FACTORS THAT SHAPE CUSTOMERS' DECISION IN SELECTING CONTRACTOR'S SERVICE (A CASE RESEARCH AT COMPANY XXX)

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ABSTRACT

This research is reviewing about some factors which form customer's decisions in selecting contractor (XXX company case research). The purpose of this research is to analyze whether social factor form customer's decisions in selecting contractor, to analyze whether psychological form customer's decisions in selecting contractor, to analyze whether cost form customer's decisions in selecting contractor, to analyze whether product quality form customer's decisions in selecting contractor, and to analyze whether quality of service form customer's decisions in selecting contractor.
This research has a sample pool of 60 person that satisfied the criteria that they are customers of XXX Company who have repeat order. The technic of analysis which is used in this research is confirmatory factor analysis using PLS 2.0 program.
The result of this research shows that social factor (X1) form customer's decisions in selecting contractor, psychological factor (X2) form customer's decisions in selecting contractor, cost (X3) form customer's decisions in selecting contractor, product quality (X4) form customer's decisions in selecting contractor, quality of service (X5) form customer's decisions in selecting contractor.

Keywords: *Social Factor, Psychological Factor, Cost, Product Quality, Quality of Service, Customer's Decisions.*

INTRODUCTION

Indonesia is a highly populated country. Based on the data of Statistics Indonesia, it has been projected that the rate of population of Indonesia will increase yearly. In addition to that, the growth of economy of Indonesia is considered as stable. Due to the yearly increase of population in Indonesia and the increased growth of its economy, the purchasing power of Indonesian people grows higher, and one of the impacts of this higher purchasing power is the increased needs of housing in every year. Thus, it of course affects the increased development of business property in Indonesia.

Company XXX is a private company established in 1994 by Mr. Willy Kurniawan. This company focuses on the service of building construction. The projected profit of Company XXX can be calculated from the total fee of project income (7.5%) minus the payroll workforce in the office. Other field related expenses will be charged to the owner of the project (the customer). It can be said that this business has very minimum projected losses;moreover, it can also be said that there is no projected loss during the projection is in progress.

From this description, it is concluded that this business has a very promising prospect of development. This business is so promising that it leads to the emergence of new contractors who can become the competitors of Company XXX. Based on the company's data, the number of projects assigned to the company during 2010 to 2014 was not necessarily increased. Therefore, in order to increase its quality, Company XXX must analyze factors that influence customers' decision in selecting contractor's service. As a preliminary effort, the company conducted a survey to 10 customers. The results showed that there were at least nine factors considered by the customers in selecting contractor's service. The factors were word of mouth, price, prestige, experience, operational time, service, result, contractor's reputation, and contractor's domicile.

LITERATURE REVIEW

Pratiwi's research(2013)entitled "Factors that Influence Customers' Behavior on Buying Decision for Speedy Product in Makassar" is related to this current research, since her research aimed at analyzing factors that influence customers' decision on buying Speedy in Makassar. The descriptive analysis in this related research showed that certain variables (information value, message, and advertisement as trigger) had positive effect on the buying decision. Her hypothesis 1 testing stated that there was a positive effect of factors on the buying decision for Speedy in Makassar.

Uddinn, Lopa, and Oheduzzaman's research (2014) entitled "Factors Affecting Customers' Buying Decisions of Mobile Phone: A Research on Khulna City, Bangladesh"is also related to this current research. Their research aimed to analyze factors that influence customers in buying cellular phone. The result of this researcher showed that the most important factor that influenced customers' buying decision for cellular phone was physical appearance, while the other factors were price, charging facility and operation software, size and weight, other's recommendations, and advertisement.

The next related research was by Nguyen and Ayda (2014), entitled "Factors that Influence Customer Purchasing Decisions of Private Label Food Product: A Case Research of ICA Basic"which aimed to identify and analyze factors that influence customers' decision in buying food product with private label. Their research showed that there were five factors influenced customers' decision in buying food product. The factors were brand, promotion (advertisement and word of mouth), perception, attitude, buying desire, and demography.

Later, Celine's research (2015) entitled "Factors Considered by the Customers in Buying Soap Castle Product" is used as reference, since this research aimed to confirm the factors of social, psychology, price, and product quality which were considered by customers in buying Soap Castle product. Her result was used as reference for this current research which wants to provide evidences that social, psychology, price, and product quality are factorsthat influence customers' buying decision.

Furthermore, Wira's research (2015) "Factorsrelated to Buying Decision of Wooden Floor at Indokayu Sejahtera" also used as related literature. The result showed that social, psychology, price and service quality were factors that influenced customers' buying decision at Indokayu Sejahtera.

Peter and Olson (2010:160) state that customer's buying decision is an integrated process as a combination of knowledge used to evaluate two or more attitude behaviors then select one of them. Alfred (2013: 185) explains that customer's buying decision can be defined as an effort done by customers to decide which one to buy that suits the significance value of the buying decision. Urfana and Sembiring (2013: 3) explain that customer's buying decision can be defined as a step in buying process, where the customers finally actually buy the product or service.

RESEARCH METHODS

This research is a quantitative in nature. Sugiyono (2012) states that quantitative research is an approach where its data are in figures analyzed statistically. Confirmatory factor analysis was used as technique of data analysis in this research.

The numbers of population were 70 customers who ever used the service of Company XXX. The size of samples was determined using Slovin's Formula with significance level of 95% and level of tolerated error for 5%. After calculated, the numbers of samples for this research were 60 customers. The samples were determined by using purposive sampling technique.

Later, data in this research were analyzed by using Second Order Confirmatory Factor Analysis *(2nd Order CFA)*with assistance of Smart PLS 2.0.

