

## Analysis of the Effect of Price on Purchase Decision through Promotion as a Mediating Variable (A Study at PT Capella Dinamika Nusantara Pekanbaru)

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### ABSTRACT

*At PT Capella Dinamika Nusantara Pekanbaru, this research aims to explore how pricing affects buying choices, with promotions acting as a middle factor. Building on a previous model that only looked at the direct influence of price and advertising on what consumers do, this study introduces a new approach. Data was collected from 100 people who bought Honda Beat motorcycles, chosen using the Slovin formula, and applied a quantitative method. The responses were evaluated using a five-point Likert scale, and the data was examined through Structural Equation Modeling (SEM) using the Partial Least Squares (PLS) method. The study shows that price has a strong influence and positively affects both marketing strategies and purchase decisions. Additionally, promotions are crucial in shaping how price impacts buying choices and significantly affect those decisions. These results suggest that just having a good price won't necessarily increase the chance of a sale without strong marketing strategies. Therefore, businesses should implement marketing tactics that emphasize the significance of competitive pricing to influence consumer purchasing behavior.*

**Keywords:** price, promotion, purchase decision, mediating variable, SEM

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### INTRODUCTION

Motorbikes are an essential component of Indonesia's transportation industry since they offer inexpensive transportation options for the majority of the populace. Data from the Indonesian Motorcycle Industry Association (AISI, 2023) indicates that motorcycle sales in Indonesia exceeded 5.4 million units in 2022, indicating a consistent recovery from the COVID-19 epidemic. Due to its low cost, energy efficiency, and excellent brand reputation, the Honda Beat has consistently been one of the best-selling vehicles among the market leaders. PT Capella Dinamika Nusantara is one of the biggest approved Honda dealers in the city of Pekanbaru, and it makes a major contribution to Honda's share of the regional motorbike market.

However, the intensifying competition from other brands such as Yamaha and Suzuki has made it increasingly difficult for dealers to retain consumer loyalty. In this competitive environment, price and promotion are the two most significant factors influencing consumer purchasing decisions. Price represents the monetary sacrifice a consumer must make to obtain a product (Kotler et al., 2016) while promotion refers to the firm's communication strategy aimed at influencing consumer perceptions and preferences (Tjiptono, 2019). Both variables are central to marketing strategy, yet their interrelationship in shaping consumer decisions remains an important research concern.

Previous research has demonstrated that pricing significantly affects buying choices in a positive way. A strategy focused on competitive pricing can improve how consumers perceive value and encourage them to make purchases. (Sari et al. , 2021) However, in markets that are highly competitive, pricing alone might not be enough to maintain consumer interest. Advertising is crucial in enhancing the perceived advantages of a product, generating awareness, and motivating potential buyers to take action. Investigations by Tjiptono (2019) and Assael (2014) show that successful promotional strategies—like advertising, personal sales, and sales promotions—can greatly boost the chances of consumers making a purchase. (Ringle et al. , 2023)

PT Capella Dinamika Nusantara encounters the difficulty of sustaining an equilibrium between competitive pricing and successful promotional tactics. Based on initial data from the sales department (2023), changes in Honda Beat sales were affected by price changes and the effectiveness of marketing efforts, especially during special occasions or sales events. This discovery suggests that promotions could play an important role in increasing the influence of price on what consumers decide to buy. (Sari and Kautsar, 2021)

From a theoretical standpoint, the Stimulus–Organism–Response (S-O-R) model is consistent with this idea. In this model, price is regarded as an outside factor that affects internal mental processes—where advertising acts as a form of communication—and ultimately influences actions such as buying choices (Mehrabian and Russell, 1974). Therefore, promotion can be considered an intermediary factor that clarifies the reasons and ways in which price influences consumer behavior. (Golding et al. ) It seems that there is no text provided for rephrasing. Please share the content you would like to be reworded, and I will be glad to assist you.

