THE EFFECT OF PRODUCT, PRICE, AND PROMOTION TOWARDS PURCHASE INTENTION OF CONVO

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ABSTRACT

The purpose of this study is to examine the effect of product, price, and promotion on customer's purchase intention in Convo. The variables used in this study are product (X1), price (X2), and promotion (X3). The population of this study is 888 people who have downloaded and registered in Convo application. From this population, a sample of 90 respondents was taken using the simple random sampling technique. Using the method of multiple linear regression analysis, it was found that product (X1) and price (X2) had no significant effect on customer's purchase intention with a significance level of 0.435 (product) and 0.213 (price), greater than 0.05. On the other hand, promotion (X3) had a significant effect on customer's purchase intention with a significance level of 0.000 which is smaller than 0.05. This shows that promotion has been conducted quite well but there are still shortcomings in terms of product and price

Keywords: product, price, promotion, purchase intention

Introduction

Information and Communication Technology plays a very important role in our social life. Today we live in an era where every part of our life is related to technology. Examples include e-mail, smartphone/gadget, internet, and so on. Based on a survey conducted by APJII on 2,500 respondents. It is known that currently, there are about 143.26 million internet users in Indonesia, equivalent to 54.68 percent of Indonesia's population (APJII, 2018), of which the most widely used device for accessing internet is smartphone.

This study focuses on the author's business, Convo. Convo was founded on April 16, 2018 coming from the main problem that most of people today experience, namely learning English, where conventional methods generally teach more about theory and less about practice. Convo was established to be a medium for these people for practicing their English skills online.

Currently Convo has been downloaded by more than 1000 users since the application first launched on April 16, 2018. Based on the average, Convo gets more than one hundred and eleven new users every month. Although the number of new users every month can be said to be quite a lot, the amount of buying interest in Convo application users is quite low.

Convo is still a new and developing business which needs to use the right strategy in order to be able to compete with its competitors. According to Kotler and Armstrong (Principles of Marketing, 2018), to be able to survive competitive market competition today, companies must focus on customers. Marketing mix is one of the concepts that supports this idea.

This study uses three variables from marketing mix, which is product, price, and promotion, with the following hypotheses:

H1: Product has a significant effect on purchase intention in Convo

H2: Price has a significant effect on purchase intention in Convo

H3: Promotion has a significant effect on purchase intention in Convo

Research Methods

To test the hypotheses above, this study used quantitative methods. According to Sugiyono in Nurmalia & Yusuf (2016), quantitative research is a study that uses data in the form of numbers and is used to study a particular population or sample, generally using random sampling techniques. Research instruments are used for data collection. The population used in this study is 888 people who have downloaded and registered in Convo application. The number of samples used in this study were as many as 90 respondents and results were calculated using Slovin formula.

Results

Table 1. Data of Respondents

Age	Respondent	Percentage
11-20	9	10%
21-30	65	72.2%
31-40	13	14.4%
>40	3	3.3%

Based on the questionnaire distributed, it is found that the majority of respondents, 65 people, are aged between 21 – 30 years. 9 respondents are 11 – 20 years old with a percentage of 10%. Respondents aged between 31 – 40 amounted to 13 respondents with a percentage of 14.4%, and respondents with age above 40 years are as many as 3 respondents with a percentage of 3.3%. From that data it can be concluded that most users of Convo application are aged between 21 – 30 years.

Validity and Reliability Test

Validity test is used to determine whether the questionnaire is valid or not. In this study, all the indicators in each variable, product, price, and promotion have significance value of less than 0.05. Therefore all indicators for each variables in this study can be deemed valid.

Reliability Test is used to find out whether a questionnaire is reliable or not using Cronbach's Alpha. In this study, all of the indicators in each variable has the value of more than 0.7. This implied that all indicators in each variable are reliable.

