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# The Effects of Pricing, Promotion, and Service Quality on Purchasing Decisions in the Tourism Industry

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## Abstract

**Purpose** – This study examines the effects of price, promotion, and service quality on customers' purchase decisions in the tourism transportation service sector. The study aims to identify the relative importance of these marketing factors in influencing consumer decision-making within experience-based service contexts.

**Design/method/approach** – A quantitative explanatory research design was employed using survey data collected from 100 customers through a structured questionnaire measured on a five-point Likert scale. The proposed model was analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4.

**Findings** – The results reveal that promotion and service quality have significant positive effects on purchase decisions, whereas the effect of price is positive but statistically insignificant. Service quality emerges as the strongest predictor of purchase decisions, indicating that customers place greater emphasis on service experience and promotional effectiveness than on price when selecting tourism transportation services. The structural model explains 54.7% of the variance in purchase decisions ( $R^2 = 0.547$ ), suggesting moderate explanatory power.

**Implications** – The findings extend the perceived value perspective by demonstrating that value perceptions in tourism transportation are driven primarily by service quality and promotional effectiveness rather than price considerations. The results also provide managerial insights for tourism transportation providers to strengthen competitiveness by prioritizing service excellence and targeted promotional strategies instead of competing mainly through price reductions.

**Novelty/Originality** – The novelty of this study lies in its finding that price does not significantly influence purchase decisions in the tourism transportation context, in contrast to previous studies in public transportation. This outcome is driven by the demographic characteristics of respondents-particularly their productive age and collective purchasing patterns-which reduce price sensitivity and elevate the importance of service quality. The study further confirms that service quality is the most dominant factor within family-owned bus tourism enterprises, thereby enriching the understanding of consumer behavior in high-involvement, experience-based services.

**Keywords:** price, promotion, service quality, purchase decision, tourism.

**Paper type:** Research paper



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## 1. Introduction

Tourism is an industry that continues to grow and significantly contribute to the Indonesian economy. With abundant natural attractions, rich cultural heritage, and diverse

destinations, tourism offers vast potential to create jobs and stimulate regional development. Economic theories such as the multiplier effect and competitive advantage illustrate how tourism spending can drive local economies and how unique offerings can position a nation favorably (Porter, 1990). However, sustainable development principles emphasize that tourism growth must be balanced with environmental preservation and social welfare, ensuring long-term viability (Kotler and Armstrong, 2008).

One crucial component supporting tourist mobility is the transportation service sector, especially tourism bus rentals. Providers like PT Anugerah Gusti Pariwisata (PT AGP) operate in a highly competitive market. The increasing number of tour bus companies has intensified competition not only in service quality and promotion, but also in pricing. A notable issue in this industry is the emergence of price wars, where some competitors aggressively lower prices to attract customers – sometimes to irrational levels that undermine profitability (Hasan, 2009). Such practices disrupt market stability and pose challenges for companies like PT AGP in maintaining healthy profit margins and service standards. When companies focus excessively on undercutting prices, consumers may become overly price-sensitive and start overlooking service quality aspects. As Kotler and Keller (2016) caution, competing solely on price can erode perceived value and lead to a decline in service quality in the long run. Although cutting prices might attract customers in the short term, it risks damaging the service's value perception and could trigger a downward spiral in quality (Kotler and Keller, 2016).

In this competitive landscape, relying only on low pricing is not a sustainable strategy. Companies need a well-rounded marketing approach that ensures competitive pricing, excellent service quality, and effective promotional strategies to create superior customer value and maintain long-term competitiveness (Silitonga et al., 2020). When purchasing tourism services, consumers consider multiple factors beyond price, including service quality—such as comfort, safety, and the professionalism of the crew—as well as promotional attractiveness and the provider's brand image, all of which influence their purchasing decisions (Purboyo et al., 2021). In bus tour services, for example, service quality encompasses features like comfortable and clean vehicles, punctual and safe operations, courteous staff, and amenities (Wi-Fi, entertainment, etc.), all of which greatly affect customer satisfaction and repeat patronage (Kotler and Armstrong, 2008). Meanwhile, well-crafted promotions (e.g. attractive tour packages, social media engagement, discounts for group bookings) can enhance the company's visibility and influence consumer perceptions of value (Tjiptono, 2011). A strong promotional presence helps ensure that even a superior service is known and considered by potential customers.