Numerous earlier studies have backed similar viewpoints. For instance, Putra and Rachmawati (2020) discovered that the level of promotional efforts acts as a mediator linking price and customer loyalty within the automotive sector. Similarly, Rahayu and Santoso (2021) found that promotional activities greatly improve the influence of perceived price fairness on purchasing intentions in online shopping environments. Even with these findings, there is a shortage of studies examining motorcycle buying behavior in Indonesia, particularly research that uses Structural Equation Modeling (SEM) to investigate both direct and indirect effects at the same time. Please provide the text you would like to be rephrased, and I will be happy to assist you. Please provide the text you would like me to rephrase, and I will gladly assist you.

Consequently, this research seeks to examine the influence of price on buying choices, using promotion as a mediating factor, among consumers of Honda Beat motorcycles at PT Capella Dinamika Nusantara in Pekanbaru. The study utilizes the Partial Least Squares (PLS)-SEM approach to evaluate structural connections and validate the measurement model. This research enhances the current knowledge by presenting empirical evidence regarding the role of promotion as a mediator between price and consumers' buying choices. It also provides valuable advice for marketing experts in the motorcycle sector. The results are anticipated to aid vendors and producers in developing unified marketing strategies that successfully connect pricing and promotional efforts, thus improving consumer buying behavior.

## **LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

### **1. Price**

The cost of marketing has a significant impact on public perception of value and purchasing behavior. Price is the sum of money needed for a good or service, or the total worth that consumers give in return for the advantages of owning or utilizing it, as defined by Kotler and Keller (2016). Price is seen by consumers in relation to the perceived quality, brand image, and other available options in the market, rather than just as a fixed amount of money (Monroe, 2003).

Prior empirical research has shown that pricing has a significant influence on consumer behavior (Rahayu & Santoso, 2021). Consumers are more likely to see a product with a fair and competitive price as having higher value, which in turn increases their desire to buy it. Pricing is a major factor in influencing demand and purchase motivation in the motorcycle sector, particularly for cost-sensitive categories like the Honda Beat. (Isojärvi & Aspara, 2023)

## **2. Promotion**

Promotion is essential for conveying the advantages of a product and convincing customers to buy it. As stated by Tjiptono (2019), promotion includes all efforts made by a business to inform, convince, and jog the memory of customers regarding the products or services it provides. The main goal of promotion is to affect how consumers think and act by using different marketing methods, such as advertising, sales promotions, direct marketing, and personal selling.

Effective promotional strategies increase brand recall, stimulate consumer interest, and enhance purchase intention (Assael, 2014). In the context of PT Capella Dinamika Nusantara, promotional activities such as offering discounts, conducting showroom events, and launching limited-time offers have proven effective in increasing the number of Honda Beat purchases. Therefore, promotion can be viewed as both a direct driver of purchasing decisions and a potential mediator that strengthens the effect of other marketing variables such as price. (Zhang et al., 2021)

## **3. Purchase Decision**

The consumer's selection and purchase of goods from available alternatives to meet their demands is referred to as the purchasing choice (Schiffman & Kanuk, 2010). The decision-making process includes many steps, such as identifying the problem, conducting research, assessing options, making a purchase, and evaluating the purchase after the fact (Kotler & Keller, 2016). In the case of motorcycle products, this procedure is impacted by both tangible characteristics (like price and design) and intangible elements (like brand image and perceived promotional value).

Previous research consistently confirms that price and promotion are among the most influential factors affecting purchase decisions (Putra & Rachmawati, 2020). However, the relationship between these variables may not always be direct, as the consumer's perception of value and promotional appeal can modify the effect of price on their ultimate decision.

## **Promotion as a Mediating Variable**

The idea of mediation demonstrates how one variable affects another through a middle factor (Baron and Kenny, 1986). In this research, promotion is recognized as a mediating factor that communicates how price affects buying choices. The reasoning is that when customers view the price as reasonable or appealing, they tend to be more receptive to promotional messages, which ultimately increases their likelihood of making a purchase (Hair et al. , 2021).

