

THE INFLUENCE OF SERVICE QUALITY AND PRICE TOWARDS PURCHASING DECISION FOR ANUGERAH SOUND SYSTEM SERVICE EMPLOYMENT

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ABSTRACT

The core of this study is ultimately aimed to determine the factual influence of Service Quality and Price towards the concocted Purchasing Decision outcome, which analytically settles the service employment decision for Anugerah Sound System, both simultaneously and partially.

The study utilizes a causal-comparative quantitative approach and Multiple Linear Regression Analysis in determining the influence of Service Quality (X_1) and Price (X_2) against the very notion of Purchasing Decision (Y). Specifically, a total number of 40 customers coming from Anugerah Sound System are hereby designated to contribute as study population within the context, whereas the 32 respondents are chosen through the usage of Slovin formula. Presently, questionnaire may be deemed as the most appropriate data retrieval technique to be endorsed for the research.

Results of this study indicate that Service Quality (X_1) and Price (X_2) simultaneously influence Purchasing Decision (Y). It can be seen from the f test value of 13.22 and its significance level of 0.000. Partially, the independent variables also give a significant effect on the dependent variable, as depicted from the result of the t test.

Keywords: Service Quality, Price, Purchasing Decision

INTRODUCTION

In this eon, the significance of globalization has taken its turn to grow in a progressive manner, particularly within the business world. Such notion then invigorates companies and enterprises around the world, hence striving to be superior against each of their competitors. Consequently, radical improvements are then implemented in order to boast the organizations' supremacy and dominance within the very eyes of the customers. In the midst of this intensely occurring competition, Anugerah Sound System also aims to improve and materialize factual better mends toward total achievement of maximum and outstanding business outcomes.

Anugerah Sound System was established in the year of 2001, and is located in Surabaya, Indonesia. The company itself operates as an equipment rental for events, thus providing gears such as sound system, lighting, stage, multimedia, etc. In relation with the study, Anugerah Sound System is known as a business engaged within the sector of service; as the notions of service quality and price to be note worthy in the attempt to achieve better future accomplishments.

Table 1. The Income of Anugerah Sound System in period 2009 - 2014

Years	Income (Rp)	Growth (%)
2009	1.441.071.000,-	
2010	1.870.977.500,-	29,8
2011	2.421.800.000,-	29,4
2012	2.671.550.000,-	10,3
2013	3.349.200.000,-	25.4
Jan – May 2014	1.198.400.000,-	

Source: Data were processed in 2014

Table 1 presents the data of turn over obtained by Anugerah Sound System within the period of 2009 – 2014. From the presentation, it may be seen that the turnover of Anugerah Sound System has increased from year to year. But if traced further, the growth demonstrated significantly less likely to change, even decreased.

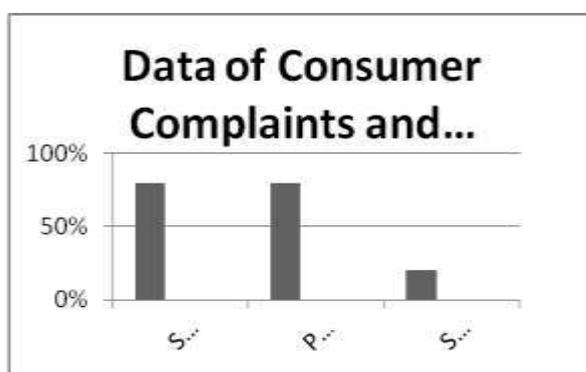


Figure 1. Data of Consumer Complaints and Feedback of Anugerah Sound System in 2013

Source: Data were processed in 2014

According to the data shown in Figure 1 above, the main complaints and feedback expressed by consumers Anugerah Sound System is the service quality and price. Although consumers are satisfied of the quality of service and price, but consumers remain to suggest that there needs to be improvement apart from the specification, which is the most important thing is price and service quality.

In this study there are three objectives, the first is to investigate the influence of service quality and price simultaneously to the purchasing decision to use the services Anugerah Sound System. The second goal from this study is to determine the influence of the service quality to the purchasing decision to use the services of Anugerah Sound System. And the third goal is to investigate the influence of price to the purchasing decision to use the services of Anugerah Sound System.