The business records of PT AGP in 2024 show significant fluctuations in monthly sales volume. For instance, notable declines in certain months (e.g., March, August, September) suggest that the current marketing strategy may not be consistently effective. These dips could be tied to aggressive pricing competition or inadequate promotional reach during those periods. Such patterns underscore the need for the company to re-evaluate its strategy, especially in the face of competitors engaging in price undercutting (Jannah, 2017). In the digital era, online marketing and social media have emerged as powerful tools that can level the playing field for businesses of all sizes. Fotis (2015) notes that social media platforms serve as influential channels for tourist information search and decision-making, with billions

of users worldwide spending hours daily on social networks. Social media and other online channels enable tourism firms to interact directly with a broad audience, build brand engagement, and target specific customer segments at relatively low cost. However, not all tourism bus operators leverage these tools effectively many struggle with content creation, responsiveness, or strategic targeting on social platforms (Fotis, 2015). This gap presents an opportunity for companies like PT AGP to improve their promotional strategy by embracing digital marketing trends and innovating in customer engagement. In summary, winning in the tour bus market likely requires a combination of competitive (yet reasonable) pricing, high service quality, and savvy promotional efforts rather than a singular focus on price cuts.

Given this background, this study analyzes the simultaneous influence of Price ( $X_1$ ), Promotion ( $X_2$ ), and Service Quality ( $X_3$ ) on consumer Purchase Decisions ( $Y$ ) in the context of a tourism bus service company. The research problem focuses on determining to what extent each of these marketing factors affects the customer's decision to choose a tour bus service, and identifying which factor is the most dominant driver. By addressing this problem, the study aims to help businesses formulate a more adaptive and sustainable marketing strategy for example, understanding whether efforts should be directed more toward improving service quality, enhancing promotions, or adjusting pricing policies (Kotler, 2012).

The novelty of this research lies in its context and findings: it examines a family-owned tourism transport enterprise facing price-war conditions, a scenario not widely explored in existing literature. In doing so, it seeks to enrich the understanding of consumer behavior in high-involvement service purchases (such as chartering a tour bus) and how it may differ from general retail or low-involvement purchase scenarios (Sumawan, 2015). The study also contributes practically by providing evidence-based recommendations for companies in similar sectors to avoid the pitfalls of price competition and instead compete on value.

The remainder of this paper is organized as follows: The next section reviews relevant literature and develops the hypotheses. This is followed by the research methods used in the study (Kotler and Keller, 2016). The Results and Discussion section then presents the empirical findings and interprets them in light of theory and prior studies. Finally, the Conclusion section summarizes the findings, discusses limitations, and offers suggestions for practice and future research (Kotler, 2012).

## **2. Literature Review**

In marketing theory, consumer purchase decisions are the outcome of a complex process in which various factors interplay. According to Kotler and Armstrong (2008), consumers typically go through stages of need recognition, information search, evaluation of alternatives, purchase decision, and post-purchase behavior. In the context of tourism services, this process tends to be highly involved, as customers carefully evaluate the value proposition of a service such as a tour bus rental before committing. These decisions often require group coordination and involve relatively high financial costs, making consumers more sensitive to marketing-related cues. Consequently, purchase decisions in tourism services are influenced not only by individual considerations but also by elements of the marketing mix, particularly price, promotion, and service quality (Kotler and Armstrong, 2008).

Based on these theoretical considerations, this study focuses on three key marketing variables price, promotion, and service quality as determinants of purchase decisions in tourism bus services. To clarify the relationships among these variables, a conceptual framework is developed to illustrate how each marketing factor is expected to influence consumers' purchase decisions. This framework, presented in the following figure, serves as the basis for formulating the research hypotheses and guiding the empirical analysis.

