DETERMINANTS OF CONSUMER PURCHASE DECISION IN SMES

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Abstract: This research is focused on analyzing the influence of location and price on consumer purchasing decisions at the Pajak USU (Pajus) Medan, Indonesia. This research uses a quantitative approach, explanatory research type and multiple regression analysis as data analysis techniques. Partially, location has no effect on consumer purchasing decisions, while price matters. Simultaneously, location and price significantly influence consumer purchasing decisions. This article provides guidance that consumers are not too concerned about location when shopping at Pajus. Low prices are the main consideration for consumers to shop. These results are expected to be useful input and suggestions for small and medium businesses so that they can offer more competitive prices than their competitors.

Keywords: Location; Price; Purchase Decision; Pajus; SMEs

1 INTRODUCTION

Every company should pay attention to every consumers who use or buy their products, the competition is increasingly tight company not only think for now but also in the future what is needed and desired consumers. The company must have an interesting strategy that is different from the competitors so that its products are in demand by consumers. Technological advances and business competition result in higher product offerings than consumer demand. The company can not be complacent that is achieved today but must remain creative and innovative to meet the wants and needs of consumers and seek consumer information about consumer behavior. Purchase decision is the action and consumer response to purchase a product (Pickett-Baker & Ozaki, 2008). Consumer purchasing decision making is a process of selecting several alternative products to be purchased through real follow-up. The consumer evaluates the options and then determines the attitude to be taken next. The decision-making process has implications for companies to design products, define messages and allocate promotional budget costs and create marketing programs that suit buyers (Swastha & Handoko, 2008). There are four factors that influence consumer purchase decision behavior that is cultural, social, personal and psychological (Kotler & Keller, 2007). Location for the company is very important to distribute its products to consumers, the right location becomes an important decision for every company in adjusting the time to be effective and efficient. Location decisions require careful thought to look at consumer characteristics and environmental characteristics. According to Elliott, Rundle-Thiele, & Waller (2012) locations are all activities the company sends the products or services available to consumers the right time and place. Companies can place accessible products or services for customers (Wakefield & Blodgett, 1996; Boter & Lundstrom, 2005; Brewer, 2007; Plessis, 2007). Location is where the company conducts the planning and implementation of product or service distribution programs through appropriate places (Owen & Daskin, 1998). Consumers usually identify the price of expensive products with good quality and if the price of cheap products, then consumers doubt the quality. When someone shopping, the first thing that is often noticed is the price, followed by several other factors. The pricing of a product must be appropriate and reasonable because the high price offered must match the benefits to be consumed by consumers who consume it (Stremersch & Tellis, 2002; Kaufmann, Smith, & Ortmeyer, 1994). The price is too high or too low will affect consumer purchasing decisions. Excessive prices will make consumers switch to other similar products but with cheaper prices, vice versa if the price offered is too low then consumers will be unsure of the quality of products offered so delay the decision to buy the product. Pajus is a small and medium enterprise category market that consists of small traders who initially only sell various needs of students in the USU. After moving to Jalan Lieutenant Gen. Djamin Ginting after the fire, Pajus is growing rapidly with more and more merchants and shops are more permanent and well-ordered. Pajus is now one of the shopping centers in Medan that sells the needs of the general public and students and students. At first only sell stationery, books and school supplies to develop to sell all the common needs such as: gadgets, laptops, computers, fashion, shoes, clothing, shoes, accessories, bags, culinary and others (Hendro, 2013).

