

# CHAPTER I

## INTRODUCTION

### 1.1 Background

The retail business at this time is a business that is growing and in great demand. Research Alfamart is a minimarket network that provides basic needs and daily needs with a sales area of  $\pm 200$  m<sup>2</sup>. Intense competition among retail businessmen is caused by the increasing number of shopping centers. This competition makes companies in the retail sector try to retain their customers and become the retail of choice for customers. Therefore, it is not uncommon for many companies to try to prioritize customer satisfaction on the quality of service implemented by the organization or company so far.



Figure 1.1 Private Label Logo  
Source : <https://www.alfamart.co.id>

A person's buying behavior can be said to be something unique, because the preferences and attitudes towards objects of each person are different, besides that consumers come from various segments, so what they want and need are also

different. There are still many factors that influence people's buying interest need to understand consumer behavior to products on the market. Furthermore, it is necessary to do various ways to make consumers interested in the products produced (Muhammad Fakhru Rizky and Nst Hanifa Yasin, 2014).

According to Industry update retail stated that the rapid development of the modern retail industry, especially with the minimarket format, was driven by the expansion of Alfamart and Indomaret which controlled 97 percent of the market share. For the hypermarket format, Carrefour, Hypermart, and Giant control 87 percent of the market share. For the type of department store, Matahari and Ramayana both control 55 percent of the market share. In recent years, Alfamart has owned various types of private label products which are sold in all its outlets in Indonesia. Alfamart has the most private label product variants among retailers with a minimarket format, which is almost about 98 types of private label products.

The product is the whole of the offerings made to consumers in providing services, the location of the store and the name of the merchandise. (food-based products, clothing, household goods, general products, etc. or a combination) to be provided in stores in quantities, time, and appropriate price to reach the target store or retail company. Product quality is an activity to procure goods that are in accordance with the business undertaken by the company company with quality or good quality (Utami in Pamela montung 2015).

Companies are required to be able to meet customer needs and adjust customer desires so that companies must be able to detect what the market needs or consumer desires and read and translate any changing situation as an opportunity. The company will not grow without customers. The more customers, the company will be able to compete with other companies in this era of globalization. Companies must be able to satisfy and retain existing customers. Kotler and Armstrong in Jessica J. Lenzun (2014) state that the meaning of product quality is ability a product in performing its functions, it includes overall durability, reliability, accuracy, ease of operation and product repair are also other product attributes.

Price is also an important factor in attracting the attention of consumers, if the price that has been set is not too expensive or not too cheap then the customer can conclude that the price is in accordance with the expected price. If these three factors are in accordance with what customers want and expect, customer satisfaction will be created so that by themselves they will become loyal to one company. Then the main goal of the company to survive and earn (profit) will be achieved.

This research was conducted because the existence of private label products as one of the retailer's competitive strategies is still not enough in demand by the public. This causes the level of sales of private label products is still considered lower than national products. Alfamart outlets in Bengkalis Island is 4 stores:

1. Alfamart on Panglima Minal street (Roro port intersection).
2. Alfamart Jenderal Sudirman-Bengkalis Kota.
3. Alfamart Laksamana-Damon street
4. Alfamart Jenderal Sudirman-Selat Baru street, Bantan.

The reason for choosing Alfamart as the object of research is because Alfamart is one of the largest retailers in Indonesia which has various variants of private label products and has outlets that are almost scattered in urban areas in Indonesia. Broadly speaking, this study will examine The Influence Of Product Quality And Price On Purchase Intention Alfamart Private Label Products Bengkalis Area.

## **1.2 Formulation of the Problem**

Based on the description of the background above, the formulation of the problem that will be discussed in this study are:

1. How is the Influence of Product Quality on the Purchase Intention of Alfamart Private Label Products?
2. How is the Influence of Price on the Purchase Intention of Alfamart Private Label Products?
3. How is the Influence of Product Quality and Price on the Purchase Intention of Alfamart Private Label Products?

### **1.3 Purpose Of The Problem**

From the formulation of the problem that has been put forward, it can be determined the research objectives as follows:

1. To determine the effect of product quality on customer purchase intentions of private label Alfamart products.
2. To determine the effect of price on customer purchase intentions of private label Alfamart products.
3. To determine the effect of product quality and price on the purchase intention of Alfamart private label products

### **1.4 Significant of the Study**

There are three benefits in the study entitled "The Influence of Product Quality and Price on Purchase Intentions for Alfamart Private Label Products in Bengkalis City". Are as follows :

1. For Researchers

The benefits of this research can provide additional knowledge and is one of the requirements to complete the study of International Business Administration.

2. For Alfamart Companies

The benefit of this research is to increase the company's external factor, namely the customer's purchase intention on Private Label products.

3. For Universities

This research is expected to provide theoretical benefits or as a reference for those who need information in the field of marketing, especially about product quality and prices that affect customer purchase intentions as a basis for comparison to evaluate evaluations.

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

Based on the background that has been described previously, the author makes a problem definition so that the scope of this research is clear. The limitation of the problem made is that this research will analyze the influence of product quality and price on the purchase intention of Alfamart label private products in Bengkalis Island.

## **1.6 Writing System**

The systematics of writing research conducted to research the influence of Product Quality And Price On Purchase Intentions for Alfamart Private Label Products are as follows:

### **CHAPTER 1 : INTRODUCTION**

Is an introduction chapter that describes the title, research background, problem formulation, research objectives, benefits.

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

State the theoretical basis and theoretical basis that will be used in completing research, both general and specific in nature, consisting of previous research and theoretical foundations.

### **CHAPTER III : METHODS AND ACCOMPLISHMENT PROCESSES**

This chapter describes the research implementation method, which consists of the location, time and object of research, types and sources of data, data collection techniques, data analysis methods, types of research, as well as research schedules and budgets.

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

In this chapter the author will explain the results and discussion after the author conducted research based on the data obtained.

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

In this chapter the author will describe the conclusions obtained from the discussion and suggestions that will be submitted by the author.