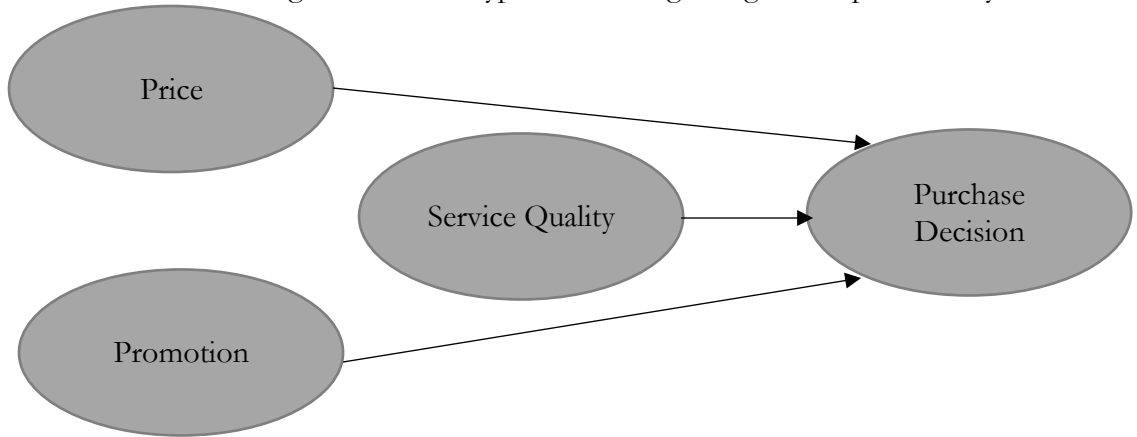


Figure 1. Conceptual Framework

As illustrated in the conceptual framework, price is posited as a crucial factor influencing consumers' purchase decisions. Price is commonly defined as the amount of money consumers must pay to obtain a product or service and represents the monetary sacrifice made in exchange for expected benefits. Hasan (2009) emphasizes that consumers evaluate price by comparing the costs incurred with the perceived value and utility of the service received. In tourism services, particularly in bus rental services, price not only affects affordability but also serves as a signal of service quality and reliability. A price perceived as reasonable and competitive may encourage purchase decisions, whereas a price perceived as too high or inconsistent with expected benefits may discourage consumers. Empirical studies support this relationship; Jannah (2017) and Isjanto (2015) found that price has a positive and significant effect on consumer purchase decisions. Therefore, based on theoretical reasoning and prior empirical evidence, this study proposes the first hypothesis:

H1: Price positively influences the purchase decision for tourism bus services.

Promotion in marketing refers to all the communications and persuasion efforts a company uses to inform potential customers about its offerings, entice them, and influence their purchase behavior. Promotion includes advertising, sales promotions, personal selling, direct marketing, public relations, and increasingly digital/social media marketing. Its fundamental purpose is to increase awareness, shape perceptions, and ultimately drive the consumer to take action (purchase). As Tjiptono (2011) notes, no matter how good a service is, if consumers are not aware of it or do not understand its benefits, they are unlikely to purchase. Promotion thus plays a critical role in bridging the information gap and building consumer confidence in the product or service.

Effective promotional strategies can create strong brand recall and appeal. For instance, engaging social media content, positive customer testimonials, and attractive promotional

packages can significantly influence tourists when choosing travel services. Kotler and Keller (2016) outline the AIDA model (Attention, Interest, Desire, Action) to describe how promotional communications can lead a consumer from awareness to making a purchase decision. Prior empirical evidence supports the importance of promotion: studies by Jannah (2017) and Isjanto (2015) also concluded that promotional activities have a positive effect on purchasing decisions. When a company consistently reaches out with clear, persuasive messages (through advertisements, online campaigns, etc.), consumers are more likely to include that company in their consideration set and eventually select it. Hence, we formulate the second hypothesis:

H2: Promotion positively influences the purchase decision for tourism bus services.

Service Quality is a critical factor in services marketing, reflecting how well the delivered service meets or exceeds customer expectations. Unlike tangible products, services are experienced, making quality a key differentiator between competitors. Lewis and Booms (1983) famously defined service quality as the measure of how well the service level delivered matches customer expectations; delivering quality means ensuring consistency, reliability, responsiveness, and overall excellence in service performance. High service quality in the tourism transport context can include factors such as reliability (e.g., timely departures and arrivals), assurance (knowledgeable and courteous drivers and staff that inspire trust), tangibles (clean, comfortable buses and facilities), empathy (caring individualized attention to passengers), and responsiveness (prompt service and help) these are akin to the SERVQUAL dimensions introduced by Parasuraman and colleagues. In simpler terms, customers expect tour bus services to be safe, comfortable, and convenient; meeting these needs builds satisfaction and loyalty.

Service quality has been widely recognized as a determinant of customer decision-making and loyalty in service industries. If a provider consistently offers superior service quality, customers are more likely to choose and recommend that provider. Empirical research supports this: Jannah (2017) and Isjanto (2015) both found that better service quality has a positive effect on purchase decisions, meaning customers gravitate towards providers known for high quality service. In the tourism bus service domain, delivering a high-quality experience (e.g., smooth booking, well-maintained buses, professional staff, enjoyable journey) can be a stronger motivator for consumers than minor price differences, especially for group travelers who value a hassle-free experience. Therefore, our third hypothesis is:

H3: Service quality positively influences the purchase decision for tourism bus services.

A number of previous studies in related contexts have examined these variables, often yielding consistent results that underline their importance. For example, a study by Andriani et al. (2020) found that price, promotion, and service quality all had significant positive effects on purchase decisions in a transportation service setting. Similarly, Rahmawati et al. (2020) reported that these three factors, either partially or simultaneously, significantly influenced consumer decisions in the transportation sector. Some research suggests that among the three, service quality may emerge as the most dominant factor. Sari et al. (2021), in a study on tourism services, observed that service quality had a more pronounced influence on purchase decisions compared to price and promotion. Another study by Utami (2017) also highlighted that promotion and service quality were significantly related to purchase decisions, while price played a somewhat supporting role. These insights

from prior work indicate that although all three variables are generally important, their relative impact can vary depending on the industry context and consumer characteristics. This study builds on and contributes to the literature by testing the above hypotheses (H1, H2, H3) in the specific context of a tourism bus rental service, thereby helping to confirm whether the patterns observed in other settings hold true here, and identifying any deviations (for instance, a possible weaker role of price under certain conditions). The conceptual framework underlying this research posits that Price, Promotion, and Service Quality each exert a direct influence on the Purchase Decision of consumers in choosing a tour bus service.

