

## THE EFFECT OF PROMOTION, PRICE, AND SERVICE QUALITY ON PURCHASE DECISION OF HIGHER EDUCATION SERVICE (CASE STUDY ANALYSIS AT “X” UNIVERSITY IN MALANG CITY)

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### ABSTRACT

Universities became one of the most important things in education right now. In Indonesia there are more than 4.618 universities, this condition gives the prospective students have many choices and its causes an intense competition between each university. Customer (prospective students) purchase decision can be influenced by many factors, this research choose 3 dominant factors (promotion, price and service quality) to customer purchase decision either partially and simultaneously. As many as 320 people are selected to be the sample based on Slovin formula. Multiple Regression Method is used as data analysis, F-test and T-test used as hypothesis test. The result of the research show that simultaneously promotion and partially promotion, price and also service quality give significant effect on customer (prospective student) purchase decision, while price do not have significant influence on customer purchase decision. Service quality became the most dominant factor on customer purchase decision in choosing their ideal university.

**Keywords:** promotion, price, service quality, purchase decision, universities

## 1. INTRODUCTION

### 1.1 Research Background

Nowadays, the choice of higher education service especially in private universities is important for applying a job. This situation supported with the number of universities in Indonesia over than 4.618 universities (Dikti, 2017). The Universities in Indonesia divided into 2 types, state universities and private universities. There are 429 state universities in Indonesia, and more than 4.206 private universities, if the data converted into percent, the percentage of state universities just 9.8% and private universities take 90.2% from whole universities in Indonesia. This research is trying to compare the amount of universities with the number of students in Indonesia. There are 5.872.136 students, 40.9% of them are studying in state universities, and 59.1% in private universities (source: forlap.risetdikti.go.id, 2018). This comparison show us that most of Indonesian students prefer to study in state universities rather than private universities. It makes a high competition for each universities to be the best, and for private universities competing each other to get students in the middle of many choices

available. As an example, "X" University is one of the most favorite university, in 2017 "X" University become 44<sup>th</sup> top universities in Indonesia. This achievement cannot be separated from many factors that influence customer (prospective students) purchase decision, such us: location, price, promotion, and quality of the university, service quality and many more. Based on interview with the university, promotion, price and service quality become the most influenced factors that boost students interest for making decision in their choice university.

## 1.2. Research Objectives

This research aims are:

1. To analyze, any significant effect of promotion towards customer purchase decision in "X" University in Malang city.
2. To analyze, any significant effect of price towards customer purchase decision in "X" University in Malang city.
3. To analyze, any significant effect of service quality towards customer purchase decision in "X" University in Malang city.
4. To analyze, any significant effect of promotion, price and service quality towards customer purchase decision in "X" University in Malang city.
5. To analyze, the dominant factor of customer purchase decision in "X" University in Malang city.

## 2. LITERATURE REVIEW

### 2.1. Purchase Decision

According to Kotler and Armstrong (2012) defined purchase decision as customer be the focused of the product in designing and selling the product because the customer is the decision maker in a purchase activity. Motives and encouragement that arise from the customer because of needs and customer wants as stated by Swastha and Irawan (2008). Tjiptonno (2009) states, there are several activities happened before a customer decide to make purchase decision, they are problem recognition, information search, alternative evaluation, purchase decision and the last respond after purchase.

### 2.2. Promotion

According to Swastha and Irawan (2008) promotion is a persuasive activity that produce and provide information in order to directing someone/organization into a specific purpose. Promotion is the best combination of advertising, publicity, personal selling, direct marketing, and sales promotion as stated by Kotler and Armstrong (2008).

### 2.3. Advertising

According to Tjiptonno (2011) states, advertising is an advantage of a product that directly communicated and good arranged to causes happy to customer and influence people to make purchase decision. Advertising can be

applied in many terms, such as print media, electronic media, boards, poster, banner, folder, catalog, and slide Suprayanto (2015).

#### **2.4. Publicity**

Tjiptono (2014) state, publicity is a method that distributes information in form of news, which aims to build a good relationship with both stakeholder and consumer. Various advantages of publicity are having high credibility value because news containing of real situation. Publicity has a wider range than advertising that people try to dodge advertising.

#### **2.5. Personal Selling**

Personal selling most likely a presentation that allows the audience has conversation with the producer, Kotler and Amstrong (2012). Various advantages of publicity are personal confrontation and cultivation between both sides.

#### **2.6. Direct Marketing**

Direct marketing is selling activities that directly to the consumer without any intermediary, Kotler and Keller (2009). Direct marketing usually formed as: direct mail, mail order, direct response, direct selling, telemarketing, and digital marketing, Sunyoto (2015).

