

The Effect of Product Quality, Price and Promotion on the Purchase Decision of Telkomsel Service Products

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Abstract:- The background of the research is based on the actual situation that occurred in Telkomsel in 2018 where there was a phenomenon when sales increased but revenue per ARPU decreased. This study aims to analyze the effect of product quality, promotion, and price on the decision to purchase service products provided by Telkomsel. The research data used are primary data derived from questionnaires and secondary data derived from company data. The population in this study is the users of Telkomsel service products to date in the DKI Jakarta area. Because the population is not known with certainty in number (accidental side), then the technique or formula used is in accordance with the theory. In this study there were 26 questions, so the number of samples taken in this study was 140 samples (28 questions x 5). The analytical method used in this study is multiple linear regression. The results showed that product quality, promotion, and price influence purchasing decisions. Product quality is a very strong variable influence on purchasing decisions.

Keywords:- Product Quality, Promotion, Price and Purchase Decision.

I. INTRODUCTION

2018 became a challenging year for the country's telecommunications industry. Because last year, the industry experienced a negative growth of 7.3%. In 2018 There's only Telkomsel who became the only telecommunications company in the country to record a net profit, but Telkomsel's financial performance decreased by 4.3%. The cause of this decline was due to the contribution of legacy services or SMS and voice calls expected to reach 47% of Telkomsel's revenue while the contribution of non-legacy or digital services reached 53%. Comparative data of cellular operator revenue for 2017 and 2018 can be seen in Figure 1 below.

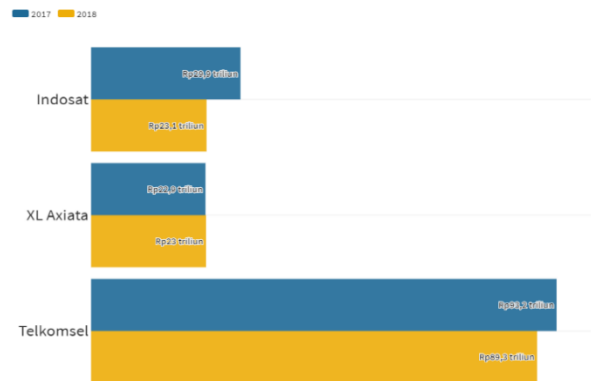


Fig. 1:- Comparison of 2017 and 2018 Cellular Operator Revenues, Source: technology.bisnis.com

It can be seen in Figure 1 that Telkomsel posted revenues of Rp.89.3 trillion, EBITDA of Rp.47.4 trillion, and net profit of Rp.25.5 trillion. The company's revenue fell 4.18% compared to 2017 which was valued at IDR93.2 trillion. In 2018 Telkomsel's customers will also decrease by more than 10%.Telkomsel, the number of subscribers also shrank 22.55 million (11.85%) to 167.81 million subscribers (YoY) because of the government's policy regarding the SIM card registration program using the Population Registration Number (NIK). Data on the number of customers can be seen in Figure 2 below.

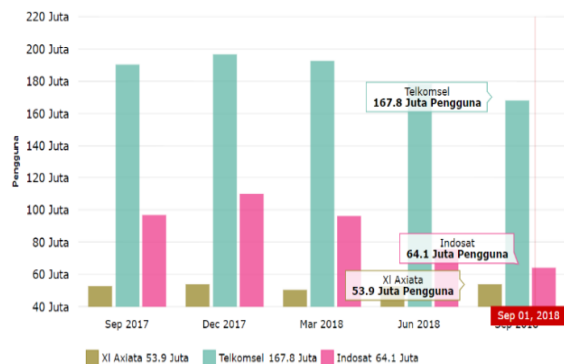


Fig. 2:- Data on the number of customers before and after the SIM card registration program
 Source: <https://databoks.katadata.co.id>

The reason for the decreased in Telkomsel's revenue was because of the tariff war. Based on Tirta's research (<https://tirta.id/mempersoalkan-tarif-mahal-telkomsel-cnEw>) tariff comparison of various operators from each of their official sites as of 28 April 2016, Telkomsel is indeed the highest compared to other operators such as Indosat and XL (assuming units are equalized per 100kb and minutes). For example, the data service for Halo Cards costs Rp.600 / 100kb even though other operators only charge Rp100 / 100kb and some of it is Rp300 / 100kb.