CONTEXT AND REVIEW OF LITERATURE

Understanding the Purchase Decision

According to Winardi (2010) purchase decisions made by consumers is a process of evaluation of various options. Meanwhile, according to Peter and Olson (2009)

purchase decisions can also be interpreted as a process of integration which is a group of the evaluation process of two or more of the alternatives on offer and choose one of them.

Sutisna in Soebianto (2014) stated that the benchmark for measuring the purchase decisions is divided into two dimensions, namely the association benefits and the frequency of purchase. Which belong to the association benefit criteria is when consumers discover the benefits of the product to be purchased and relate it to the characteristics of the product identity. Which belong to the dimensional frequency of purchase is when consumer that buy a particular product and is satisfied, then make repeated purchases.

Purchase decision is an important decision for the success of a product or service, because with the purchasing decisions made by consumers to use the product or service, it will be superior in the eyes of consumers when compared with its competitors. This is reinforced by the statement made by Schiffman and Kanuk inWidagdo (2011), stated that the purchase decision is a decision made by a person in which the person has determines his choice after selecting various alternatives. A similar statement also conveyed to Kotler (2011), purchase decisions is a decision taken by the buyer which is actually a collection of a number of decisions.

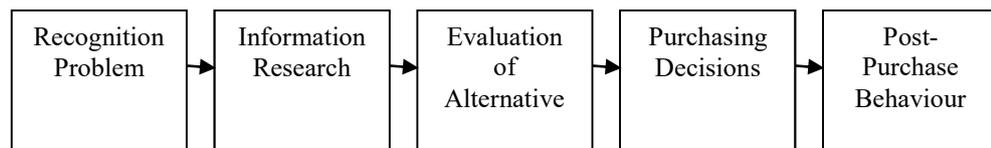


Figure 2. Five Stages of Purchase Decision
Source: Engel, *et al.* (2012)

In making purchasing decisions in Figure 2 there are 5 stages of the process that occurs (Engel, et al., 2012). The first process is to analyze the needs and desires, which aims to determine the needs and desires unfulfilled. The next stage is the search for information, where such information can be passive, active internal, and external, such as quality of service, price, product benefits, specifications, side effects, advantages, and disadvantages. Following the source and clear information, then go to the evaluation and selection of the various alternatives that exist, which are based on the purpose of purchase which can varies from one individual to another. Furthermore, after going through various stages before, then consumers make purchasing decisions, which continues to the end of the stage where the behavior after the purchase if the consumer is satisfied then the dominant will make repeat purchases.

Understanding the Service Quality

Service quality affects the success of a company, both in the field of products or services. This is because the service quality determines the level of customer satisfaction and customer, where they distinguish between what is promised by the fact obtained. This statement is supported by the views expressed by Lupiyoadi (2013), service quality is a company which is expected to satisfy the customer is considered as one of the factors determining the success and quality of a company. A similar

statement was also delivered by Tjiptono in Salim, et al. (2011). Tjiptono suggests that quality of service is identified as a means of measuring how well the level of services provided in satisfying customers.

According to Parasuraman, et al., In Sancoko (2010), service quality is a measure in determining customer satisfaction, because the gap will occur when the service is not obtained in accordance with perceptions and desired by consumers. It can be concluded that service quality is an important benchmark in determining a good purchase decision for a product or service, because it is through the service quality provided to consumers, consumers can assess performance and determine the level of satisfaction or disappointment even for services rendered. In the end, satisfaction and disappointment is what will influence consumer behavior to consider the next purchase (Aryani and Rosinta, 2010).

The service quality, there are many approaches and indicators. One approach to the quality of service that made reference is a theory proposed by Parasuraman SERVQUAL and Tjiptono in Rahayu (2011), where the service quality consists of five dimensions. The first dimension is reliability, which is the ability of a company or agency to provide services in accordance with what is promised as soon as possible, as accurately as possible, and satisfying, so as to fit and meet consumer expectations. The second dimension is responsiveness, which has the notion that responsiveness is the desire that arises from the staff to help customers and provide the best possible service and responsive to the desires of consumers and to provide information as accurately as possible to the consumer. This will have an impact on customer satisfaction, where if you make customers wait too long, not served quickly, even ignoring the demand of consumers, then consumers will feel disappointed and give a poor assessment of the quality of services provided by a company or agency.