2 LITERATURE REVIEW

2.1 Location

According to Swastha & Handoko (2008) the location shows the various activities undertaken by the company to make its products available and available to consumers. Location is where the company conducts operations (Lupiyoadi & Hamdani, 2006). There are three types of interactions that affect location. First, the consumer comes to the service provider (company), if the situation is like this then the location becomes very important. Companies should choose a place close to the consumer so easily accessible in other words must be strategic. Second, service providers come to the consumer. In this situation the location is not too important but that must be considered is the delivery of services must remain qualified. Third, providers and consumers do not meet directly, meaning service providers and consumers interact through certain means such as telephone, computer and mail. Location is one of the determinants of a business's success as it affects business costs (Umble, Haft, & Umble, 2003; Nah, Lau & Kuang, 2001). The location of the business should be considered as well as possible, if wrong in choosing the location of the company will bear the risk of loss or not achieved goals and objectives desired company (Boufounou, 1995; Dziembowska-Kowalska & Funck, 2000; Hale & Moberg, 2003). Companies need to pay attention to consumers to make purchasing decisions. The location is easy to reach and close to the crowd is the right place for business. If there is a mistake in choosing a
location it will have a big effect on the sales cycle on an ongoing basis. According to Nugroho, M., & Paramita (2009) the location is called strategic when located in the city center, population density, ease of achievement related to public transportation, traffic smoothness and direction does not confuse the consumer. In line with the proliferation of businesses or businesses that offer similar products or services, even very small location differences can have a strong impact on market share and profitability of a business. In addition, the decision on the selection of a location also reflects the company’s long-term commitment to finance, because changing a bad location is sometimes difficult and very expensive (Kohli & Jaworski, 1990; Hitt, Hoskisson, Johnson, & Moesel, 1996; Yang & Lee, 1997; Bell, Crick, & Young, 2004). The principles to be considered in choosing a business location are potential, strong appeal, traffic accessibility, potential growth areas, located in business flow, small level of competition (Laulajainen & Stafford, 1995; Bennett, Graham, & Bratton, 1999). According to Tjiptono (2012) selection of the location requires the following considerations: 1) Access is a location easily accessible by public transport, 2) Visibility is a location that can be seen clearly from a normal viewing distance, 3) Traffic is smooth, 4) Parking spaces are spacious, comfortable and safe, 5) Expansion is a place that is wide enough for business expansion in the future, 6) The environment is the area around which support the business run, 7) Competition is location for similar businesses and 8) Government Regulation. This will justify the location is an important reason consumers make purchasing decisions. Thus, the first hypothesis was established:

Hypothesis #1 (H1): Location will significantly influence purchasing decision.

2.2 Price
According to (Kotler & Keller, 2012) price is the amount of money that consumers exchange for the benefits of owning or using such products and services. Price plays a key determinant of buyer choice. Price is the only element of the marketing mix that generates revenue, other elements incur costs. Price is the sum of all values that the consumer transfers for the amount of benefits by owning or using a good or service (Kotler & Armstrong, 2016). Price is an agreed amount of money exchanged with the goods or services of the buyer and seller in a normal transaction (Tandjung, 2004; Hennart, 2000; Ven, Zeelenberg, & Dijk, 2005). There are six goals that can be achieved by the company through pricing (Saladin, 2006) that is ; 1) survival, 2) maximum current profit, 3) maximum current revenue, 4) maximum market skimming and 5) determinant demand. According Tjiptono (2012) method of determining the outline is grouped into four main categories, namely demand-based pricing method, cost-based, profit-based and competition-based. According to Kotler & Armstrong (2016) there are four indicators that characterize the price, namely: a) affordability, b) price conformity with product quality, c) price competitiveness and d) price conformance with benefits. To investigate the different effects of price on consumer purchase decisions, the current study proposes the second hypothesis as follows:

Hypothesis #2 (H2): Price will significantly influence purchasing decision.

2.3 Purchase Decision
Purchase decision is a reason of how the consumer determines the choice of purchasing a product according to the need, desire and expectation so that it can cause satisfaction or dissatisfaction to the product (Olshavsky & Granbois, 1979; Puccinelli et al., 2009). According to (Levy & Lee, 2004; Kohli, Devaraj, & Mahmood, 2004; Johansson & Burt, 2004) also suggests that the purchasing decision process is the stages that the buyer goes through in determining the choice of a particular product or service. Consumer decision making is an integration process that combines knowledge to evaluate two or more alternative behaviors and choose one of them (Setiadi, 2003). The purchase decision is the choice of two or more alternative options, meaning that one can make decisions, there must be several alternative options. The decision to buy can lead to how the process of decision-making is done (Schiffman & Kanuk, 2004). The purchase decision is a buying decision process that includes determining what will be purchased or not obtained from previous activities (Assauri, 2009). Whereas (Kotler & Keller, 2012) states that purchasing decisions are a problem-solving process consisting of analyzing needs and wants, information retrieval, resource assessment, selection of alternative purchases, purchasing decisions, and post purchase behavior. The last hypothesis of this study states:

Hypothesis #3 (H3): Location and Price will significantly influence purchasing decision.