Then to support these data, the researchers conducted a pre-research to see consumers' views of Telkomsel's services. According to consumer pre-research, 67% rate the price of Telkomsel services expensive while 13% rate medium and 20% rate cheap. As for the quality of consumer service 50% rated the quality of Telkomsel's internet network to be very fast, 38% fast, 3% moderate, 5% slow, and 5% very slow. From this pre-research, it can be seen that Telkomsel products are considered quite expensive by consumers even though the internet quality is very good. The following pre-research data has been conducted by researchers.

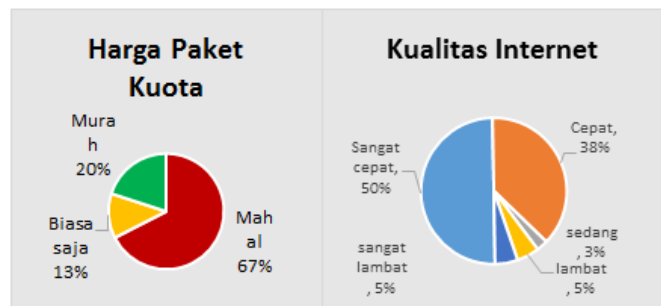


Fig. 3:- Telkomsel's consumer pre-research results
Source: Data processed (2018)

Based on the data above, researchers are interested in examining "The Effect of Product Quality, Price, and Promotion on the Purchase Decision of Telkomsel Service Products".

II. LITERATURE REVIEWS

A. Product Quality

According to Kotler and Keller (2012) states that a product is anything that can be offered to the market to satisfy wants or needs. Meanwhile, according to Schiffman and Kanuk (2007), product quality is the ability of a company to provide an identity or feature on each product so that consumers can recognize the product. Then Tjiptono (2008) divides the dimensions of product quality that can be played by marketers, namely: performance, features, reliability, conformance, durability, serviceability, aesthetics, and perceived quality are the eight dimensions.

B. Promotion

Promotion according to Kotler and Armstrong (2008) is a variety of activities carried out between companies to communicate the benefits of their products and to convince the target consumers to buy them. Meanwhile According to Cannon, Perreault, and McCarthy (2009) the promotion aimed at Attention, Interest, Desire and Action (A.I.D.A). Then Kotler and Armstrong (2008) added that the dimensions of promotion are divided into 5 namely: advertising, personal selling, sales promotion, public relations, and direct marketing.

C. Price

According to Kotler and Keller (2012) price is the amount of money charged for a product or service, or the amount of value that consumers exchange for the benefits of owning or using the product or service. Meanwhile according to Sumarni and Soeprihanto (2010) the price is the amount of money (plus some products if possible) needed to get a combination of goods and services. Then Kotler and Armstrong on Bob Sabran (2012) divides the price dimension into 4, namely: Price Affordability, Price Conformity with Product Quality, Price Conformity with Benefits, and Price according to Price Capability or Competitiveness.

D. Purchase Decision

According to Schiffman and Kanuk (2010) Decision making describes the evaluation process which consumers do for the attributes of a set of products, brands or services, where then consumers rationally choose one of the products, brands, or services that can meet their needs with the lowest cost. According to Peter and Donnelly (2011), it states that purchasing decision making is influenced by 3 factors: extensive decision making, limited decision making, and routine decision making.

E. Theoretical Framework

The theoretical framework in this research is as follows:

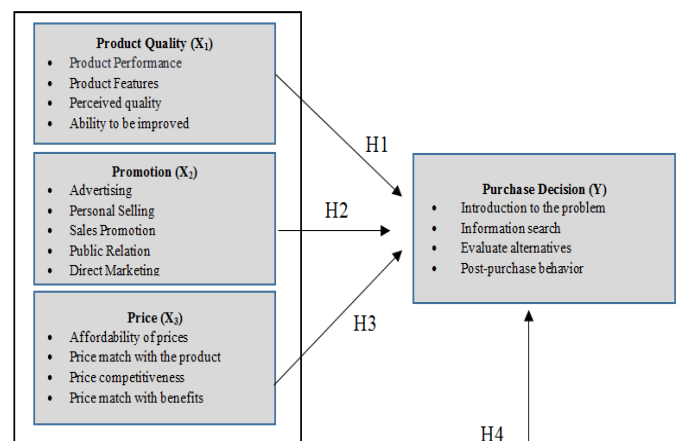


Fig. 4:- Theoretical Framework
Source: Theoretical Reviews

F. Hypothesis

The hypotheses in this research are as follows:

H1: Product quality influences the purchasing decisions. This means that the higher the quality of the product, the higher level possibility of consumers in buying products.

