

CHAPTER I

INTRODUCTION

1.1 Background

In a rapidly changing global business environment, industries face intense competition, including in sales in the Oil and Gas industry. LPG gas is a popular Oil and Gas industry due to its ability to provide heat and energy efficiently, as well as its more environmentally friendly effects compared to other fossil fuels. Its good availability, safety concerns and flexibility of use make LPG a common choice in a wide range of household, industrial and commercial applications around the world.

In Indonesia, the government has launched a program for the use of LPG as an energy source in various sectors in 2007. The fuel conversion program from kerosene to LPG has been conducted to reduce pollution and improve energy efficiency in households. Based on Presidential Regulation No. 104/2007, the program also includes the distribution of subsidized LPG gas cylinders to the public at more affordable prices. The Indonesian government continues to encourage wider and more sustainable use of LPG. In addition, research and development continues to be conducted to improve the efficiency and sustainability of LPG use, as well as reduce environmental impacts.

LPG plays a significant role in meeting Indonesia's energy needs. LPG is used in a variety of sectors, including households, industry, and the commercial sector. In households, LPG is used as an energy source for cooking, water heating, and space heating. In industry, LPG is used in production processes such as drying, food processing, and welding

The continued use of LPG gas prompted the Government of Indonesia to establish a subsidy program for 3kg LPG gas to ensure affordable prices for the public, based on Presidential Regulation No. 104/2007. This program aims to provide safe and affordable energy access to people with low income. The retail

selling price of 3kg LPG gas regulated by the government is usually lower than that of larger LPG gas cylinder sizes.

LPG gas is widely used in Bengkalis households as an energy source for cooking daily meals. 3kg LPG gas cylinders are commonly used in households for cooking purposes in the kitchen. In Bengkalis the demand for 3kg LPG gas increases suddenly and exceeds the available supply, causing a 3kg LPG gas crisis in Bengkalis.

Crises often occur due to disruptions in the distribution and logistics chain, such as delivery delays or operational constraints at gas distribution agents and the use of 3kg LPG gas that is not targeted. In accordance with the provisions of Presidential Regulation (Perpres) No. 104/2007 on the Supply, Distribution and Pricing of 3kg Liquefied Petroleum Gas, the supply and distribution of 3kg LPG is only intended for households and micro businesses. But there are still many people who are not categorized as using 3kg LPG gas but instead use 3kg LPG gas for their daily needs thus supplies cannot meet the demand for 3kg LPG Gas which causes scarcity in Bengkalis. The limited availability of 3kg LPG gas makes LPG gas agents inefficient in distributing 3kg LPG gas to customers, because the availability of 3kg LPG gas cannot meet the demand of the Bengkalis community.

Price is the amount of money charged for a good or service or the amount of money that consumers exchange for the benefits of buying or using the product or service (Kotler and Armstrong, 2018). The price of 3kg LPG gas is the main factor influencing purchasing decisions in Bengkalis. Competitive and affordable prices tend to be the determining factor in whether consumers will buy or not. Significant price increases or unstable price fluctuations can lead consumers to look for other alternatives or try to reduce LPG gas consumption.

Tabel 1.1 3kg LPG Gas Price

Information	3kg LPG gas price
Gas station	Rp. 22.000
Grocery store	Rp. 28.000 – Rp. 30.000

Source: Processed Data., 2023

After tracing between grocery stalls and gas stations about the price of 3kg LPG gas, it is known that the price of 3kg LPG gas at the base and in grocery

stalls in Bengaklis has a difference of Rp. 6.000 - Rp. 8.000. Thus this price difference shows the high price of 3kg LPG gas in grocery stalls compared to gas bases in Bengaklis.

Humans basically have many needs. Need itself is a barrier between what is expected and what actually happens. Needs arise because consumers feel discomfort (state of tension) between what should be felt and what is actually felt (Zusrony). The demand for 3kg LPG gas is influenced by many factors, including population, lifestyle and cooking habits in the Bengkalis community. If many households or businesses in the area use LPG gas as their main source of energy, demand will tend to be high. In addition, demand is also influenced by the industrial and commercial sectors in Bengkalis, which use LPG gas for various purposes.