1. First Stage Test

The first stage test was done at *first order* as reflective indicator by using convergent validity test, discriminant validity test, reliability test, and hypothesis test for reflective indicator with outer loadings test.

- Testing the validity
  1. Convergent validity
     Ghozali (2012) states that the value of loadings factor must be >0.7, which means that all indicator constructs are valid. The value of AVE and communality of the constructs msut also be >0.5 in order to pass the convergent validity requirement.
  2. Discriminant validity
     The value of cross loadingsmust be >0.7 in order to pass the discriminant validity requirement.
- Testing the reliability
  The reliability test in PLS must be conducted by considering the Cronbach's Alpha value and Composite Reliability. The Cronbach's Alpha value and Composite Reliability of the constructs must be >0.7 to pass the reliability requirement, or in order to become reliable.
- Testing the hypothesis for reflective indicator
  Testing the hypothesis for reflective indicator was conducted by using outer loadings. For the constructs model to be valid, the t-counted value must be greater than the t-table value (t-table = 1.96 with alpha value = 0.05).

2. Second Stage Test
The second stage test was conducted on second order as latent formative constructs. Testing the hypothesis for formative indicator was conducted by using bootstrapping. For the first order constructs to have significant effect on the second order constructs, the t-counted value must be greater than 1.96.

RESULT
From 60 respondents, 77% were males and 23% were females. 3% were 25-30 y.o., 20% were 30-40 y.o., 25% were 41-50 y.o., and 52% were above >50 y.o.

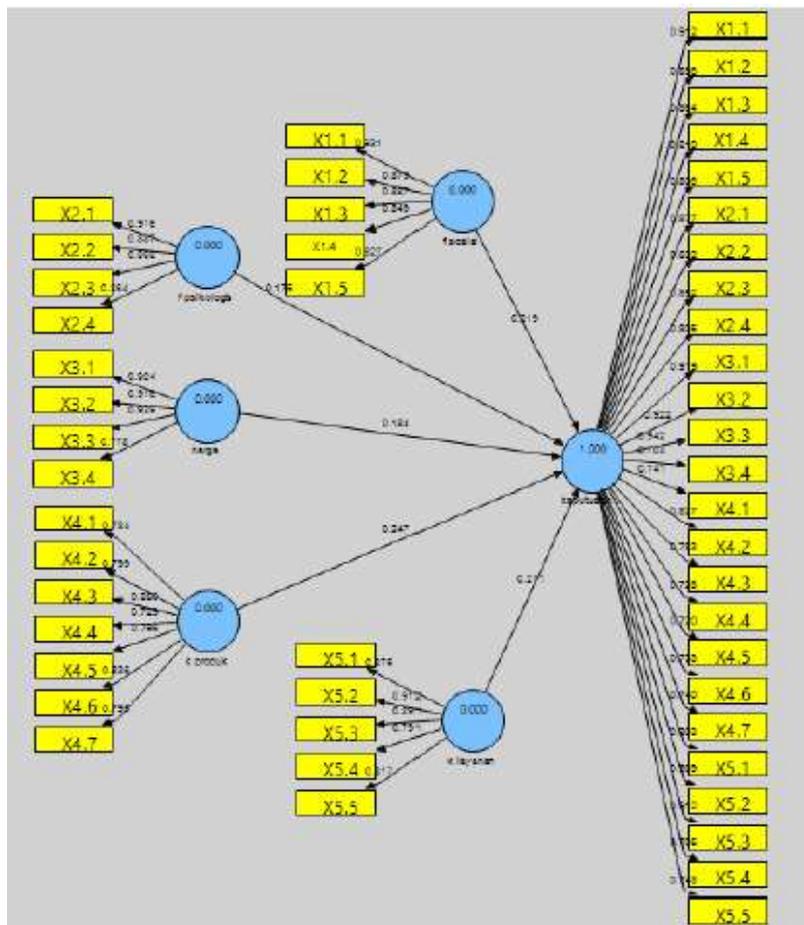❖ First Stage Test

Figure 1

Five indicators were tested for their validity: social (X1), psychology (X2), price (X3), product quality (X4), and service quality (X5). The tests showed that their loadings factors were ≥ 0.7, thus it can be stated that each indicator was valid. The convergent validity test based on AVE value showed that each indicator had AVE value ≥0.5 so they were all valid.

The convergent validity test based on communality showed that each indicator had communality value ≥0.5 so they were all valid. The discriminant validity test by using cross loadingsvalue showed that each indicator had value ≥0.7 so they were all valid. The reliability test by using Cronbach's alpha value and composite reliability value on each variable had value ≥0.7 thus they were all valid and reliable. The hypothesis test for indicator reflective using outer loadingsshowed that the t-counted value was greater than the t-table value (t-table=1.96 withalpha value=0.05) so the constructs model was valid.

❖ Second Stage Test

Figure 2

The hypothesis test based on path coefficient table showed that the t-counted value was greater than 1.96, thus, it can concluded that all first order constructshad significant effect on the second order constructs. Finally, it can be concluded that since the hypothesis testing of the outer model was significant, then the first order constructshad significant effect on the second order constructswith t-counted value greater than the t-table (t-table = 1.96 with alpha value = 0.05). This proves that all first order constructsare the dimensional construct that shaped buying decision constructs.

CONCLUSION

Based on the results of this current research entitled "Factors that Shape Customer's Buying Decision in Selecting Contractor's Service (A Case Research of Company XXX), there are five variables that shape customers' decision in selecting contractor' service. The variables are social, psychology, price, product quality, and service quality.

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