Multiple Linear Regression Test

Table 2. Regression Analysis Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	Sig.
	B	Std. Error	Beta	
(Constant)	2.505	0.508		0.000
Product (X_1)	0.071	0.091	0.078	0.435
Price (X_2)	-0.100	0.080	-0.122	0.213
Promotion (X_3)	0.330	0.082	0.398	0.000

Coefficient value from the regression model that forms the multiple linear regression equation

can be illustrated by the following mathematical equation:

$$Y = 2.505 + 0.071\ X1 - 0.100\ X2 + 0.330\ X3$$

The regression equation model above has a positive value, which means that without the existence of product, price, and promotion variables, the value of purchase intention due to other variables not mentioned in this study is 2.505.

The positive value of product ($X1$) indicates that for the increase in value of each statement in product ($X1$), there will be an increase of 0.071 on the variable purchase intention (Y) assuming other variables stay constant. Based on this statement, it can be concluded that product ($X1$) has a positive effect on purchase intention (Y) on Convo

The negative value of price ($X2$) indicates that for the increase in value of each statement in price ($X2$), there will be a decrease of 0.100 on the variable purchase intention (Y) assuming other variables stay constant. Based on this statement, it can be concluded that price ($X2$) has a negative effect on purchase intention (Y) on Convo application.

The positive value of promotion ($X3$) indicates that for the increase in value of each statement in promotion ($X3$), there will be an increase of 0.330 on the variable purchase intention (Y) assuming other variables stay constant. Based on this statement, it can be concluded that promotion ($X3$) has a positive effect on purchase intention (Y) on Convo application.

F Test

Table 3. F Test Result

Model	Sum of Squares	Df	Mean Square	F	Sig
1	7.510	3	2.503	6.974	0.000
Regression	30.868	86	0.359		
ion	38.378	89			

The results of the F test show a significance value of < 0.05. From that statement, it can be concluded that all independent variables (product, price, promotion) together have a significant effect on the dependent variable, namely purchase intention.

t Test

Table 4. t Test Result

Model	Unstandardized		Standardized Coefficients	Sig	Collineraity Statistic	
	B	Std. Error	Beta		Tolerance	VIF
(Constant)	2.505	0.508		0.000		
	0.071	0.091	0.078	0.435	0.949	1.053
Product (X1)	-0.100	0.080	-0.122	0.213	0.991	1.009
Price (X2)	0.330	0.082	0.398	0.000	0.952	1.050

The significance value of the variable product is $0.435 > \alpha$ (0.05). From that statement, it can be concluded that product (X_1) does not have a significant effect on purchase intention (Y) on Convo application, partially.

The significance value of the variable price is $0.213 > \alpha$ (0.05). From that statement, it can be concluded that price (X_2) does not have a significant effect on purchase intention (Y) on Convo application, partially.

The significance value of the variable promotion is $0.000 < \alpha$ (0.05). From that statement, it can be concluded that promotion (X_3) has a significant effect on purchase intention (Y) on Convo application, partially.

Correlation Coefficient and Coefficient of Multiple Determination Test

Table 5. Correlation Coefficient and Coefficient of Multiple Determination Test Result

Model	R	R Square	Adjusted R	Std. Error of the
1	0.442	0.196	0.168	0.59911

The R value is 0.442 or close to 1. This indicates that there is a strong relationship between independent variables. In addition, the value of R Square is 0.196 or 19.6%. This implies that the independent variables are able to contribute 19.6% to the changes that occur in the dependent variable, while the remaining 80.4% is explained by other variables outside of this study. This small number of coefficient can be caused by Goodness of Fit (Frost, 2019) from the model used. Marketing mix may not be fit to explain the problem statement.