2.4 Relevant Research
Ghanimata & Kamal (2012), Analysis of the Effect of Price, Product Quality and Location on Purchasing Decisions (Study on Buyers of Milkfish Juwana Elrina Semarang). The results showed that the three variables have a positive and significant effect on purchasing decisions. Location has a very big influence compared to price and product quality. The location with a large parking area, improve taste and maintain the normal menu of cuisine and relatively cheap prices and discounts make consumers happy to visit and buy products Bandeng Juwana Elrina Semarang. Diponegoro Journal Of Management. Vol.1, No. 2 : 1-10; Walukow, Mananeke, & Sepang (2014), The Effect of Product Quality, Price, Promotion and Location on Consumer Purchasing Decisions at the Bentenan Center Sonder Minahasa. The results showed that all three variables have positive and significant influence simultaneously to consumer purchasing decision. But partially the location has no effect. Product quality, price, promotion into consumer purchase consideration at Bentenan Center Sonder Minahasa. While the location is not disputed by consumers. Jurnal EMBA Vol.2 No.3 : 1737-1749; Taufik (2015), Parking Area Availability, Completeness of Goods, Location, Price and Quality of Service Influence on Purchasing Decisions as Variable Intervening Consumer Interests Visit to Alfamart Minimarket in the City of South Jakarta. The results showed that price did not influence while parking area, location, completeness of goods, quality of service influenced consumer interest. Sufficient parking area, sufficient supply of goods available,
strategic location and good service quality cause consumer interest to decide on purchase while price is not at issue if the above is met. Jurnal Ekonomi dan Manajemen Vol.4 No.2 October 2015 ISSN: 2252-6226 : 1-24;
Supirman (2016), Effect of Product Completeness, Price and Location on Consumer Purchasing Decisions at Eramart Sentosa Samarinda. The results showed partially price and location have a positive effect, product completeness has no positive effect while simultaneous completeness of product, price and location to decision of consumer purchase at Eramart Sentosa Samarinda have positive effect. Price, location, product completeness is an important factor for consumers visiting Eramart Sentosa Samarinda to buy. eJournal Administrasi Bisnis, Volume 4, Nomor 4, 2016: 923-936;
Brata, Husani, & Ali (2017), The Influence of Quality Products, Price, Promotion, and Location to Product Purchase Decision on Nitchi At PT. Jaya Swarasa Agung in Central Jakarta. The results showed that product quality, price, promotion, and location influence purchasing decision partially or simultaneously. The results show the company to improve promotional activities, improve product quality competitive prices and better location to meet consumer needs. Saudi Journal of Business and Management Studies Vol-2, Iss-4B (Apr, 2017):433-445ISSN 2415-6663(Print) ISSN 2415-6671(Online) :433-445.

2.5 Conceptual Framework

![Conceptual Framework](image)

3 RESEARCH METHODS

In this study, primary data was generated through several questionnaires distributed to buyers in Pajus Medan. The first set of questions explores the location and price associated with the purchase decision. Each respondent answers the selected questionnaire by giving an alternative ranking on each choice made. Questions are measured on a five-point Likert scale, with the following conditions: 1 strongly disagree, 2 disagree, 3 doubtful, 4 agree and 5 strongly agree. The population in this study are all visitors who come and buy products at Pajus Medan. To get the right sampling frame, non probability sampling was then chosen as a sampling technique that was more suitable for the purpose of this study. Respondents were randomly selected from visitors who came to Pajus. 110 questionnaires distributed, only 96 could be used for analysis. Data collection techniques by distributing questionnaires related to location and price of consumer purchasing decisions. We use a quantitative approach with a type of explanatory research as a data analysis technique. Multiple regression analysis was performed to examine the relationship between the independent variables (location and price) with the dependent variable (purchase decision) tested on hypotheses 1-3.

4 ANALYSES AND RESULTS

4.1 Test Validity and Reliability
Table 2. Validity and Reliability Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Statement</th>
<th>r value</th>
<th>r table</th>
<th>Status</th>
<th>Cronbach Alpha</th>
<th>r table</th>
<th>Status</th>
</tr>
</thead>
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<td></td>
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<td></td>
<td>X₁.3</td>
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<td></td>
<td></td>
<td>.869</td>
<td>.361</td>
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<td>Purchasing Decision (Y)</td>
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<td>.361</td>
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<td></td>
<td>Y₇</td>
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<td>.361</td>
<td>Valid</td>
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<td>Y₈</td>
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<td>.361</td>
<td>Valid</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.823</td>
<td>.361</td>
<td>Reliabel</td>
</tr>
</tbody>
</table>

Source: Processed Data Results

Table 2, showing from 6 (six) points of location statement, 7 (seven) point of price statement and 8 (eight) point of purchase decision statement is valid, r-value > r-table significant level 0.05 r-table equal to 0.361. The results of reliability calculations using alpha cronbach test at the location of 0.632, the price of 0.869 and the purchase decision of 0.823. It can be concluded instrument used in research questionnaire is reliable.