### **3. Methods**

This research was conducted at PT Anugerah Gusti Pariwisata (AGP), a tourism bus service company based in Surabaya, Indonesia. The study employed a quantitative explanatory research design, aiming to explain the causal relationships between the independent variables (price, promotion, service quality) and the dependent variable (purchase decision) through statistical analysis. The target population was customers who have used or are potential users of PT AGP's tour bus services. A sample of 100 respondents was obtained through a survey technique. The respondents were selected using convenience and purposive sampling – focusing on individuals who had relevant experience with the service – to ensure informed responses. The sample size of 100 is adequate for the Partial Least Squares structural equation modeling approach utilized in this study, given its ability to handle smaller samples in path modeling.

Data collection was carried out using a structured questionnaire. The questionnaire was designed to capture all the main constructs of the study: it included sections for Price ( $X_1$ ), Promotion ( $X_2$ ), Service Quality ( $X_3$ ), and Purchase Decision ( $Y$ ). Each construct was measured through multiple items (indicators) on a Likert scale (1 = strongly disagree, up to 5 = strongly agree), allowing respondents to express their level of agreement with various statements. The measurement items for each variable were adapted from established sources in the literature to ensure content validity. For instance, the price construct included items reflecting “value for money” and price-quality congruence, drawing from indicators used by Fure (2013) and related studies. The promotion construct was represented by items covering aspects of advertising effectiveness (such as attractiveness and clarity of advertisements) and direct marketing impact (e.g., follow-up from promotional campaigns), guided by concepts in Dinawan (2010) and other marketing communications literature. Service quality was operationalized along key dimensions like reliability, tangibles, and responsiveness, with items such as the dependability of the service, the physical condition and comfort of the buses, and the professionalism of drivers and staff. These were informed by the SERVQUAL model (Parasuraman, 2009) and context-specific factors relevant to bus services. The purchase decision construct was measured with items indicating the likelihood of choosing the service, willingness to recommend it, and overall decision satisfaction, based on consumer decision theories Kotler and Armstrong (2008) and prior research on decision outcomes. The questionnaire was initially prepared in simple English and Indonesian to ensure clarity for respondents, and it was reviewed by experts for face validity.

Before hypothesis testing, the measurement model (outer model in PLS-SEM) was evaluated for reliability and validity. Internal consistency reliability was checked using composite reliability and Cronbach's alpha for each construct, aiming for values above the accepted threshold ( $\geq 0.70$ ). Convergent validity was assessed through the Average Variance Extracted (AVE) for each construct, with  $AVE > 0.50$  indicating that the indicators sufficiently explain their construct. Discriminant validity was examined by ensuring that the square root of each construct's AVE exceeded its correlations with other constructs, and by checking item cross-loadings – confirming that each item correlates highest with its intended construct. The measurement model assessment confirmed that all constructs were measured reliably and validly: most factor loadings were well above 0.6, Cronbach's alpha and composite reliability for each construct were above 0.8, and the AVE values were above 0.5 for all constructs, indicating good convergent validity. The Fornell-Larcker criteria and cross-loading inspection also suggested adequate discriminant validity among the constructs.

For the structural model (inner model), this study utilized Partial Least Squares-Structural Equation Modeling (PLS-SEM) with the aid of SmartPLS 4 software. PLS-SEM is suitable here due to the exploratory nature of examining the relative importance of multiple predictors and the sample size at hand. It does not require strict normality assumptions and can handle complex models with a smaller sample. In the structural analysis, we tested the direct paths from Price ( $X_1$ ), Promotion ( $X_2$ ), and Service Quality ( $X_3$ ) to Purchase Decision ( $Y$ ). The model's explanatory power was evaluated using the coefficient of determination  $R^2$  for the purchase decision construct, which indicates the proportion of variance in purchase decision explained by the three independent variables. We also looked at the path coefficients ( $\beta$ ) and their significance levels (p-values) to assess the support for H1, H2, and H3. Bootstrapping with 5000 resamples was conducted to obtain robust standard errors and t-statistics for hypothesis testing. Additionally, we examined model fit indicators and predictive relevance ( $Q^2$ ) to ensure the model was meaningful.

All statistical tests were conducted at a 5% significance level ( $\alpha = 0.05$ ). A hypothesis was considered supported if the p-value was below 0.05 (for a two-tailed test) for the respective path coefficient. The results of the PLS-SEM analysis are presented and discussed in the next section.

