Analysis of Effect of Promotion and Word of Mouth on Purchase Decision: Case of Student University of Muhammadiyah Sumatera Utara

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Abstract

Muhammadiyah University of North Sumatra is one of the educational institutions in Muhammadiyah association. Marketing activities affect buyers' decisions to use services when they need them. Purchasing decisions are essentially related to "why" and "how" consumers' behavior. To attract prospective students choose services offered then it takes the promotion and word of mouth. The purpose of this study is to test and analyze the influence of promotion and word of mouth on purchasing decisions UMSU students. The type of this research is descriptive quantitative and the nature of research using descriptive explanatory. The sample technique used in this study is the quota sampling of 100 respondents. Data analysis was using multiple linear regression analysis. The results showed that promotion and word of mouth partially and simultaneously have a positive and significant influence on purchasing decisions UMSU students. But WOM has a more dominant influence on purchasing decisions of UMSU students compared to promotion.

Keywords: promotion, word of mouth, purchase decision.

Introduction

Under conditions of imperfect competition there is product differentiation, where there is irrational customer behavior and incomplete market information. In such conditions promotional activities are a must. Therefore companies need promotion as a tool to differentiate products, appeal or persuade consumers in the buying decision process.

University of Muhammadiyah Sumatera Utara is one of the Institute of Education in Muhammadiyah union, founded on February 29, 1957 on the initiative of some prominent figures and theologian of Muhammadiyah among them H. M. Bustami Ibrahim. Promotional activities are considered important as communications to provide convincing explanations of potential customers (students) about the services offered. Here is a pre-survey table to 50 students related to promotion mix conducted by University of Muhammadiyah North Sumatra in recruiting students.

Table 1. Pre survey promotion mix University of Muhammadiyah Sumatera Utara.

<table>
<thead>
<tr>
<th>No</th>
<th>Promotion Mix</th>
<th>Quantity</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Personal selling</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>Advertising</td>
<td>23</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td>Sales Promotion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>----------------</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>3</td>
<td>5</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>4</td>
<td>Public Relation</td>
<td>12</td>
<td>24</td>
</tr>
<tr>
<td>5</td>
<td>Direct Marketing</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

Source: primary data, 2017.

Based on Table 1 above, it is known that the majority of students of Muhammadiyah University of North Sumatra know the promotion mix through advertising as much as 46%. It is known to the students from various electronic media (website, webmail, blog), social media like Facebook, Instagram, Twitter), and print media.

In addition to general promotion, there are other factors that can attract consumers to buy a product. One of the promotion methods is word of mouth. WOM according to WOMMA (Word of Mouth Marketing Association) is an activity in which consumers provide information about a brand or product to other consumers. From all media promotion both Above The Line and Below The line, WOM is a promotional activity whose level of control by marketers is very low but gives a very unusual impact on the product or brand company (Yosevina, 2008). With a company-generated product or a unique corporate brand, innovative and should be a conversation product company should be able to encourage and facilitate the conversation from the mouths of its customers so as to create a positive WOM which in the end will generate sales for the company.

WOM becomes an important part in marketing studies considering that communication in WOM is able to influence consumer purchasing decisions. On the other hand, the power of WOM also increases considering that humans are social creatures who love to interact and share with each other, including the issue of purchase preferences. WOM is capable of spreading so fast when the individual who is spreading it also has an extensive network. WOM is an effective, cheap, and credible marketing communication tool (Kertajaya, 2007).

The consumer decision process often involves several decisions. Kotler and Keller (2008) explain that intelligent companies will try to fully understand the customer decision-making process, all their experience in learning, selecting, using, even in disposing products. Purchasing decision is a decision as the selection of an action of two or more alternative choices (Sumarwan, 2012).

Based on data obtained from the bureaucratic section of University of Muhammadiyah Sumatera Utara, it is known that the number of students in 2017 as many as 3,000 students decreased compared to the number of students in 2016 as many as 4,000 students. This phenomenon can occur because the University of Muhammadiyah Sumatera Utara its existence has ups and downs. So here the company is required to be able to provide confidence to consumers to want to make purchases at the University of Muhammadiyah Sumatera Utara. Based on the above background, the researcher is interested to take the title of "Analysis of Influence of Promotion and Word Of Mouth (wom) Against Student Purchasing Decision at University of Muhammadiyah Sumatera Utara ".