The third dimension is the assurance, that the subject matter include things that relate to the knowledge, ability, courtesy, and trustworthy character that it shall be owned by every staff, so customers can be free from a sense of danger or doubt. Furthermore, the fourth dimension is empathy. In this dimension includes giving attention to the consumer where attention is given to every sincere and individual consumers, with an attempt to understand what is wanted and needed by consumers. In this section, the company is required to have an understanding and knowledge of specific consumers, both in terms of serving the needs of consumers and customers as well and as accurately as possible. And in the end, the last dimension is the tangibles, the ability of a company to expose the existence of the company to external parties, especially to consumers, good facilities and infrastructure companies in the form of physical and ambient conditions. It can be a real proof of service that can boost the confidence of consumers, which includes buildings, equipment, warehouse, equipment, and appearance of company employees.

Understanding the Price

Price has a lot of definitions which are the result of research and understanding of the experts. One is the definition put forward by Engel, Miniard in Tan (2011), who concluded that the price is a risky variable where the variable is used as a basis in developing marketing programs for a company or agency, where if it can run with well, it can be an attraction and success. Other narrative is also conveyed by Swastha (2010)

which states that the price is one part of the marketing mix, which is the only part that generates sales revenue.

Price may also be an important factor in determining customer satisfaction and loyalty (Regina, 2009). This is reinforced by the narrative Utari in Nova (2010). Utari reveals that prices have an important role because of the price paid by the customer to have a significant impact on customer loyalty, where when prices are set by a company higher, the customers tend to be less loyal. In addition, the price can also be a good differentiation factor when compared to the price offered by a competitor, because the price is a psychological factor in the buying process (Limsanny, 2009). Price is considered one of the psychological factors in the buying process as it is based on irrational behavior in humans when purchasing processes running.

Because the price is one of the factors that are considered important in influencing purchasing decisions, it is necessary to establish the best possible price in order to be accepted by consumers. According to Kotler (2011), there are 3 factors that affect the pricing process. The first factor is the cost to be the lower limit. While the second factor is the price of a competitor and the price of goods or services of a replacement be an important subject to consider. Last factor is the customer's assessment of the added value and uniqueness offered by a company, in which this issue can be used as the upper limit of the price.

Hypothesis

The hypotheses proposed in this study are as follows:

H1 : Service quality and price has to simultaneously influence purchase decision to use the services Anugerah Sound System.

H2 : Service quality has a significant influence on the decision purchase to use the services Anugerah Sound System.

H3 : Price has a significant influence on purchase decision to use the services Anugerah Sound System.

RESEARCH METHODS

The research approach used in this study is quantitative causal comparative approach. Causal comparative quantitative research is research that indicates the direction of the relationship between independent variables with the dependent variable, along with the size of the power contained in the relationship (Sangadji and Sopiah, 2010). In this kind of research, aiming to identify the facts or an event as influenced variable (dependent variable) and the variables that influence (independent variables).

Total population in this study is determined from the number of customers of Anugerah Sound System in the year 2013 is 40 people. In this study, for the collection of samples, the technique used in this study is purposive sampling. Purposive sampling is sampling technique that is done on the basis of considerations that researchers think about the desired characteristics and has existed in a sample (Lohr, 2009). In this study, the characteristics used in selecting the appropriate sample for this study is customer who has used the services Anugerah Sound System with a minimum of 2 times the minimum transaction of Rp 2,000,000.00. To determine the number of samples is appropriate and feasible for this research, it is used Slovin formula, and found which is the number of samples are 32 respondents.

The data used in this study is Data interval, which is associated with the price and service quality. Sources of data used in this study are divided into two, namely internal and external. What is meant by the internal data is a data company. While categorized into external data is data about competitors and a wide range of literature review and other sources such as previous studies, reference books, etc. Data collection methods used in this study is through questionnaires and interviews.

Variables examined in this study can be divided into two. The first variable is called the independent variable which consists of the service quality (X_1) and price (X_2). While the second variable is called the dependent variable is the purchase decision (Y).