4.2 Test the Classic Assumption of Normality

Figure 2 shows the Normal P-P of Regression Standardized Residual graph representing the distribution of data around the diagonal line and its distribution following the direction of the diagonal line of the graph, the regression model used satisfies the assumption of normality.

4.3 Classic Assumption Test Heteroscedasticity

Figure 3 shows the Scatterplot graph shown for the heteroscedasticity test showing randomly distributed dots and no clear patterns formed and in spreading the dots spread below and above the number 0 on the Y axis. It identifies the absence of heteroscedasticity at regression model, so that the regression model is feasible to be used to predict.
4.4 Multicolinearity Test

Table 3. Multicolinearity Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.057</td>
<td></td>
</tr>
<tr>
<td>Location</td>
<td>.946</td>
<td>1.057</td>
</tr>
<tr>
<td>Price</td>
<td>.946</td>
<td>1.057</td>
</tr>
</tbody>
</table>

Source: Processed Data Results

Table 3, shows the output of the spss, there is no symptom of multicollinearity if the VIF value < 10. The calculation result gives the VIF value for multiple regression below the number 10 it can be concluded that there is no multicollinearity symptoms in the regression model.

4.5 Multiple Regression Analysis

The multiple regression model with one dependent variable (Y) is the purchase decision and the two independent variables ie location (X₁) and price (X₂) are as follows:

\[ Y = a + b₁X₁ + b₂X₂ + e \]

Table 4. Multiple Linear Regression

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
<td>1.786</td>
</tr>
<tr>
<td>Location</td>
<td></td>
<td>.109</td>
</tr>
<tr>
<td>Price</td>
<td></td>
<td>.442</td>
</tr>
</tbody>
</table>

Source: Processed Data Results

Table 4, shows the multiple linear regression equation \( Y = 1.786 + 0.109X₁ + 0.442X₂ + e \), describes the location (X₁) and the price (X₂) in the regression model can be stated, if one independent variable changes by 1 (one) and another constant, then the change in the dependent variable is the purchase decision (Y) of the coefficient value (b) of the value of the independent variable. Constanta (α) of 1.786 gives the sense of location (X₁) and price (X₂) together unchanged or equal to zero (0) then the purchase decision (Y) is 1.786. If the value of b₁ which is the regression coefficient of the location (X₁) is 0.109, it means that it has a positive influence on the dependent variable (Y) that if the location (X₁) increases 1, then the purchase decision (Y) will increase by 0.442 with the assumption that another variable is constant.

4.6 Coefficient of Determination

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>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.617³</td>
<td>.380</td>
<td>.367</td>
</tr>
</tbody>
</table>

Source: Processed Data Results

Table 5, shows that the value (R) of 0.617 means having a strong relationship. The value of R square (\( R^2 \)) is 0.380 or 38.00%. means the influence of location (X₁) and price (X₂) to the purchase decision by the remaining 38.00% by 62.00% in influencing other variables.

4.7 The F and t Test

Table 6, shows the F test to test all independent variables on the dependent variable simultaneously and t test to test the influence of each independent variable to the dependent variable partially.

Table 6. The F and t Test

<table>
<thead>
<tr>
<th>Model</th>
<th>F Test</th>
<th>t Test</th>
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<tbody>
<tr>
<td></td>
<td>F value</td>
<td>F table</td>
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<tr>
<td>(Constant)</td>
<td>28.542</td>
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</tr>
<tr>
<td>Location</td>
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<td>1.661</td>
</tr>
<tr>
<td>Price</td>
<td>6.883</td>
<td>1.661</td>
</tr>
</tbody>
</table>

Source: Processed Data Results

The results of simultaneous test analysis (F test) in table 6, F-value of 28.542 and F-table of 3.09, because F-value > F-table, Ho is rejected and Ha accepted, means the location and price significantly influence the purchase decision simultaneously. The result of partial test analysis (t test) at location (X₁) t-value is 1.430, while t-table is 1.661, because t-value < t-table, Ho₁ is accepted and Ha₁ is rejected, means the location has no significant effect on the purchase decision. While at price (X₂) t-value is 6.883, t-table is 1.661, because t-value > t-table, Ho₂ rejected and Ha₂ accepted, means that prices have a significant effect on purchasing decisions.