H2: Promotion influences the purchasing decisions. This means that the more attractive of the promotion, the higher level of the likelihood for consumers to buying products.

H3: Price influences the purchasing decisions. This means that the more competitive the price, the higher of likelihood for consumers to buying products.

H4: Product quality, promotion, price together are related to Telkomsel's initial card purchase decision.

III. METHODELOGY

This research is quantitative by using causal analysis methods to determine the causal relationship. The variables in this research consisted of 4 variables, namely: Product Quality

(X₁), Promotion (X₂), Price (X₃) and Purchase Decision (Y). The population in this study is the users of Telkomsel service products in DKI Jakarta area. While the type of sample in this research is a representative sample. Referring to (Hair, 2006) which states that determining the number of representative samples is dependent on the number of indicators multiplied by 5 so that a sample of 140 respondents is obtained.

IV. RESULT

A. Validity and Reliability

From the results of the research validity test it was found that the calculated r value > ± 0.361 and ± 0.463 (for Sig. 0.01), meaning that each indicator was valid. The results of the research reliability test showed that each research variable obtained the results of Cronbach's Alpha > (α = 0.70) which means the statement of the reliable variable. The results of validity and reliability tests can be seen in Table 1 below.

Validity Test Critical Value					Reliability Test		
Item	R hitung	0,05	0,01	Hasil	Cronbach's Alpha	α	Hasil
KP1	0817**	> ± 0,361	> ± 0,463	Valid	0,903	> 0,70	Reliable
KP2	0,704**	> ± 0,361	> ± 0,463	Valid			
KP3	0,751**	> ± 0,361	> ± 0,463	Valid			
KP4	0,758**	> ± 0,361	> ± 0,463	Valid			
KP5	0,764**	> ± 0,361	> ± 0,463	Valid			
KP6	0,769**	> ± 0,361	> ± 0,463	Valid			
KP7	0,747**	> ± 0,361	> ± 0,463	Valid			
KP8	0,876**	> ± 0,361	> ± 0,463	Valid			
Pmsi9	0,905**	> ± 0,361	> ± 0,463	Valid	0,910	> 0,70	Reliable
Pmsi10	0,880**	> ± 0,361	> ± 0,463	Valid			
Pmsi11	0,872**	> ± 0,361	> ± 0,463	Valid			
Pmsi12	0,901**	> ± 0,361	> ± 0,463	Valid			
Hrg13	.821**	> ± ,361	> ± ,463	Valid	0,926	> 0,70	Reliable
Hrg14	.688**	> ± ,361	> ± ,463	Valid			
Hrg15	.817**	> ± ,361	> ± ,463	Valid			
Hrg16	.771**	> ± ,361	> ± ,463	Valid			
Hrg17	.865**	> ± ,361	> ± ,463	Valid			
Hrg18	.771**	> ± ,361	> ± ,463	Valid			
Hrg19	.835**	> ± ,361	> ± ,463	Valid			
Hrg20	.912**	> ± ,361	> ± ,463	Valid			
Beli21	.787**	> ± ,361	> ± ,463	Valid	0,935	> 0,70	Reliable
Beli22	.765**	> ± ,361	> ± ,463	Valid			
Beli23	.863**	> ± ,361	> ± ,463	Valid			
Beli24	.903**	> ± ,361	> ± ,463	Valid			
Beli25	.806**	> ± ,361	> ± ,463	Valid			
Beli26	.871**	> ± ,361	> ± ,463	Valid			
Beli27	.822**	> ± ,361	> ± ,463	Valid			
Beli28	.832**	> ± ,361	> ± ,463	Valid			

Table 1:- Result of Validity Test and Reliability Test

Source: Analysis Result with SPSS version 24

B. Classic Assumption Test

➤ **Normality Test**

In the Kolmogorov-Smirnov results obtained each product quality variable (Sig. 0,200 *), promotion (Sig.

0.060), Price (Sig. 0.200 *), and purchase decision (0.083) greater than > 0.05 meaning research data have a normal distribution. Data normality test results can be seen in table 2 below.