#### **4. Result and Discussion**

This study was conducted using primary data collected from 100 respondents who had previously used tour bus rental services provided by PT Anugerah Gusti Pariwisata. An overview of the respondents' demographic characteristics is presented in Table 1. Distribution of Respondents. The table summarizes key attributes of the sample, including gender, age, final educational attainment, and occupational background, which together provide an important contextual foundation for interpreting the empirical findings. As shown in Table 1, male respondents constituted a slightly higher proportion of the sample (55%) compared to female respondents (45%). In terms of age distribution, the majority of respondents were within the 21–30 years age group (40%), followed by other productive-age categories, indicating that most participants were at a stage of life where mobility, leisure travel, and group tourism activities are relatively frequent. From an educational perspective, respondents were dominated by those with high school or vocational education (35%) and

bachelor’s degrees (40%), suggesting a sample with sufficient educational background to evaluate service attributes rationally. Regarding occupational status, private-sector employees represented the largest group, followed by students, reinforcing the notion that the respondents largely comprised economically active individuals with purchasing power. Collectively, these characteristics indicate that the sample is appropriate and relevant for examining consumer purchase decisions in the context of tourism transportation services.

Table 1. Distribution of Respondents.

| Features        | Category                            |                         |
|-----------------|-------------------------------------|-------------------------|
| Gender          | Male (55%)                          | Female (45%)            |
| Age             | < 20 years (10%)                    | 21-30 years (40%)       |
| Final Education | High School/Vocational School (35%) | Bachelor (40 %)         |
| Jobs            | Students/Students (20%)             | Private Employees (40%) |

Following the descriptive analysis, the study employed Partial Least Squares–Structural Equation Modeling (PLS-SEM) to examine the structural relationships among the proposed constructs. The results of the structural model assessment are illustrated in Figure 2. Structural Model, which depicts the hypothesized effects of price, promotion, and service quality on purchase decision. Figure 2 presents both the measurement and structural components of the model, including standardized path coefficients and indicator loadings. The outer loading values of all measurement indicators ranged from approximately 0.77 to 0.92, exceeding the commonly accepted threshold of 0.70. This indicates that all indicators demonstrate adequate convergent validity and reliably measure their respective latent constructs, thereby confirming the robustness of the measurement model.

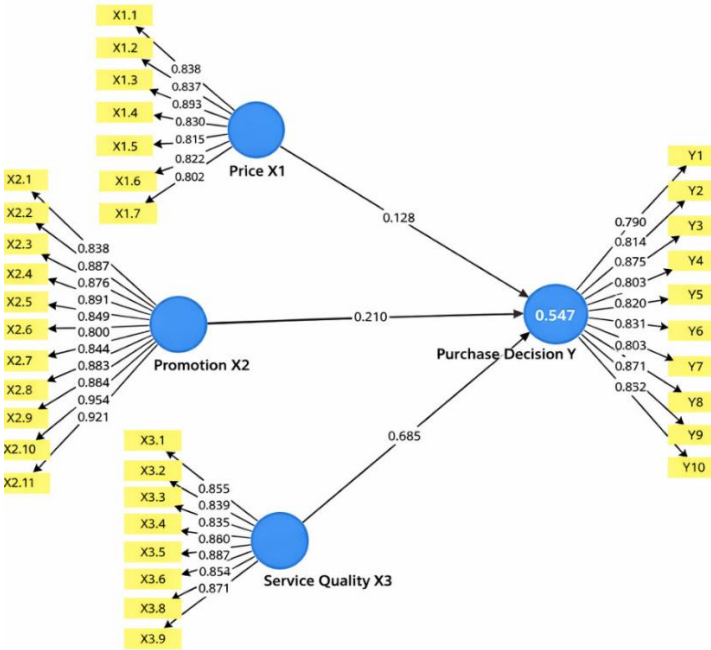


Figure 2. Structural Model

The explanatory power of the structural model was assessed using the coefficient of determination ( $R^2$ ) for the endogenous variable, purchase decision. As shown in Figure 2, the  $R^2$  value for purchase decision was 0.547, indicating that price, promotion, and service quality collectively explain 54.7% of the variance in consumers' purchase decisions. This level of explanatory power can be categorized as moderate to substantial in behavioral and marketing research, suggesting that the model captures key determinants of consumer decision-making in the tour bus rental service sector. Nevertheless, the remaining 45.3% of unexplained variance implies that other factors—such as brand image, word-of-mouth, prior experience, or situational constraints—may also influence purchase decisions but were not included in the present model.

With respect to the hypothesized relationships, the effect of price on purchase decision was positive but relatively weak, with a standardized path coefficient of 0.128. Statistical testing revealed that this relationship was not significant at the 5% level ( $p = 0.081$ ). This finding indicates that, although competitive pricing may slightly encourage consumers to consider using tour bus services, price alone does not play a decisive role in shaping purchase decisions when promotion and service quality are taken into account. In the context of tourism transportation services, customers may perceive price differences as less critical compared to the overall value and experience offered.