Scarcity is a condition when human needs are unlimited and not matched by the ability to fulfill them. The symptom of the emergence of scarcity of a good is the increase in the price of that good and the emergence of substitute goods. The consequence of the emergence of scarcity is that each person or individual will make the best choice from a variety of alternative choices available (Rahmatullah et al, 2018). The scarcity of 3kg LPG gas can affect its availability in the market. Factors such as poor distribution, supply disruptions or stock shortages can make it difficult for consumers to obtain 3kg LPG gas.

According to Tjiptono (2020) purchasing decisions are one part of consumer behavior in the form of actions that are directly involved in obtaining, determining products and services, including the decision-making process that precedes and follows these actions. High prices or significant price fluctuations can reduce consumers' willingness to buy, while high demand and scarcity can increase prices and make LPG gas difficult to obtain. Consumer purchasing decisions will be influenced by the extent to which these factors affect the balance between need and availability at an acceptable price.

Based on this, The Author is interested in conducting research on **“The Effect of Price, Needs and Scarcity on Purchasing Decisions for 3kg LPG Gas among the people of Bengkalis”**.

1.2 Formulation of the Problem

Based on the background above, the problem formulation taken from this research is how the effect of Price, Needs, and Scarcity on Purchasing Decisions for 3kg LPG gas in Bengkalis society.

1.3 Purpose of the Study

Based on the formulation of the problem that has been stated above, this research has the following objectives has objectives to be achieved, which are as follows:

1. To determine the effect of the Price of 3kg LPG gas on the Decision to Purchase 3kg LPG gas for the Bengkalis community?
2. To determine the effect of the Need for 3kg LPG gas on the Decision to Purchase 3kg LPG gas for the Bengkalis community.
3. To determine the effect of the Scarcity of 3kg LPG gas on the Decision to Purchase 3kg LPG gas in Bengkalis society?
4. To determine the Decision to Purchase 3kg LPG gas which is influenced by Price, Needs, and Scarcity in the Bengkalis community.

1.4 Significance of the Study

Each research is carried out to obtain benefits that are beneficial to all interested parties. The benefits that are expected by The Author in conducting this research include the following:

1. For Author

This research is expected to train The Author's knowledge thus The Author can continue to explore knowledge and information about things that The Author has never known, both theoretically to be studied and in good writing and through this research can also be a graduation requirement to graduate and get a bachelor's degree (one) at the writer's campus.

2. For International Business Administration Study Program

The research that The Author has done is expected to be a useful library in the study program which one day will be achieved for academic purposes.

3. For Further Researchers

As a material consideration and information for other researchers related to this research. This research can add insight and decisions for parties in need.

1.5 Scope and Limitations of the Problem

Based on the description contained in the background above, the problems studied in this study need to be limited. This study uses dependent variable and independent variables. The dependent variable in this study is the Purchase Decision, while the independent variables are Price, Need, and Scarcity.

1.6 Writing System

CHAPTER I: INTRODUCTION

In this chapter, The Author explain about the background, formulation of the problem, purpose of the study, significance of the study, scope and limitation of the study, writing system

CHAPTER II: LITERATURE REVIEW

This chapter contains related theory, literature review and framework.

CHAPTER III: RESEARCH METHODOLOGY

This chapter discusses the location and object of the study, types and sources of data, population and samples, sampling techniques, data collection techniques, data processing techniques, measurement scale, test of validity and reliability, data analysis methods, research hypothesis, research model, types of the study, concept definition and operational variable, schedule and budget of the study.

CHAPTER IV: RESULT AND DISCUSSION

This chapter explains the results of research that The Authors conducted in the field about the effect of Price, Needs and Scarcity on Purchasing Decisions for 3kg LPG Gas among the people of Bengkalis.

CHAPTER V: CONCLUSIONS AND SUGGESTIONS

This chapter is a closing that contains conclusions obtained from research and provides suggestions as input from The Authors who conducted the research.