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Product Quality (X ₁)	.068	140	.200*	.981	140	.052
Promotion (X ₂)	.074	140	.060	.961	140	.001
Price (X ₃)	.069	140	.200*	.972	140	.005
Purchase Decision of Telkomsel Services Product (Y)	.071	140	.083	.981	140	.048

Table 2:- Result of Normality Test
Source: Analysis Result with SPSS version 24

➤ **Multicollinearity Test**

The results of multicollinearity test obtained value of product quality (tolerance = 0.568), promotion (tolerance = 0.711), and price (tolerance = 0.596) greater than 0.2 means that there is no multicollinearity. Likewise from VIF also shows the results of product quality (VIF = 1.759), promotions (VIF = 1.406), and price (VIF = 1.679) less than <10 means that there is no multicollinearity. Multicollinearity test results can be seen in table 3 below.

Collinearity Statistics		
Variable	Tolerance	VIF
Product Quality (X ₁)	.568	1.759
Promotion (X ₂)	.711	1.406
Price (X ₃)	.596	1.679
Adjusted R Square = 0,728		

Table 3:- Result of Multicollinearity Test
Source: Analysis Result with SPSS version 24

➤ **Heteroscedasticity Test**

Based on the distribution of research data shown in Figure 5, the distribution of research data does not exceed the numbers -3.3, meaning that there is no outlier research data.

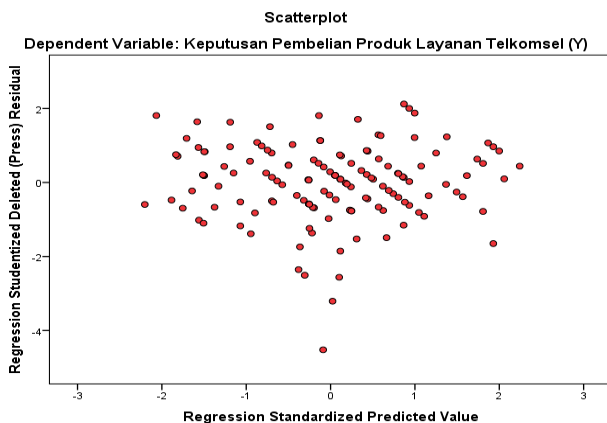


Fig 5:- Heteroscedasticity Test by Scatterplot
Source: Analysis Result with SPSS version 24

C. Hypothesis Test

From the results of hypothesis testing using multiple linear regression analysis, it is known that the regression equation in this research as is follows:

$$Y = 3,782 + 0,491(X_1) + 0,159(X_2) + 0,313(X_3)$$

- 1) The results showed that the quality of the product partially had a significant effect on the purchasing decision of Telkomsel's service products, with the acquisition of the t value (8.552) and Sig.0,000. Thus, it can be said that the hypothesis (H1) is stated that there is a significant influence supported and accepted, and is included in the category of strong influence because (β) = 0.502 > 0.25 according to the interpretation guidelines.
- 2) The results of hypothesis testing indicate that promotion partially has a significant effect on purchasing decisions for Telkomsel's service products, with the acquisition of t arithmetic (2.726) and Sig.0,000. Thus, the hypothesis (H2) stated that there is a significant influence is supported and accepted, and the influence is moderate because (β) = 0.143 is in the range of intervals between 0.10-0.25 according to the interpretation guidelines.
- 3) The results of hypothesis testing indicate that the price partially has a significant effect on the purchasing decision of Telkomsel's service products, with the acquisition of t arithmetic (6.198) and Sig.0,000. Thus, the hypothesis (H3) is stated that there is a significant influence supported and accepted, and a strong influence because (β) = 0.355 > 0.25 according to interpretation guidelines.
- 4) From the simultaneous test results or ANOVA, it can be seen that the amount of simultaneous influence of product quality, promotion, price on the purchase decision of Telkomsel's service products is the value of Fcount 125.063 and Sig. 0,000, because the results of the Sig. 0,000 < Sig.0.05 means that there are simultaneous influences supported and accepted for the hypothesis (H4).
- 5) The huge percentage of the decision to purchase Telkomsel service products after being influenced by product quality, promotions, prices are obtained Adjusted R Square value

of 0.728 or 72.8% and the remaining 27.2% is determined by other factors that not examined such as brand image, customer satisfaction, and word of mouth. The results obtained by the Adjusted R Square value of 0.728, after being interpreted by the summary model guidelines, Adjusted R Square of 0.728 is above 0.51 which is included in the excellent category.