In contrast, promotion was found to have a positive and statistically significant influence on purchase decision, with a standardized path coefficient of 0.210 and a  $p$ -value of 0.022. This result suggests that promotional activities—such as advertising, digital marketing, special offers, and informative communication—effectively enhance consumer awareness and interest, thereby increasing the likelihood of service selection. Although the magnitude of this effect is moderate, it underscores the importance of strategic promotional efforts in attracting and persuading potential customers in a competitive tourism market.

Service quality emerged as the most influential determinant of purchase decision, exhibiting the highest standardized path coefficient of 0.585 and a highly significant  $p$ -value ( $p < 0.001$ ). This finding clearly indicates that service quality plays a dominant role in shaping consumers' decisions to use tour bus rental services. Attributes such as comfort, safety, punctuality, vehicle condition, and staff responsiveness appear to be highly valued by customers and strongly affect their willingness to purchase. Improvements in perceived service quality are therefore likely to result in substantial increases in purchase decisions. Overall, the results demonstrate that purchase decisions in the tour bus rental service context are primarily driven by service quality, followed by promotional effectiveness, while price plays a comparatively minor role. These findings highlight the importance of focusing on service excellence and effective communication strategies to influence consumer behavior in tourism transportation services.

## Discussion

The above results yield several important insights when interpreted in the context of existing theories and prior research.

Firstly, the finding that price is not a significant factor in purchase decisions (given  $p > 0.05$ ) is somewhat surprising in general marketing terms, as price is traditionally one of the key determinants of consumer choice. However, this result can be understood through the

lens of perceived value theory. Customers do not assess price in isolation; they consider what they are getting for that price. In a high-involvement service like chartering a tour bus for travel, customers may be willing to accept a higher price as long as they perceive the value (in terms of safety, comfort, enjoyment, convenience) to be commensurate. Our findings suggest that the customers of PT AGP are not highly price-sensitive – a slight change in price does not significantly sway their decision to hire the service. This could be attributed to the profile of respondents and the nature of the service. Many customers were likely part of group travel arrangements (such as families, tour groups, or corporate outings) where the cost is shared among participants, thus the individual perceived cost is reduced, lowering price sensitivity. Additionally, the majority of respondents being in productive age (young to middle adulthood) with possibly stable incomes might place more emphasis on service features and less on saving every penny, especially for leisure or comfort-oriented services.

The insignificance of price in this study diverges from some previous studies in transportation services which reported price as a significant factor (for example, the work of Kusumawati et al (2020) ;Andriani et al (2020) found price had a significant effect) (Andriani et al, 2020). This divergence highlights an empirical gap: it indicates that the influence of price on purchase decisions is context-dependent. In the tourism bus sector studied here, factors like service quality might overshadow price, whereas in other contexts (e.g., everyday public transportation or price-competitive markets) price could be more critical. Our result aligns with the idea that when a minimum threshold of acceptable price is met, customers tend to base their decision more on other qualitative factors. It also resonates with Traboulsi et al (2018) concept (though not directly cited here) that consumers evaluate “value” not just price which is a trade-off between what they give (money, time) and what they get (benefits, quality). If the perceived benefits are high, a higher price can be justified and will not deter the purchase (Traboulsi et al., 2018). Indeed, some related research in the tourism context (e.g., Agustin & Hardi, 2022; Sari & Nugroho, 2022, as cited in the thesis) has similarly found that price did not significantly influence travel service purchase decisions because consumers placed greater importance on safety and comfort (Kusuma & Hidayat, T. et al., 2022). In summary, while competitive pricing remains important in any market, this study suggests that competing on price alone is not an effective strategy for tourism bus service providers whose customers are looking for value-rich experiences.

In contrast, promotion was found to have a positive and significant effect on purchase decisions, confirming the role of marketing communications in attracting and persuading customers. Although the magnitude of promotion’s effect ( $\beta \approx 0.21$ ) was moderate, its significance underscores that good promotional efforts can indeed convert into higher customer uptake. This supports classic marketing understanding as well as practical wisdom: if potential customers are unaware of a service or unimpressed by its messaging, they are unlikely to become actual customers. Our finding is in line with the AIDA model, where effective promotions first capture Attention and Interest, then stoke Desire, eventually leading to Action (purchase). For instance, PT AGP’s engagement through social media or travel fairs likely plays a role in drawing interest. The result also mirrors observations in other studies; for example, Praptika et al., (2024) emphasized the influence of advertising on purchase decisions, and our study reaffirms that in the context of tourism bus rentals, marketing communications (be it through online ads, brochures, word-of-mouth incentives,

etc.) significantly impact consumer choice. It's worth noting that promotion can also indirectly affect perception of value – by highlighting unique selling points of the service, promotions might make consumers feel they are getting more for their money, thus making them more likely to choose the service even if it's not the cheapest option. One particular aspect of modern promotion is the use of social media marketing; as mentioned in the introduction, a strong social media presence and positive customer engagement online can effectively build trust and interest among potential customers. Our findings encourage tourism service firms to invest in creative and targeted promotional strategies – for example, using vibrant social media campaigns, partnering with travel influencers, offering early-bird or group discounts, and continuously communicating the value and positive experiences associated with their service. These efforts can pay off in terms of higher consumer uptake, as evidenced by promotion's significant role in the purchase decision.