#### **2.7. Sales Promotion**

According to Kotler and Keller (2009) states, sales promotion is the key of promotion that aims to increase sales in short time. Sales promotion usually used when the sales decreased.

#### **2.8. Price**

Price is the result of sales revenue for an organization / company. Price can be defined as the amount of money expected, required, or given in payment for something, Tjiptono (2014). In the context of service marketing, the exchange rate is in the form of the amount of money (in monetary units) and or other (non-monetary) aspects that provide utility / use to obtain a service, Tjiptono (2014).

#### **2.9. Service Quality**

According to Suprantto and Nandan (2011) states, service quality is the provision of superior services compared to competitors that are carried out consistently. According to Lupioyadi (2008:182) service quality dimensions are grouped into 5, they are:

1. Reliability, is an ability to perform the promised service dependably and accurately.
2. Willingness to help customers and provide prompt service.
3. Knowledge and courtesy of employees and their ability to convey trust and confidence.
4. Caring, individualized attention the firm provides its customers.
5. Appearance of physical facilities, equipment, personnel, and communication materials.

### **3. RESEARCH METHOD**

The research has been framed to be organized used Multiple Regression Analysis for sampe of 320 respondents collected by cluster sampling from student of "X" University in Malang for 2<sup>nd</sup> second semester. The measurement in questionnaires analyze by used 5-pointsLikert rating scale. The independent variables of this research are promotion, price and service quality, and the dependent variable is customer purchase decision.

### 3.1. Conceptual Framework

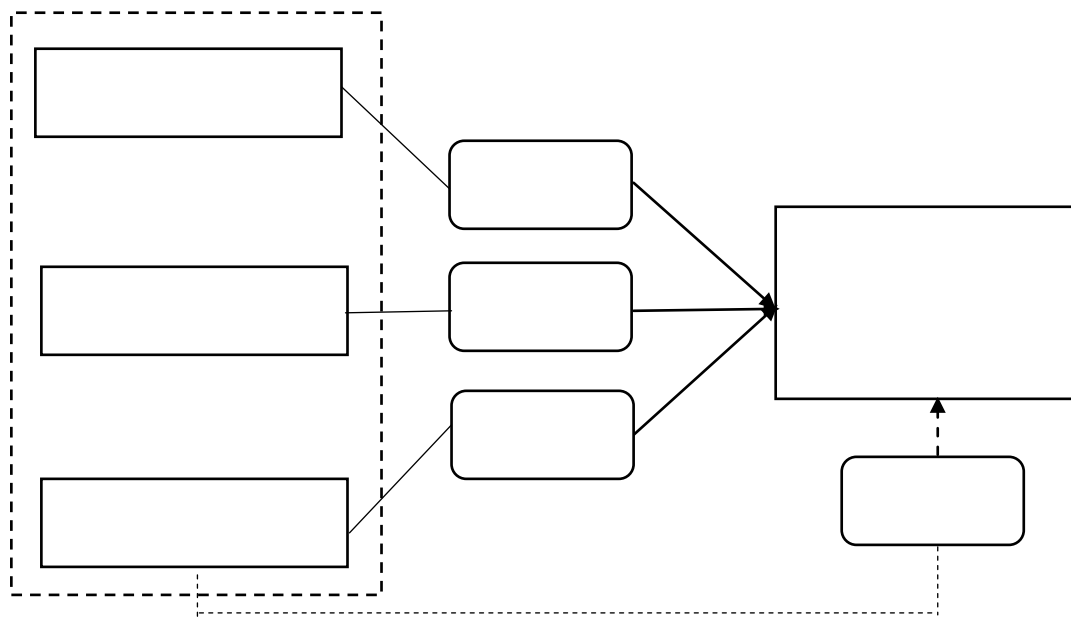


Figure 1 Conceptual Framework

Explanation:

- ▶ : Partial relationship line between independent to dependent
- - - - -▶ : Simultaneous relationship line between independent to dependent

There are five main hypothesis can be drawn from the conceptual framework, which are:

- H<sub>1</sub> Promotion has a significant effect on customer purchase decision partially
- H<sub>2</sub> Price has a significant effect on customer purchase decision partially
- H<sub>3</sub> Service quality has a significant effect on customer purchase decision partially
- H<sub>4</sub> Promotion, price, service quality has a significant effect on customer purchase decision simultaneously
- H<sub>5</sub> Promotion become the most dominant effect on customer purchase decision

## 4. RESULT AND DISCUSSION

The result of the analysis in SPSS by using multiple regression method are all variables are included in multiple regression analysis.