D. Correlation Between Dimensions

Based on the results of interdimensional correlation testing using the Pearson correlations formula with a sample size of 140 respondents, it can be described as the results of interdimensional correlations as it follows:

- 1) Product performance (X_{1.1}) correlates strongly and significantly with problem recognition (Y_{1.1}) and obtained r count of 0.416 **.
- 2) Product features (X_{1.2}) correlate strongly and significantly with problem recognition (Y_{1.1}) and obtained r count of 0.523 **.

- 3) The perceived quality (X_{1.3}) correlates strongly and significantly with the evaluation dimension (Y_{1.3}) and obtained r count of 0.482 **.
- 4) The improved ability (X_{1.4}) correlates strongly and significantly with the problem recognition (Y_{1.1}) and obtained by r count of 0.484 **
- 5) Advertising (X_{2.1}) correlates strongly and significantly with the problem recognition (Y_{1.1}) and obtained r count of 0.465 **.
- 6) Affordability of price (X_{3.1}) correlates strongly and significantly with the evaluation dimension (Y_{1.3}) and obtained r count of 0.362 **.
- 7) Suitability of price with quality (X_{3.2}) correlates strongly and significantly with the problem recognition (Y_{1.1}) and obtained r count of 0.446 **.
- 8) Competitiveness with quality (X_{3.3}) correlates strongly and significantly with the information search dimension (Y_{1.2}) and obtained by r count of 0.438 **.
- 9) Suitability of prices with benefits (X_{3.4}) correlates strongly and significantly with the problem recognition (Y_{1.1}) and obtained r count of 0.559 **

Dimension	Troubleshooting (Y _{1.1})	Information Search (Y _{1.2})	Evaluation (Y _{1.3})	Post Behavior (Y _{1.4})
Product Performance (X _{1.1})	.416**	.378**	.393**	.273**
Feature Product (X _{1.2})	.523**	.438**	.402**	.348**
Perceived Quality (X _{1.3})	.428**	.453**	.482**	.293**
Repaired Ability (X _{1.4})	.484**	.359**	.374**	.349**
Advertising (X _{2.1})	.465**	.348**	.346**	.455**
Affordable Price (X _{3.1})	.345**	.354**	.362**	.321**
Suitability of price with Quality (X _{3.2})	.446**	.347**	.313**	.391**
Competitiveness (X _{3.3})	.432**	.438**	.429**	.279**
Suitability price with benefits (X _{3.4})	.559**	.367**	.413**	.386**

** . Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table 4:- Correlation Between Dimensions

Source: Analysis Result with SPSS version 24

V. CONCLUSION AND SUGGESTIONS

A. Conclusion

Based on the results of testing research hypothesis and discussion, it can be concluded that research findings if significantly influence the purchase decision of Telkomsel's service products are as it follows:

- 1) Product quality partially has influences of the purchasing decision of Telkomsel's service products, it means that an increase in product quality has an impact on the increase to the purchase decision of Telkomsel's service products. This can be seen clearly from the high correlation between product feature dimensions and problem recognition, where before consumers decide to purchase Telkomsel service products, consumers will certainly see product

service features that provide higher benefits compared to other cellular telecommunications company products.

- 2) Promotion partially has influences to the purchase decision of Telkomsel's service products, it means that an increase in product promotion has an impact on the increase in the purchase decision of Telkomsel's service products. This can be seen clearly from the high correlation between the dimensions of advertising and problem recognition. Consumers who get information about the superiority of Telkomsel's products are interested in deciding on product purchases, this is because so far consumers have difficulty getting service products from cellular telecommunications companies that can meet their needs.
- 3) The price partially has influences to the purchase decision of Telkomsel's service products, it means that an increase in prices has an impact on the increase in the purchase

decision of Telkomsel's service products. This is evident from the high correlation between the dimensions of price suitability and the benefits of problem recognition. Consumers decide to purchase Telkomsel products due to the price offered by the Telkomsel cellular telecommunications company in accordance with the benefits offered and the needs of consumers so that the problem of consumers has been to get prices that are in line with the benefits of fulfilling well from buying Telkomsel products.

- 4) Product quality, promotion and price together has an influence to the purchase decision of Telkomsel's service products. Thus it can be interpreted by the factors such as product quality, promotion, and price must be important considerations for the company because these factors have a significant influence on the purchase decision of Telkomsel's service products.