Data Analysis Techniques

1. Multiple Linear Regression Analysis

Multiple linear regression is a method used to determine whether there is influence of independent variables on the dependent variable (Ghozali, 2011). Multiple linear regression equation used in this study is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon$$

Specification:

- Y : Dependent Variable (purchase decision)
- β_0 : Numbers constant (indicating the influence of the independent variables sthe dependent variable)
- ϵ : *Error* / Residual
- β_1, β_2 : Regression Coefficient
- X1 : 1st Independent Variable (service quality)
- X2 : 2nd Independent Variable (price)

2. Simultaneous Significance Test (F test)

F test was conducted in order to determine whether the independent variables have a significant effect simultaneously on the dependent variable (Sutrisno in Istiarini and Sukanti, 2012). The conclusion that can be drawn from the F test is if the value of the F test of significance smaller than 0.05, it indicates that there is a significant relationship between service quality and price simultaneously to the purchasing decision to use the services Anugerah Sound System.

3. Individual Significance Test (t test)

T test conducted in order to determine the significance between the dependent variable (Sugiyono in Istiarini and Sukanti, 2012). The conclusion that can be drawn from the t test is if the value of the t test of significance smaller than 0.05, it indicates that there is a significant relationship between service quality and price partially to the purchasing decision to use the services Anugerah Sound System.

RESULT

Characteristics of Respondents

Table 2. Characteristics of Respondents by Gender and Age

Attributes	Category	Number	Percentage (%)
Gender	Male	22	68,75
	Female	10	31,25
Age	20-24 years old	11	34,38
	25-28 years old	19	59,38
	> 29 years old	2	6,25

Source: The study results were processed in 2014

From the table above, it can be seen that most of the respondents by gender is male as many as 22 people (68.75%) and the highest age category is age 25-28 years by the number of 19 people (29.38%).

Multiple Linear Regression Analysis

Based on the research that has been done then obtained the following results:

Table 3. Result of Multiple Linear Regressions

Variable	Regression Coefficients
Constants	0,633
Service Quality (X_1)	0,385
Price (X_2)	0,504

Source: The study results were processed in 2014

According to the table above, generated regression model is:

$$Y = 0,633 + 0,385 X_1 + 0,504 X_2$$

Regression equation above can be explained as follows:

1. Regression coefficient of variable service quality (X_1) is 0.385, it means that if the variable value is fixed price and service quality will go up one point, then the purchase decision (Y) will increase by 0.385. The coefficient is positive it means there is a positive relationship between service quality with the purchase decision, the higher the service quality, the higher the purchase decision.
2. Price variable regression coefficient (X_2) pales 0,504 service quality variable value is fixed and the price will go up one point, then the purchase decision (Y) will increase by 0.504. The coefficient is positive it means there is a positive relationship between price of the purchase decision, the higher the price, the higher the purchase decision.

F test

Table 4. Result of F test

Variable	Sig.	R ²
Service Quality (X ₁)	0,000	0,477
Price (X ₂)		

Source: The study results were processed in 2014

Based on the F test in the table above shows that F Calculate the resulting value of 13,228 with a significant level of 0.000, which is smaller than 0.05, which means it is of variable quality service and price simultaneously significantly influence purchasing decisions.

t test

Table 5. Result of t Test

Variable	Sig.
Service Quality (X ₁)	0,048
Price (X ₂)	0,002

Source: The study results were processed in 2014

t value in the variable service quality by 2,066 to 0,048 below the significant level of 0.05, have indicated that service quality variables partially influence on purchasing decisions. Similarly, the price variable, the resulting value of t at 3.392 with a significant level of 0.002 below 0.05, it means the price variable partially influence on purchasing decisions.

CONCLUSION

Based on research results that have been discussed in the previous chapter, it can be concluded as follows:

1. Service quality and price have simultaneous influence on purchasing decisions to use the services of Anugerah Sound System. Where although the service quality is good, but not supported by competitive prices, then the consumer will not be tend to choose to use the services of Anugerah Sound System. If the price offered is also quite compete with the competitors, but the service quality provided is not good and satisfying the consumer, then the consumer also tend to not use the services of Anugerah Sound System. It can also be seen from test results showing that purchasing decisions are influenced by 47% by the service quality and price, and the rest is influenced by other variables.
2. Service quality has a significant influence on the purchase decision to use the services Anugerah Sound System. Because of Anugerah Sound System engaged in the service, quality of service is one subject that is important to satisfy the consumer. With the satisfaction obtained by the consumer, it will affect the decisions of consumers, where consumers will be more inclined to use the services Anugerah Sound System.
3. Price has a significant influence on the purchase decision to use the services Anugerah Sound System. In addition to the service quality, price is also an issue that should be considered, as it affects consumer purchasing decisions. With the

competitive prices and in accordance with the fund initiated by the event organizer or the consumer, then the consumer will be more likely to use the services Anugerah Sound System.

