

# CHAPTER I

## INTRODUCTION

### 1.1 Background

In the current era of globalization, the business situation in an increasingly tight competitive environment has resulted in a decline in sales growth which has resulted in extraordinary changes. In the business world, competition cannot be avoided. With competition, companies have various opportunities and threats both from outside and within the country. Indonesia is one of the countries with the most dense population in the world. As a developing country, Indonesia is a potential market share in the field of services marketing.

Many people think that marketing is synonymous with sales. In fact, marketing has a broader meaning than sales. The sales sector is part of marketing, as well as the most important part of marketing itself. Marketing means working with markets to realize potential exchanges with the intention of satisfying human needs and wants. If companies paid more attention to continually keeping up with changing needs and new desires, they would have no difficulty recognizing opportunities.

Consumers will always look for the best for their lives and of course at affordable prices and good quality too, this is what triggers increasingly sharp competition which causes sellers to find it increasingly difficult to sell their products on the market. On the other hand, buyers will feel very benefited because they are free to choose from any party with the best quality and product quality. This is what supports business experts to find the best solution

Even the simplest marketing theory always emphasizes that in marketing activities it must be clear who is selling what, where, how, when, in what quantity and to whom. Having the right strategy will support overall marketing activities.

One thing that is behind the salon business is the limited space for women wearing the hijab who want to just care for their hair or pamper themselves at the

salon. Most salons are mixed between men and women. The salon provides various quality services specifically for women and the workers are also women.

In general, a salon is a place to beautify and beautify the body, with good and clean care, a healthy body will naturally be formed. In reality, women tend to choose businesses that suit the woman's hobbies, salons are an alternative because women like to take care of their own bodies and hair. This is evident from the number of new salons currently developing.

The definition of a salon is a space (room) that is well arranged and decorated (for receiving guests, etc.). In general, salons can be divided into two parts, namely beauty salons (beauty, face or body salons) and hair salons (hair salons). But the word salon use alone can represent both. Salons are people's goal when they want to beautify themselves. Therefore, there is also the term beauty salon, which is a place (building, etc.) where people take care of their beauty (doing make-up, styling hair, etc.). A beauty salon is a form of business related to cosmetic, facial and hair care, for both men and women.

According to Kusumadewi (2001), a beauty salon is a public service facility for the health of hair, skin and fabrics with modern and traditional manual, preparative, apparative and decorative cosmetic treatments without surgery.

In general, a beauty salon is a business place that operates in the field of beauty services related to beauty care and cosmetics for men and women. Where beauty salons are a place to beautify and beautify the body by providing treatments related to skin health, hair beauty, facial aesthetics, foot care, nail care, waxing or other hair removal, and so on related to body beauty services.

Salons have a very wide market share, from the lower classes to the upper classes. The market share that is owned is also still very wide open. This is based on people's behavior who want everything that is easy and looks perfect. The salon is also able to respond to people's behavior so that today the company continues to grow and is able to compete with other companies.

A price war is a competition between companies or businesses that lower the prices of their products or services to attract consumers. This situation usually occurs when the market becomes increasingly competitive and the company tries

hard to maintain or increase its market share. Price wars can have negative impacts, such as reducing product quality, damaging company reputation, and reducing employment opportunities. To deal with price wars, several strategies that can be implemented include focusing on product value, market segmentation, and adding value to products.

The price war in the consumer products industry in Indonesia is currently getting worse. The level of competition is getting tighter, there is always retaliation to reduce prices or carry out promotional activities that have an impact on product prices. Brands from large companies and themes must also do the same to maintain their position in the market. Marketing orientation is short-term sales, so that the marketing activities carried out are often impromptu programs that are not the result of planning maturely.

Competition needs to be maintained in order to create efficiency. With competition, market players are required to continue to improve the products or services they produce and continue to innovate and strive to provide efficient products or services.

The higher the level of competition, the increasing complexity of the market and consumers who are starting to be critical of the market, this means that marketing activities need to be carried out professionally and aggressively. With good marketing, a good competitive strategy will be obtained.

The choice of competitive strategy is based on the competitive advantages that the organization can develop. Competitive advantage will arise by having something that other competitors do not have.

Industry requirements stipulate that businesses improve the quality of their products to increase the number of people who buy their products. They want to give full attention to their users because most users want to buy products that can relieve their pain both physically and psychologically. In addition, the price offered by the seller is not only competitive with the product itself but also with the characteristics it contains. According to Effendi M Guntur (2010) Price is the amount of money charged for a product or service or the amount of value exchanged by customers for the benefits of owning or using a product or service.