**Literature Review**

**Promotion**

According Dharmesta (2008: 349) states promotion is a flow of information or one-way persuasion made to direct a person or organization to actions that create exchanges in marketing. While the sense of promotion according to Buchari Alma (2007: 179) is a kind of communication that gives explanations that convince potential customers about goods and services.
It can be concluded that promotion is a communication activity between the buyer and the seller regarding the existence of the product, convincing, persuading, and improving the return of the product so as to influence the attitude and behavior that push to the exchange in marketing.

Although in general the forms of promotion have the same function, but the forms can be distinguished on the basis of their specific tasks. Some of these special tasks are called promotion mixes (J. Paul Peter and James Donnelly, 2007: 111), namely: face-to-face sales, advertising, sales promotion, public relations, and direct marketing.

According to Kotler and Keller (2007: 272) promotional indicators include: frequency of promotion, quality of promotion, quantity of promotion, promotion time, and accuracy or suitability of promotional goals.

**Word Of Mouth (WOM)**
According to Kotler (2008) WOM as a personal communication about the product among buyers and people around him. WOM is a personal influence, which is closely related to expensive and risky products. Expectations of the possibility of acceptable risks are reduced when consumers seek advice from relatives. WOM is also a marketing strategy to get customers to talk, to promote, and to sell to other customers. The ultimate goal is a consumer is not just talking about or promoting but is able to sell indirectly to other consumers.

According Lupiyoadi (2006) word of mouth can be measured with the following indicators: talk about the positive about the product, product recommendations from others, and motivated friends to make a purchase.

**Purchase Decision**
According to Kotler and Armstrong (2010) purchasing decision is the buyer's decision about which brand to buy. Another concept of purchasing decisions is the selection of two alternatives or more consumer choices on purchases and on preference for brands within the set of choices. According to Sumarwan (2012) purchase decision is a decision as the selection of an action of two or more alternative options.

The result of this integration process is a choice, presented cognitively as a desire to behave. To understand consumer purchase decision making, it must first understand the nature of consumer involvement with product or service (Sutisna, 2003). Understanding the level of consumer involvement of a product or service means the marketer tries to identify the things that cause a person to feel involved or not in the purchase of a good or service.

**Previous Research**
Irawan (2014) conducted a study entitled "The Influence of Promotion on Purchase Decision Mediated by Buying Interest in Matahari Consumer Department Store Yogyakarta". The sample of this research is 115 people. Result of research at 5% significance level indicate that: there is direct influence of promotion strategy to purchasing decision.

Hasibuan (2016) conducted a study entitled "The Influence of Product Quality, Price, and Word of Mouth on Purchase Decision at CV. Sutan Jepara Marine Furniture Dendang Deli Serdang ". The population in as 92 customers and all members of the population become sample. The results showed simultaneously the quality of product, price and word of mouth have a significant effect on purchasing decision.
and have positive and significant influence partially product quality, price and word of mouth to purchase decision.

Pamungkas (2017) conducted a study entitled "The Influence of Promotion in Social Media and Word of Mouth on Purchase Decision (Case Study at Jont Bontacos Store)". The sample of this research is 100 consumer of Bontacos store using non-probability sampling method and accidental sampling technique. The results of this study indicate that promotion using social media and word of mouth partially and simultaneously have an influence on purchasing decisions.

**The Influence of Promotion on Purchase Decision**

In the era of globalization where the competition between companies is higher than the company tries to attract consumers to increase market share, one way that can be done by implementing sales promotion, by providing incentives or stimuli to encourage sales quickly. In addition, to know the needs and desires of consumers the company also needs to study consumer behavior, especially on matters relating to the decision-making process. According to Kotler-Keller in Benjamin Molan (2007: 299) the company uses sales promotion tools to get a stronger and faster buyer response. To understand marketers need to know their customers' intended uses, perceptions, preferences, and customer shopping behaviors. All sales promotion tools are very influential on consumer purchasing decisions. Sales promotion is a stimulus that can attract the attention of consumers to make a purchase immediately. Thus, sales promotion has a great power to influence consumer behavior, because almost no consumers who ignore the sales promotion before making the process of purchasing products.