Most prominently, service quality has emerged as the dominant factor influencing purchase decisions in this study. With a strong path coefficient and high significance, it is clear that improvements in service quality translate into a substantially higher likelihood of purchase. This confirms a central tenet in services marketing: “quality is king” when it comes to customer satisfaction and decision-making. In the context of tourism transportation, this means that providing superior service – safe, reliable, comfortable, and customer-centric – is likely the best way to win customers. Our result supports the findings of studies like Wahyudi (2020), who found that service quality had a significant influence on choosing tourism transport providers, and identified reliability as a key differentiator among competing services. It also aligns with Haryani et al. (2022), which noted service quality's dominant influence, and with general consumer behavior theory that postulates consumers seek to maximize their experience utility, not just minimize cost. When customers hire a tour bus, they are entrusting the company with their travel experience and safety; thus, they will strongly favor a company with a reputation (or personal experience) of high service quality over one that might be cheaper but less reliable or less comfortable. High service quality leads to customer satisfaction, which in turn fosters repeat usage and positive word-of-mouth crucial for sustained business success. The strong impact of service quality in our findings can also be viewed through the lens of risk reduction: travel, especially group travel, carries inherent risks and uncertainties (Will the bus come on time? Will it be clean and safe? Will the trip be pleasant?). A company known for good service reduces these risks in the eyes of the consumer, making the decision to purchase easier. On the other hand, no discount or low price can compensate for a poor service experience if it jeopardizes the trip's success or safety. This explains why respondents placed the most weight on service quality.

Bringing these points together, the overall hierarchy we found is: Service Quality > Promotion > Price in terms of impact on purchase decision. From a theoretical standpoint, this underscores the importance of focusing on customer value creation rather than just transactional benefits. It resonates with the concept of customer-centric marketing – that long-term success comes from delivering superior value (through quality and satisfaction), not merely competing on short-term incentives like low prices. Our study provides empirical evidence in a specific context (tourism bus services) for this principle. It also adds nuance to marketing strategy: while many firms might be tempted to engage in price wars to quickly gain market share, our findings suggest that improving service quality and effectively

communicating that quality to customers (promotion) is a more effective approach to influence purchase decisions in this context.

The finding regarding price's lack of significance is particularly novel in the context of local tourism transport services. It suggests that market segmentation factors (such as customer demographics and travel purpose) play a role in determining what factors matter. If the typical customer segment for tour buses is less price-sensitive (as we suspect here), then competing on anything other than quality and customer experience may be futile. This could differ in other segments (e.g., budget backpackers might be more price-driven), so it opens up interesting questions for future research on how different consumer segments weigh these factors.

In terms of managerial implications, the results clearly indicate that tour bus service companies like PT AGP should prioritize maintaining and enhancing their service quality to influence customer decisions favorably. Concretely, this could mean investing in fleet maintenance (modern, clean buses), training staff to be courteous and professional, ensuring safety standards are upheld, and adding value-added services (such as comfortable seating, on-board entertainment, or flexible itineraries). These quality enhancements directly increase the likelihood of customers choosing and recommending the service. Secondly, companies should develop robust promotional strategies – for example, increasing their online marketing efforts, engaging with customers via social media with interesting travel content or promotions, forming partnerships with travel agencies or event organizers for referrals, and so on. The goal of promotion should be not only to inform but also to differentiate their service (highlighting perhaps that while some competitors may be cheaper, our service offers superior comfort and reliability, etc.). On the other hand, competing on price (like continually offering the lowest price or heavy discounts) appears to be a less effective lever for this market; thus, while maintaining competitive pricing (i.e., prices that reflect value for money) is important, engaging in a price war is not advisable. Low prices that undermine profitability could also backfire by limiting the resources available to maintain service quality, thereby creating a vicious cycle. Our findings encourage managers to set prices at a reasonable level that sustains quality delivery and instead differentiate through quality and brand reputation.

From an academic perspective, this study contributes to the body of knowledge by providing evidence of an industry scenario where conventional wisdom (“lower price brings more customers”) might not hold true, thereby emphasizing the need to consider context in marketing theory. It reinforces the significance of service quality in service-dominant industries and suggests that future models of consumer decision-making should account for cases where price elasticity is low. The study also highlights how the integration of modern promotional channels (like social media) can be essential in influencing decisions, aligning with the growing literature on digital marketing's impact on consumer behavior.