B. Suggestions

Based on the results of the discussion and conclusions of these research, the authors could provide research suggestions as it follows:

- 1) Product quality affects the purchasing decision of Telkomsel service products. Nevertheless, it is still necessary to improve the dimensions of the product quality variable in order to improve purchasing decisions, i.e.:
 - a) The dimensions of product performance must be improved because it is highly correlated with problem recognition ($X_{1.1} \rightarrow Y_{1.1}$), such as continuing to improve the effectiveness of Telkomsel's easier product registration service packages and Telkomsel's 4G network that supports features on smartphones. With that way, the consumers will be increasingly interested in making decisions about purchasing Telkomsel service products.
 - b) The product feature dimension must be improved because it has a high correlation with problem recognition ($X_{1.2} \rightarrow Y_{1.1}$), such as continuing to increase the choice of internet packages to suit the needs of consumers and the addition of internet and telephone bundling packages in the choice of Telkomsel internet packages. With attractive product features and higher value benefits, it will foster consumer interest in deciding to purchase Telkomsel service products.
 - c) The perceived quality dimension must be improved because it is highly correlated with evaluation ($X_{1.3} \rightarrow Y_{1.3}$), such as Telkomsel's service network which is continuously being improved to facilitate communication when used by consumers wherever they are and internet service network speeds such as browsing and chatting through social media. By doing so, it will further enhance the decision to purchase Telkomsel service products.
 - d) The dimension of repaired ability should be improved because it is highly correlated with evaluation ($X_{1.4} \rightarrow Y_{1.4}$), such as continuing to improve the form of service by showing the ready to help attitude of employees at Grapari Telkomsel and help consumers to change prime cards or migrate numbers and Telkomsel call center employees

should be informative in providing customer complaint solutions. With that way, consumers would decide to use Telkomsel service products.

- 2) Promotion has influences to the purchase decision of Telkomsel service products. Nevertheless, it is still necessary to improve the dimensions of the promotion variable in order to improve purchasing decisions, i.e. the advertising dimension must be improved because it is highly correlated with problem recognition ($X_{2.1} \rightarrow Y_{1.1}$), such as displaying advertisements that contain elements of product promotion, price discounts, the delivery of information about the exchange point that is informative so it would become an attraction for consumers to use Telkomsel's service products.
- 3) Price has influences to the purchase decision of Telkomsel service products. Even so, it still needs to improve the dimensions of the price variable to improve purchasing decisions, i.e.
 - a) The dimension of affordability must be increased because it is highly correlated with evaluation ($X_{3.1} \rightarrow Y_{1.3}$), as consumers will always evaluate cellular telecommunications service products before deciding to re-purchase. Therefore, Telkomsel continues to provide affordable service product prices with consumer incomes and not too expensive to obtain the price of its cellular telecommunications service products in order to attract consumer purchasing interest and repeat purchasing decisions.
 - b) The dimensions of price conformity with quality must be maintained because it is highly correlated with the problem recognition ($X_{3.2} \rightarrow Y_{1.1}$), such as the suitability of prices must be maintained and adjusted to the quality of service products, because this is very important if it turns out that the price of service products is expensive and not comparable with the benefits gained by consumers, consumers would move (switching) to the service products of competitors' cellular companies.
 - c) The competitiveness dimension must be maintained because it is highly correlated with information retrieval ($X_{3.3} \rightarrow Y_{1.2}$), as companies continue to improve and maintain the quality of their fast internet networks while maintaining affordable Telkomsel service product prices and given many choices of internet service packages to attract the attention of consumers and decide on the purchase of Telkomsel service products.
 - d) The dimensions of price suitability with benefits must be increased because it is highly correlated with the problem recognition ($X_{3.4} \rightarrow Y_{1.1}$), such as Telkomsel must continue to provide prices in accordance with the benefits perceived by consumers, such as the benefits of internet packages, low cost phones, and SMS with how to first activate the code to call in order to get a cheap price. For example, consumers can activate * 999 # then choose a low-cost telephone package so that consumers can make phone calls in the long term without being exposed to expensive costs.

- 4) In connection with the decision to purchase Telkomsel service products, the advice can be given:
- PT Telkomsel continues to create a large selection of service products such as telephone, SMS and internet activation packages at a cost comparable to the benefits gained by consumers.
 - PT Telkomsel needs to make a simple and clear message information service regarding information about telephone packages, and the internet so that the message information is easily understood and well informed by consumers to activate service products.
 - PT Telkomsel needs to provide attractive promo packages to foster public purchasing power on Telkomsel's service products.
 - PT Telkomsel needs to continue to improve its services in order to increase consumer satisfaction with Telkomsel's service products.

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