**The Influence of Word of Mouth on Purchase Decision**

In addition to promotional factors, there are other factors that can attract consumers to buy a product, that is promotion with WOM methods that become an important part in marketing studies given that communication in WOM able to influence consumer purchasing decisions. On the other hand, the power of WOM is also increasing considering that humans are social creatures who love to interact and share with each other, including the issue of purchase preferences. WOM is capable of spreading so fast when the individual who is spreading it also has an extensive network. WOM is an effective, cheap, and credible marketing communication tool (Kertajaya, 2007). Stories and experiences of someone using a product sounds more interesting that can affect the listener to join try the product. We never seem to feel tired of listening to stories from friends or family members about his experience using a product or service.

Conceptual framework can be described as follows:

![Diagram](image_url)

**Figure 1.** Conceptual framework.

**Hypothesis**

Hypothesis is a suspicion that is temporary to the formulation of research problems. Therefore the formulation of research problems are usually arranged in the form of sentence questions (Sugiyono, 2006: 306). The hypothesis of this research are:
1. Promotion has a positive and significant impact on the purchasing decision of students at University of Muhammadiyah Sumatera Utara. This indicates the better the promotion will be the higher level of buyer's decision on the product.
2. Word of Mouth positively and significantly influence the purchasing decision of students University of Muhammadiyah Sumatera Utara. This indicates the more positive word of mouth it will be higher the level of buyer's decision on the product.

Research Methods
Operational variables in this study are:
1. Promotion (X₁) is a communication that gives explanations that convince students about the services offered by UMSU.
2. Word of Mouth (X₂) is an effective, cheap, and credible marketing communication by giving any positive information related to the product from the student to another student so that other students are motivated to make a purchase.
3. Purchase Decision (Y) is the selection of an action of two or more alternative choices made by the student consciously and rationally by obtaining previous info about the quality that can meet the needs and desires.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicators</th>
</tr>
</thead>
</table>
| Promotion (X₁)            | 1. Frequency of promotion  
                           2. Quality of promotion  
                           3. Quantity of promotion  
                           4. Time of promotion  
                           5. The accuracy of promotional goals |
| Word of Mouth (X₂)        | 1. Talk about the positive about the product  
                           2. Recommendations from others  
                           3. Motivated friends / relationships to make a purchase |
| Purchase Decision (Y)     | 1. Stability of the product  
                           2. Information about quality  
                           3. In accordance with the wishes and needs |


Population and Sample
The population in this study is all students of Muhammadiyah University of North Sumatra. The sample is part of the number and characteristics possessed by a population. Sampling technique in this research is quota sampling by setting 100 respondents as research sample.

Analysis Multiple Linear Regression
This analysis is used to find out how big the influence of bound variable. Multiple regression method is formulated as follows:

\[ Y = a + b_1X_1 + b_2X_2 + e \]

Y: purchase decision, a: constant, b₁, b₂: multiple regression coefficient, X₁: promotion, X₂: word of mouth, e: standard error.

Partial Significance Test (Test-t)
The t-test shows how much the influence of individual variables on the dependent variable.Criterion of decision making: H₀ received if t count < t-table α = 5%, H₁ is accepted if t-count > t-table α = 5%.
**Simultaneous Significance Test (Test-F)**
The F-test basically shows whether all the independent variables included in the model have a mutual influence on the dependent variable. Criterion of decision making: \( H_0 \) is accepted if \( F\text{-count} < F\text{-table} \alpha = 5\% \)
\( H_1 \) is accepted if \( F\text{-count} > F\text{-table} \alpha = 5\% \).

**Coefficient of Determination (\( R^2 \))**
The coefficient of determination (\( R^2 \)) essentially measures how the model capability in explaining the dependent variable. If \( R^2 \) gets bigger (close to one), then it can be said that the relation of free variable (X1 and X2) is big to the dependent variable (Y).

