have partial influence on purchase decision at PT Sinar Sosro, Medan?
- c. Does product innovation have partial influence on purchase decision at PT Sinar Sosro, Medan?

- d. Do distribution, perceived value, and product innovation have simultaneous influence on purchase decision at PT Sinar Sosro, Medan?

#### **1.4. Benefits of the Research**

##### **1.4.1. Theoretical Benefit**

The results of this research are expected to contribute on development of existing theories that are relevant with the distribution, perceived value and product innovation and the influence on the purchase decision.

#### **1.5. Objective of the Research**

This research has the objectives as follow:

- a. To explain whether distribution have partial influence on purchase decision at PT Sinar Sosro, Medan.
- b. To analyze whether perceived value have partial influence on purchase decision at PT Sinar Sosro, Medan.
- c. To describe whether product innovation have partial influence on purchase decision at PT Sinar Sosro, Medan.
- d. To investigate whether distribution, perceived value, and product innovation have simultaneous influence on purchase decision at PT Sinar Sosro, Medan.

##### **1.5.1. Practical Benefit**

Here are some practical benefits of this study:

a. For the Writer

This research will provide advantage for the writer to have deeper understanding in the subject of distribution, perceived value, product innovation and purchase decision.

b. For the Company

This research provides advantage to PT Sinar Sosro, Medan to know and find out about its distribution, perceived value, product innovation and purchase decision. It is also providing the advantage to PT Sinar Sosro, Medan in form of suggestions so the company could form a better strategy to increase its distribution, perceived value, product innovation and purchase decision.

c. For the other researchers

The research benefits the other researcher as source of reference about the studies regarding its variables of distribution, perceived value, product innovation and purchase decision.