Price is the only element of the marketing mix that provides income or income for the company and is flexible. The current condition of the transportation services industry is not solely caused by globalization; also because customers are becoming more picky, prices are increasing, and there is more demand. Communication technology has a positive impact on increasing sales intensity because it gives customers access to more information regarding the various products offered. This situation causes customers to have more choices in using money.

Salon Dern Beauty Center, Elite Salon Spa and Ayong Salon are businesses that operate in the service sector for social and personal interests. Services, namely in the form of service from someone to another person, can also be interpreted as starting from services provided by humans, both those that can be seen and those that cannot be seen, which can only be felt. Right down to the supporting facilities that must be available when selling services.

Considering that there are quite a lot of salons offering a number of good services. So the Dern Beauty Center Salon, Elite Salon Spa and Ayong Salon also provide services that are getting better day by day, showing commitment by providing perfect service for consumer satisfaction. And trying to improve professional management and be supported by competent workers in their respective fields.

Even though there is a lot of talk about the dangerous ingredients contained in beauty products, this does not mean that the beauty salon business will decline because it is still in demand by the public. From this, there is a good strategic opportunity where business actors must provide a greater sense of security by using products that are BPOM certified and have a halal label for its customers in order to attract more customers so that its existence can be maintained.

One of the most important factors for the success of a company is determining the right strategy to face competition. Competition is very important to the success or failure of a company. Companies compete to excel or achieve high performance by establishing strategies, aimed at achieving a profitable and strong position to stem competition in the industry. Based on the phenomenon and

background description above, the researcher is interested in conducting research with the title **“The Strategy of Price War Among Salons in Bengkalis (Case Study of Dern Beauty Center, Elite Salon Spa and Ayong Salon in Bengkalis)”**

## **1.2 Formulation of the Problem**

Based on the background that has been described, the author formulates the existing problems as follows: How is The Strategy of Price War Among Salons for Dern Beauty Center Salon, Elite Salon Spa and Ayong Salon in an effort to win the competition.

## **1.3 Purpose of The Study**

With the Formulation of the problem, the objectives of the this research, namely as follows:

1. To find out the differences in the implementation of strategies used by these salons.
2. To find out the differences in the most effective price war strategies.
3. To evaluate the impact of price wars on number of customers.

## **1.4 Significance of The Study**

It is hoped that the results of this research will provide benefits for readers as follows:

1. For Companies

Can help companies understand the impact of price wars on their profits and determine whether this strategy provides long-term profits or not

2. For related parties

This research is expected to provide benefits for related parties, such as companies, to increase knowledge and insight in seeing opportunities in the market and the strategies that companies will use to win the competition.

### 3. For Academics

Academically, it is hoped that the results of this research will add to research references and can be used as reference material for future researchers who want to know more deeply about price war strategies.

## **1.5 Scope and Limitation of the Problem**

The scope of the price war strategy problem includes strategies used by producers or sellers to gain market share by setting prices lower than their competitors. This strategy may involve offering special discounts or promotions, price reductions, or offers. However, there are several limitations that need to be considered in implementing this personal care price war strategy. Some possible limitations include:

### 1. Brand and Image

A significant price reduction can damage the brand image and create negative perceptions among customers. Customers may understand that brands that reduce prices drastically do not have good product quality.

### 2. Profit Margins

Setting very low prices can affect the profit margins obtained by manufacturers or sellers of personal care products. This can reduce the company's ability to conduct research and development of new products, promotions, and marketing.

### 3. Competition

Although a price war strategy can help a company attract customers, competitors may respond by lowering prices or offering better promotions and discounts. This can result in a price race that is unprofitable for the company and can hurt profit margins.

## **1.6 Writing System**

The author arranges the systematics of writing in this paper to assist writers and readers in helping to compile the research results obtained. Systematic discussion is a simple desk-based description of the topics that will be covered and are often composed of:

### **CHAPTER I : INTRODUCTION**

This chapter I describes the background of the problem, the formulation of the problem, the aims and benefits of the research, as well as the planning and writing process.

### **CHAPTER II : LITERATURE REVIEW**

This chapter II The Author presents the theoretical foundation used in there search, including related theories,literature review,and framework. studies,methods, functional adaptability theory, and conceptual theory.

### **CHAPTER III : RESEARCH METHODS**

This chapter III describes the research area, types and sources of data, data collection methods, population and sample, as well as data analysis.

### **CHAPTER IV : RESULTS AND DISCUSSION**

This chapter IV describes the results of data collection and processing in the form of an overview of the research, research results and discussion.

### **CHAPTER V : CONCLUSIONS AND SUGGESTIONS**

This chapter V describes the conclusions from the results of data processing and suggestions.