Managerial Implications

Table 6. Comparison Before and After Research in the Matter of Service Quality

Before Study	After Study
Sometimes Anugerah Sound System still not able to provide timely service in accordance with the promised.	<ol style="list-style-type: none"> 1. Create a journal per event and the client so that every task that must be done on time. 2. Provide pre-event and post-event questionnaires to the consumer so they will be able to assess the opinion of the services Anugerah Sound System.
Anugerah Sound System always get advice from customers due to dissatisfaction of consumers.	Improve the service quality by: <ol style="list-style-type: none"> 1. Be more friendly and on time. 2. Provide the best specification that fits the needs of consumers. 3. Provide pre-event and post-event questionnaires to the consumer so they will be able to assess the opinion of the services Anugerah Sound System.
The marketing division of Anugerah Sound System sometimes not communicative to customers.	<ol style="list-style-type: none"> 1. Provide marketing training to the marketing division of Anugerah Sound System. 2. Provide facilities to facilitate the communication with the consumer.
Anugerah Sound System employees lack effective and efficient in the work.	<ol style="list-style-type: none"> 1. Provide a target schedule or timeline so that each job can be completed on time and well. 2. Provide pre-event and post-event questionnaires to the consumer so they will be able to assess the opinion of the services Anugerah Sound System.
Employee lack of understanding the specifications that offered to consumers.	<ol style="list-style-type: none"> 1. Provide training through the introduction of specifications are competent in their fields, both for the crew and marketing.
The need for manners in serving customers.	<ol style="list-style-type: none"> 1. Provide a briefing in the morning. 2. Evaluation of work before the end of the day.
Employee sometimes offers product specifications that are not required by the consumers.	<ol style="list-style-type: none"> 1. Collect details about the event. 2. Knowing the concept and the scale of the event, so it can customize any specifications according to the event held by consumers.
Employee serve customers with half-hearted even picky, so the results lack of satisfaction.	<ol style="list-style-type: none"> 1. Provide evaluations to employees before the end of working hours. 2. Provide evaluation at end of the event, so that any problems can be evaluated properly.
The limited number of products owned.	<ol style="list-style-type: none"> 1. Collect the existing stock. 2. Held to purchase additional products are preferred by many consumers, so that consumer demand can be fulfilled. 3. Provide substitute similar items, so when the time items desired by consumers is empty, then there are substitute products.
Consumers still complain of the appearance of the crew on the field at the time of the event expressed lack neat.	<ol style="list-style-type: none"> 1. Provide uniform that must be worn during the event. 2. Require each employee to use the shoes, especially during the event, making it look neat and orderly.

Source: The study results were processed in 2014

Table 7. Comparison Before and After Research in the Matter of Price

Before Study	After Study
The offers from Anugerah Sound System still in excess of the budget funds that have been set by the consumer.	<ol style="list-style-type: none"> 1. Not only determine the price based on the pricelist. 2. Conduct a survey for the event that will be held by consumers, both in terms of concept, location, and scale of the event, so the price given to consumers not excessive.
Sometimes Anugerah Sound System still defeated due to higher prices that compared to competitors.	<ol style="list-style-type: none"> 1. Provide rebates in the form of sponsorship adapted to event being held, so it looks more attractive. 2. Provide additional bonus in the form of services and specifications.
Prices that set by marketing sometimes is not in accordance with the specifications provided to consumers.	<ol style="list-style-type: none"> 1. The existence of pricelist that adapted to the prevailing price in the market, as a matter of basic material price quote. 2. Prices still need to be flexible in accordance with the budget and needs of consumers.
Consumer still complaining the crews' performance even for pre-event and during the event.	<ol style="list-style-type: none"> 1. Determine the classification performance of the crew. 2. Determine crew used during the event in accordance with the existing classification.

Source: The study results were processed in 2014

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