5 DISCUSSION AND IMPLICATIONS

5.1 The Influence of Location on Consumer Purchase Decision

The t test for location is 1.430. This showed that partially location positive but not significantly effect on consumer purchase decision in Pajus Medan. Consumer do not consider the price to shop in Pajus. This result does not support the opinion of Chandon, Hutchinson, Bradlow, & Young (2009) who stated that the choice of location of a...
business requires an expensive investment value because the location affects consumers in making purchases. A narrow, crowded and unorganized place is not a barrier for consumers to keep coming and shopping in this place to get the items they need. This in line with Rares & Jorie (2015) stated that location has no significant effect on purchasing decision at Gaeol Manado Town Square Shop Shop. Also confirmed by (Andreti, Zhaflira, Akmal, & Kumar, 2012; Harahap, Hurriyati, Gaffar, & Amanah, 2017). The result of the research shows that place has no significant effect to consumer purchasing decision. However, research (Antari, Dunia, & Indrayani, 2014; Utami, Hamid, & O.S, 2015; Wibowo & Soedjono, 2014), shows that location has a significant effect on purchasing decisions. Location plays an important role in doing business, because it is related to the proximity of the business location to the center of the crowd, easy to reach, safe, and the availability of a large parking area, generally preferred by consumers. Strategic location makes it easier for consumers to reach with guaranteed security.

5.2 The Influence of Price on Consumer Purchase Decision

The t test results is 6.129. It showed that partially has a positive and significant effect on consumer purchase decision in Pajus Medan. Respondents argue that the price is indeed cheaper than other places. This supports the opinion of Satit, Tat, Rasili, Cin, & Sukati (2012) Price is one of the marketing mix elements that most influence consumer purchase decisions. Based on their study, travel agents can retain old customers by offering attractive prices and competitive prices such as providing special discounts. This indicates that the price in Pajus has become a consideration of consumers in making a purchase. They say that the price matches the quality of the product. Therefore Pajus should be able to keep this in order for consumers to repurchase in this place. This is in accordance with Saladin (2006) which states that the price is the sum of all values exchanged consumers to obtain products or services. This results in line with Ahmetoglu, Fried, Dawes, & Furnham (2010) In his research found that prices have a significant effect on customer purchase intentions, especially reference prices that most affect because customers are not easy to compare with other brands. Research of (Ghanimata & Kamal, 2012; Walukow, Mananeke, & Sepang, 2014; Amanah et al., 2017; Amanah, Hurriyati, Vanessa Gaffar, Layla, & Harahap, 2017; Harahap, Amanah, & Agustini, 2018), that the variable of price have a significant effect to purchasing decision. But the research (Harahap & Amanah, 2018; Amanah & Harahap, 2018; Harahap, Hurriyati, Disman, Gaffar, & Amanah, 2019; Jayanti, 2015), shows that price does not significantly influence purchasing decisions. Price is not the main consideration for online shoppers, and they state that the price difference is relative. This research is supported by Hustić & Gregurec, (2015), that price is the third element after product quality and product requirements when customers make purchasing decisions.

5.3 The Influence of Location and Price on Consumer Purchase Decision

The result of F test calculation shows the value of F-value is 27.401 and F-table is 3.90 means F-value > F-table then Ha is accepted and Ho is rejected, meaning simultaneously location variable (X1) and price (X2) influence consumer purchase decision (Y). The results of research supported from previous research by Harahap (2015) simultaneously variable product completeness, location and price positive significantly influence to purchase decision.

5.4 Contribution of Study

Management of Pajus Medan should pay attention to the problem of location such as wider parking area and security that make consumer comfortable and safe come to this place. In addition to maintaining a price that matches the benefits, quality and needs of consumers. Also do a better kiosk arrangement to facilitate consumers in making purchases.

5.5 Limitation and Further Research

This research only focuses on two variables (location and price). Future research is expected to include other factors such as promotion, service, security, convenience etc that can influence purchase decisions. Thus expected to make a useful contribution to the consumer purchase decision.

6 CONCLUSION

The t test results show that the location positively influences but not significant to the purchase decision. While the price in a positive and significant effect on purchase decisions. The result of F test shows that location and price simultaneously influence purchase decision in Pajus Medan. Therefore it can be concluded that the location and price have a positive and significantly effect on the purchase decision.


{Bibliography}