This mediation process corresponds with the Stimulus–Organism–Response (S-O-R) model (Mehrabian and Russell, 1974), where price serves as the external trigger, promotion acts as the internal response phase, and the decision to buy is the final outcome. Studies by Rahayu and Santoso (2021) and Putra and Rachmawati (2020) reinforce this mediating function of promotion in marketing frameworks (Saepuloh and Hisani, 2020).

## **Hypothesis Development**

According to the theoretical analysis and earlier study results, we suggest these ideas:

H1: The price greatly and positively influences promotion.

H2: The price greatly and positively affects the decision to buy.

H3: Promotion greatly influences and positively affects the decision to make a purchase.

H4: Promotion acts as a mediator in the connection between price and the decision to make a purchase.

The theoretical framework of this research demonstrates the proposed connections as outlined below:



## RESEARCH METHOD

### 1. Research Design

Using Structural Equation Modeling (SEM) together with the Partial Least Squares (PLS) method, this study employs a numerical approach to examine how various elements affect one another. The SEM-PLS method was selected because it can evaluate complicated connections between unseen factors at the same time and identify both direct impacts and indirect (mediating) influences within the model (Hair et al. , 2019). The goal of the research is to understand how prices affect the purchasing choices of customers buying Honda Beat motorcycles from PT Capella Dinamika Nusantara in Pekanbaru, with advertising serving as a mediator.

### 2. Population and Sample

The participants in this research are people who have bought Honda Beat motorcycles from PT Capella Dinamika Nusantara located in Pekanbaru. According to the initial sales information gathered from the company in 2023, there were around 1,200 active customers in the last year. By applying the Slovin formula and establishing a margin of error at 10%, the required sample size was determined as follows:

$$n = 1 + N(e)^2 N = 1 + 1200(0.1)^2 1200 = 92.3$$

Therefore, 100 participants were chosen as the final group, offering enough representation for data analysis. The method of selecting participants was purposive sampling, with the following criteria for inclusion:

- (1) respondents who had purchased a Honda Beat motorcycle within the last 12 months, and
- (2) respondents aged 18 years and above who were involved in the purchase decision

### 3. Research Variables and Measurement

The study comprises three main variables: price (X1), promotion (Z), and purchase decision (Y). Each variable was operationalized into several measurement indicators based on established theories and prior research:

Variable	Dimension / Indicator	Source
<b>Price (X1)</b>	(1) Price affordability, (2) Price compatibility with quality, (3) Price competitiveness, (4) Price fairness, (5) Value for money	Kotler & Keller (2016); Monroe (2003)
<b>Promotion (Z)</b>	(1) Advertising intensity, (2) Sales promotion effectiveness, (3) Direct marketing, (4) Event and sponsorship activity, (5) Promotional attractiveness	Tjiptono (2019)
<b>Purchase Decision (Y)</b>	(1) Product preference, (2) Purchase interest, (3) Decision timing, (4) Brand choice, (5) Repurchase intention	Schiffman & Kanuk (2010)

A five-point Likert scale, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree), was used to assess all indicators.

#### **4. Data Collection**

A methodical questionnaire was shared in person at the dealership and also via Google Forms to gather information to reach a wider public. Prior to gathering responses, a preliminary test involving 20 individuals was conducted to ensure that the instrument was clear and reliable. The survey questions did not undergo any modifications after the pilot study since they achieved the satisfactory criteria of Corrected Item-Total Correlation greater than 0.30 and Cronbach's Alpha exceeding 0.70, according to Nunnally and Bernstein, 1994.

#### **5. Data Analysis Technique**

Using Structural Equation Modeling (SEM) together with the Partial Least Squares (PLS) method, this study employs a numerical approach to examine how various elements affect one another. The SEM-PLS method was selected because it can evaluate complicated connections between unseen factors at the same time and identify both direct impacts and indirect (mediating) influences within the model (Hair et al., 2019). The goal of the research is to understand how prices affect the purchasing choices of customers buying Honda Beat motorcycles from PT Capella Dinamika Nusantara in Pekanbaru, with advertising serving as a mediator.