In summary, the discussion of our results underscores that for PT AGP and similar companies, striving for excellent service quality and effectively communicating their value proposition to customers are the key strategies to positively influence purchase decisions, whereas attempting to compete mainly on price offers diminishing returns. The pattern of results – with service quality being paramount – provides a clear direction for both practice and future inquiry.

## 5. Conclusion

This research set out to determine the effects of price, promotion, and service quality on purchase decisions in the tourism bus service industry, using PT Anugerah Gusti Pariwisata as the study context. The findings lead to several concise conclusions:

Service quality is the most influential factor affecting purchase decisions. The study showed that providing high service quality – in terms of reliability, comfort, safety, and customer service – significantly increases the likelihood that consumers will choose the tour bus service. In the context examined, service quality had the strongest impact and was a key driver of consumer choice. Promotion has a significant positive effect on purchase decisions, although its influence is more moderate compared to service quality. Effective promotional activities (advertising, social media engagement, promotions, etc.) were found to meaningfully encourage customers to decide in favor of the service. This confirms that marketing communications play an important role in attracting customers in the tourism sector.

Price, while positively related to purchase decision, had no significant effect in this study. This indicates that consumers did not prioritize price as a deciding factor when choosing the bus tour service, given the range of prices was within a reasonable band. Instead, other factors like quality and promotion swayed their decisions. Customers did not make price the main consideration, focusing more on the value and experience offered. Overall, the conclusion is that in the context of a tourism bus service, service quality is the primary consideration for consumers' purchase decisions, with promotional effectiveness also contributing, whereas price is a secondary factor. Companies competing in such high-value service markets should note that slashing prices is not a guaranteed way to win customers; delivering superior service and engaging customers through effective promotions are more impactful strategies.

Implications for Practice: For managers and business owners in the tourism transportation sector, these conclusions suggest a reorientation of strategy. Instead of engaging in price wars (which this study indicates are not effective in significantly driving customer decisions), resources should be channeled into improving service quality and customer experience. Concrete actions include regular training for drivers and staff on service excellence, maintaining vehicles in top condition, ensuring safety protocols are strictly followed, and gathering customer feedback to continually enhance service aspects that matter to passengers. Additionally, firms should invest in innovative and targeted promotion. Digital marketing, especially through social media and travel platforms, should be leveraged to tell the company's story, showcase testimonials, highlight unique services, and stay engaged with potential customers. Promotions can be tailored to the target market (for example, special offers for group bookings or loyal customers, referral incentives, etc.), focusing on value rather than just low cost. By emphasizing the message that “our service offers great value and experience for a fair price”, companies can attract customers who are looking for quality and are willing to pay a reasonable rate for it. In implementing these strategies, companies can build a strong brand reputation that justifies their pricing and fosters customer loyalty.

Limitations: This study, like all research, has its limitations. Firstly, it was concentrated on a single company (PT AGP) in one geographic area, which may limit the generalizability of the findings. Consumer behavior might differ in other regions or countries, or for different types of tourism services. Secondly, the sample size (100 respondents), while adequate for

the analysis performed, is relatively small. A larger sample could provide more granular insights, especially if segmented (e.g., by age group, travel purpose, etc.). Thirdly, the study focused on three specific independent variables; other factors such as brand image, customer trust, word-of-mouth, convenience, or alternative service availability were not included but could also influence purchase decisions. The exclusion of such variables means the model doesn't capture the full spectrum of influences on consumer choice.

**Recommendations for Future Research:** Building on these limitations, future studies could expand the scope by examining additional variables or conditions. For example, researchers could introduce moderating or mediating variables: how might customer trust or perceived risk moderate the effect of these factors on the decision? Does customer satisfaction mediate the relationship between service quality and repeat purchase decisions? Another fruitful avenue is to perform a comparative study across different companies or different cities to see if the pattern holds – is price always insignificant in similar contexts, or was this case unique? Moreover, exploring different segments of consumers (such as budget travelers vs luxury travelers) could reveal if certain groups are more price-sensitive. Using a mixed-methods approach (quantitative survey coupled with qualitative interviews) could also provide deeper insight into why customers weight these factors as they do – the qualitative feedback could uncover motivations and perceptions behind the numbers. Longitudinal studies might examine how these relationships hold over time or change with market conditions (for instance, in economic downturns, does price become more significant?). Lastly, researching other related sectors in tourism (e.g., hotels, tour packages, airlines) with the same framework would help validate whether the dominance of service quality over price is a broader phenomenon in tourism services. Such research endeavors would further enrich the academic discourse and provide more nuanced guidance to practitioners in marketing management.

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