**Results and Discussion**

**Result of Partial Significance Test (Test-t)**
The \( t \) value of the tables in this study is 1.66 (by looking at \( t \) table at the 0.05 significance level).

**Table 3.** Partial significance test (Test-t).

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Std. Error</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Constant</td>
<td>6.377</td>
<td>1.608</td>
<td>3.966</td>
</tr>
<tr>
<td></td>
<td>Promotion</td>
<td>.267</td>
<td>.472</td>
<td>2.370</td>
</tr>
<tr>
<td></td>
<td>Word of Mouth</td>
<td>.472</td>
<td>.078</td>
<td>2.205</td>
</tr>
</tbody>
</table>

Source: Research Result, 2017 (Data Processed).

Based on Table 3 can be explained as follows:
1. Variable of promotion have positive and significant effect to decision of purchase hence hypothesis accepted.
2. Variable of word of mouth has a positive and significant effect on the purchase decision hence the hypothesis accepted.

**Result of Simultaneous Significance Test (Test-F)**
The simultaneous influence of promotion variable and word of mouth (WOM) on purchasing decision on multiple linear regression analysis can be seen in Table 4:

**Table 4.** Simultaneous significance test (Test-F).

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>19.032</td>
<td>2</td>
<td>6.344</td>
<td>6.26</td>
<td>.001*</td>
</tr>
<tr>
<td>Residual</td>
<td>89.185</td>
<td>97</td>
<td>1.013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>108.217</td>
<td>99</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Result, 2017 (Data Processed).

Based on Table 5, the result is simultaneously promotion and word of mouth (WOM) have a significant effect on the purchasing decision of students of University of Muhammadiyah Sumatera Utara.

**Coefficient of Determination (\( R^2 \))**
Furthermore, to know the magnitude of the effect of independent variables on the dependent variable is to use the test coefficient determination R in Table 5:
Table 5. Coefficient of Determination ($R^2$).

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.419$^a$</td>
<td>.676</td>
<td>.648</td>
<td>1.007</td>
</tr>
</tbody>
</table>

Source: Research Result, 2017 (Data Processed).

The value of Adjusted R Square obtained is 0.648 or 64.8% indicating the ability of promotion variable and word of mouth (WOM) in explaining the variation or effect that happened on purchasing decision 64.8%, while the rest equal to 35.2% influenced by other variables beyond this study.

The results of this study indicate that the variables of promotion affect the purchase decision UMSU students amounted to 26.7%. This shows that the better the promotion of UMSU then the student purchasing decision to choose UMSU will be higher. Word of mouth variables have a more dominant influence on purchasing decisions of 47.2%. This shows the more positive word of mouth given UMSU students to prospective students then the decision to purchase students to choose UMSU will be higher. In addition, promotion and word of mouth variables simultaneously have a significant effect on purchasing decisions. This shows Word of Mouth is better because it can improve student purchasing decisions.

This mouth-to-mouth promotion can be divided into two types: first, Organic Word of mouth. Organic Word of Mouth is a WOM that occurs naturally, people who are satisfied with a product will share their enthusiasm. Second is Amplified Word of Mouth. Amplified Word of Mouth is a Word of Mouth that occurs because it is designed by the company. Amplified Word of Mouth is done when companies conduct campaigns designed to encourage or speed up the delivery of word-of-mouth to consumers. The company tries to inform its products to the public so that people will know and then buy the company’s products. This word-of-mouth marketing strategy (WOM) does provide a lot of convenience in helping to market a product or service. With the strength of personal recommendations from colleagues and people closest, it can increase consumer confidence in a product. No wonder if the existence of word of mouth marketing can increase sales to two-fold. Besides word of mouth marketing also does not require a fee, you could say this is a very effective free marketing strategy. Moreover, the people of Indonesia have a habit of socializing and gathering just to share stories and gossip, so word-of-mouth (WOM) coming from other people trusted by a customer can be a "blessing" for the marketer.

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