- a.  $t\text{-statistic} > 1.96$  indicates a significant relationship at  $\alpha = 0.05$ , and
- b.  $p\text{-value} < 0.05$  confirms statistical significance.

### **RESULTS AND DISCUSSION**

The Smart Partial Least Squares (SmartPLS) software, which is ideal for creating path models with hidden variables shown by multiple indicators, was utilized to analyze the data in this research. This approach is often used in marketing and behavioral studies because it enables researchers to assess both measurement and structural models at the same time, as well as to ascertain values for latent variables that can be utilized for prediction (Hair et al., 2019). The SmartPLS assessment consists of two primary stages: a) the Measurement Model (Outer Model), which investigates the connection between latent constructs and their indicators, and b) the Structural Model (Inner Model), which evaluates the relationships between latent constructs based on the proposed hypotheses.

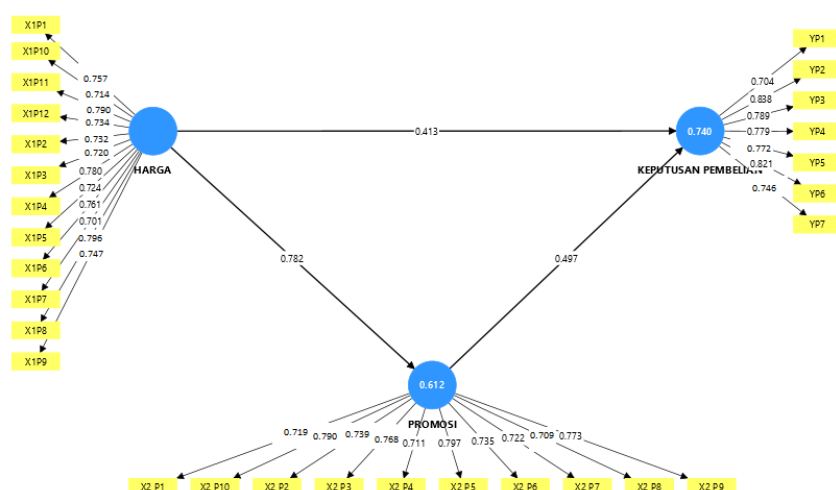
#### **1. Measurement Model (Outer Model)**

The accuracy and consistency of the measuring tools were evaluated through the external model. The assessment consists of two key parts: discriminant validity and convergent validity.

##### **a. Convergent Validity**

Convergent validity checks how well the different ways of measuring a concept connect with each other and show the same basic idea. This is figured out by looking at the outer loadings and Average Variance Extracted (AVE). These measures are considered reliable when their loading factor numbers are over 0.70 (Hair et al., 2019).

All of the measures have loading factor values above 0.70, according to the results of the PLS Algorithm report, suggesting that each measure is strongly associated with its corresponding latent variable. In addition, the AVE values are higher than the suggested minimum of 0.50, which suggests that more than 50% of the variation in the measurements is attributable to the construct.



Picture 1. Path Diagram

Table 1. Construct Reliability and Validity

Construct	Cronbach's Alpha	Composite Reliability	AVE	Interpretation
Price	0.895	0.913	0.667	Reliable & Valid
Promotion	0.855	0.885	0.641	Reliable & Valid
Purchase Decision	0.826	0.874	0.516	Reliable & Valid

### b. Discriminant Validity

Discriminant validity evaluates how separate a specific idea is from other ideas by reviewing cross-loadings and comparing the square root of the Average Variance Extracted (AVE) to the correlations between the ideas. According to the Fornell-Larcker standard, each concept's square root of AVE should be greater than the correlations it has with other concepts (Fornell and Larcker, 1981).

The findings from the discriminant validity assessment show that each concept's square root of Average Variance Extracted (AVE) is greater than its correlation with the other concepts. This indicates that all concepts in the model are clearly differentiated and do not face issues of multicollinearity.

## 2. Structural Model (Inner Model)

The suggested relationships between several variables are evaluated by the internal model assessment. Table 2 displays the results of the path coefficient analysis, which was performed in SmartPLS using the bootstrapping approach.