Classical Assumption Test

The result of the normality test showed asymptotic significance level of 0.592 (Asymp. Sig > 0.05), this suggests that the residual is normally distributed. For the multicollinearity test, VIF value of product (X_1) is 1.053, price (X_2) is 1.009, and promotion (X_3) is 1.050 where all three variables have VIF values < 10. As for the tolerance, the value of product (X_1) is 0.949, price (X_2) is 0.991, and promotion (X_3) is 0.952 where the tolerance there is no multicollinearity. For the heteroscedasticity test, the significance value of product (X_1) is 0.827, price (X_2) is 0.444, and promotion (X_3) is 0.278, where the significance value of the three variables is greater than 0.05 (5%). It can be concluded that the regression model has no heteroscedasticity symptoms. For the autocorrelation test, DL value is 1.58899, DU is 1.7264, and 4-DU value is 2.2736. Based on these results, it can be concluded that there is no autocorrelation. For the linearity test, the significance value of product (X_1) is 0.160, price (X_2) is 0.202, and promotion (X_3) is 0.000. It can be concluded that product (X_1) has a non-linear relationship with purchase intention (Y), price (X_2) has a non-linear relationship with purchase intention (Y), and promotion (X_3) has a linear relationship with purchase intention (Y).

Discussion
The effect of product on purchase intention
Results from this studies that examine the effect of product on purchase intention show that product had no significant effect on purchase intention. This means that all four indicators of product which include fulfillment of needs and wishes, features offered, easy transaction process, and the implementation of the latest technology, cannot influence purchase intention in Convo. For example, when Convo renewed the purchasing transaction process from bank transfer to an online medium using Midtrans payment gateway, it does not affect customers'

buying interest. It is shown, however, that the number of prospective customers who enter the transaction page, before and after the issuance of this feature, have indeed increased but not significantly. As for the features offered, compared to competitors, Convo application is still lacking in features.

The results of this study are similar to a previous study conducted by Wijaya and Teguh value is bigger than 0.1. consumers of Specialist Guess, with significance level of $0.583 > \alpha$ (0.05). In addition This indicates that the regression model can be deemed good and

(2012) which states that the variable 'product' does not affect online purchase intention of the research conducted by Masruhin (2017) also states that the variable 'product' has no significant effect on purchase intention with a significance level of $0.938 > \alpha$ (0.05).

The effect of price on purchase intention

Results from this study that examine the effect of price on purchase intention show that price had no significant effect on purchase intention. This means that all four indicators of price which include affordable price, price in accordance with the quality of service, value obtained, and effort spent, cannot influence the purchase intention in Convo. The results of this study are similar to a previous study conducted by Aptaguna and Pitaloka (2016) which states that the variable 'price' does not significantly affect purchase intention towards GO- JEK GO-ride. In addition, research conducted by Masruhin (2017) also states that the variable 'price' has no significant effect on purchase intention.

The effect of promotion on purchase intention

Results from this study that examine the effect of promotion on purchase intention show that promotion has a significant effect on purchase intention. This means that all four indicators of promotion which include advertisement in social media, booth in a mall, gift, and discount, can influence purchase intention in Convo. For example, after changing Convo's Instagram content from focusing on application promotion to a more value-oriented content and then followed by utilizing Instagram advertisement to promote, there was a significant increase in the number of Instagram followers and the number of downloads of Convo application.

The results of this study are similar to a previous study conducted by Wijaya and Teguh (2012) which states that the variable 'promotion' can affect online purchase intention of the consumers of Specialist Guess. In addition, research conducted by Andoko and Devina (2015) intention in Surabaya Guest House.

Conclusions

1. Product has no significant effect on purchase intention. This indicates that the first hypothesis (H1) is rejected.
2. Price has no significant effect on purchase intention. This indicates that the second hypothesis (H2) is rejected.
3. Promotion has a significant effect on purchase intention. This indicates that the third hypothesis (H3) is accepted.

Suggestions

For the company

1. Focus on promotions through social media advertising, as the most chosen factor in influencing buying interest.

2. Promotion through social media is adjusted to age from the majority of Convo's Instagram followers, which is 21-30 years, both in terms of the content of the posts, as well as the way the posts are delivered.

For further research

Further research can examine other marketing mix variables such as 'place' that are not used in this study. Furthermore, the next research can try to use other variables outside of this study considering the three variables used in this study (product, price, and promotion) can only explain 19.6% of the dependent variable, namely purchase intention, where 80.4% is influenced also states that the variable 'promotion' has a positive and significant effect on purchase by other variables not studied in this model.

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