**Table 1**  
**Result of Multiple Regression Analysis**

	Predictor Coefficientt (B)	Standardized Coefficients Beta	T <sub>count</sub>	Sig.	R <sup>2</sup>	T <sub>table</sub>	R	F
Constant(k)	1.105		1.509	0.132		1.960		
X <sub>1</sub>	0.080	0.290	7.424	0.000				
X <sub>2</sub>	0.038	0.049	1.173	0.242				
X <sub>3</sub>	0.315	0.602	14.688	0.000				
Summary					0.627		0.792	
Regression (ANOVA)				0.000				176.903

Source: SPSS Data analysis, 2018

From the analysis that has been conducted by using the multiple linear regression method and it can be formulated that:

$$Y = 1.105 + 0,080X_1 + 0,038X_2 + 0,315X_3 \quad (1)$$

Where by,

X<sub>1</sub> = Promotion ;

X<sub>2</sub> = Price ;

X<sub>3</sub> = Service quality

The result show that the independent variables promotion, price, and service quality has a positive effect, the constant ( $\alpha$ ) of 1.105 means that promotion, price and service quality are equal to zero (0), then the value of customer purchase decision is 1.105. The coefficient of promotion (0.080) means that if the promotion increasing 1 unit, the customer purchase decision will increase 0.080. The coefficient of price (0.038) means that if the price increasing 1 unit, the customer purchase decision will increase 0.038. The coefficient of service quality (0.315) means that if the service quality increasing 1 unit, the customer purchase decision will increase 0.315.

**Table 2 Coefficient Determination (R<sup>2</sup>)**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.792 <sup>a</sup>	.627	.623	1.950

a. Predictors: (Constant), Service quality, Promotion , Price

Source: SPSS data analysis, 2018

Coefficient determination can be seen by identified R<sup>2</sup> from the table, the result is 0,627 (62.7%) means the customer purchase decision can be explained by

promotion, price and service quality. And the rest 0.373 (37.3%) are caused by another factor outside this research.

**TABLE 3 F-TEST ANOVA<sup>a</sup>**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	2017.880	3	672.627	176.903	.000 <sup>b</sup>
Residual	1201.508	316	3.802		
Total	3219.387	319			

a. Dependent Variable: Customer Purchase decision

b. Predictors: (Constant), Service quality, Promotion, Price

Source: SPSS data analysis, 2018

**TABLE 4 T-TEST**

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.105	.732		1.509	.132
	Promosi	.080	.011	.290	7.424	.000
	Harga	.038	.033	.049	1.173	.242
	Kualitas Layanan	.315	.021	.602	14.688	.000

a. Dependent Variable: Keputusan Pembelian

Source: SPSS data analysis, 2018

From table 4,  $T_{value}$  of  $X_1$  (7.424) is higher than  $T_{table}$  (1.960) which means that partially promotion has significant effect on customer purchase decision. Thereby, hypothesis 1 is accepted.

From table 4,  $T_{value}$  of  $X_2$  (1.173) is lower than  $T_{table}$  (1.960) which means that partially price do not has significant effectt on customer purchase decision. Thereby, hypothesis 2 is rejected

From table 4  $T_{value}$  of  $X_3$  (14.688) is higher than  $T_{table}$  (1.960) which means that partially service quality has significant effect on customer purchase decision. Thereby, hypothesis 3 is accepted.

From table 3,  $F_{value}$  (176.903) is higher than  $F_{table}$  (2.60), which means that simultaneously promotion, price and service quality has significant effect on customer purchase decision. Thereby, hypothesis 4 is accepted.

The most dominant variable can be seen by identified standardized coefficients beta for each variable. Service quality has the highest value (0.602) it means that the most dominant factors that effected customer purchase decision is service quality, then followed by promotion (0.290) and the last is price (0.049).

Service quality as a most dominant factor on customer purchase decision can be further identified that availability of information has the highest score 1.285, which means that in the middle of various choices in selecting universities, the customer can get the information easily in order to evaluating and comparing "X" University with another universities before determining the decision.

In this research, it is found that price has no significant effect on customer purchase decision, this situation are supported with demands of many job vacancy required bachelor / diploma degree as a minimum requirement, so now days higher education become a must and its force customer (prospective students) to choose the universities without considering the price on customer purchase decision.

## 5. CONCLUSION

The conclusion of this research are, firstly, promotion, price and service quality simultaneously has an effect on customer purchase decision. Secondly, promotion has significant effect on customer purchase decision. Thirdly, price has no significant effect on customer purchase decision. Lastly, service quality has significant effect on customer purchase decision and become the most dominant factor, because of the availability of information in "X" University can help the customer (prospective students) to get important information and comparing with another information in the middle of various choices in selecting private universities.

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