**Table 2. Path Coefficient Results**

Path	Original Sample (O)	t-statistic	p-value	Result
Price → Promotion	0.782	13.477	0.000	Supported
Price → Purchase Decision	0.802	14.227	0.000	Supported
Promotion → Purchase Decision	0.497	6.137	0.000	Supported

The results suggest that each anticipated direct effect is important at the 0.05 level. The price greatly affects both marketing and buying decisions, and marketing also strongly influences purchasing choices. This means that marketing strategies are more successful and shoppers are more inclined to make purchases when they perceive the price as reasonable.

### 3. Mediation Effect Analysis

To assess the role of promotion as a mediator, the Specific Indirect Effect was examined. The results of the mediation research are displayed in Table 3.

**Table 3. Mediation Effect**

Relationship	Original Sample (O)	t-statistic	p-value	Interpretation
Price → Promotion → Purchase Decision	0.389	5.461	0.000	Significant Mediation

The mediation analysis indicates that promotion significantly affects the way price impacts purchasing decisions. Since both the direct effect (Price affecting Purchase Decision) and the indirect effect (Price influencing Promotion, which then affects Purchase Decision) are important, we classify this situation as partial mediation (Baron and Kenny, 1986).

This shows that how consumers view promotional activities increases the effect of their views on prices regarding their buying decisions. When customers view promotional campaigns as appealing and trustworthy, the impact of price on their intention to buy becomes more significant.

### 4. Discussion

The findings indicate that both price and promotion significantly impact consumers' choices when buying Honda Beat motorcycles. The strong positive connection between price and the decision to buy corresponds with the findings of Monroe (2003) and Kotler and Keller (2016), who contend that consumers view price as a signal of a product's value and its affordability. In the context of PT Capella Dinamika Nusantara, competitive pricing strategies are viewed as providing good value, which directly encourages consumers to decide to buy.

Furthermore, the significant relationship between **price and promotion** indicates that an attractive pricing policy supports more effective promotional campaigns. When prices are competitive, promotional efforts such as advertising and sales incentives become more persuasive (Tjiptono, 2019).

The mediating role of promotion demonstrates that communication effectiveness is essential to converting pricing perceptions into purchasing behaviors. This finding supports the Stimulus-Organism-Response (S-O-R) model (Mehrabian & Russell, 1974), which states that price is the external stimulus, promotion is the organism (internal process), and the purchase decision is the behavioral response. Partial mediation suggests that pricing has a direct influence on consumer decisions, but promotion strengthens and clarifies that effect by emphasizing perceived value and urgency.

From a management viewpoint, the results suggest that PT Capella Dinamika Nusantara must uphold competitive pricing tactics while also improving marketing efforts like time-sensitive deals, event-driven promotions, and tailored communication. A cohesive approach that merges pricing

competitiveness with impactful promotion will optimize customer engagement and support ongoing sales growth in a rival motorcycle industry.

## CONCLUSION

This study aimed to explore the impact of price on purchasing decisions with promotion acting as an intermediary for consumers buying Honda Beat motorcycles from PT Capella Dinamika Nusantara Pekanbaru. Utilizing Structural Equation Modeling (SEM) through a Partial Least Squares (PLS) method, the research concluded that all the proposed hypotheses received support.

The results show that price greatly and positively influences both promotion and buying choices, suggesting that fair and competitive prices can directly affect how eager consumers are to purchase and improve the impact of promotional activities. Similarly, promotion significantly impacts buying choices, acting as a connector that enhances the relationship between how price is seen and consumer actions. The analysis of mediation showed that promotion partly acts as a middle factor in the connection between price and buying decisions, pointing out the combined importance of pricing approaches and marketing communication in affecting consumer choices.

These findings help to expand theories about consumer behavior by adding a middle factor in a structural model. In practical terms, they offer useful information for marketing leaders and professionals in the motorcycle sector, stressing that effective promotion boosts the beneficial effects of pricing on consumer buying behavior.

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