

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Background of Study**

Business activity engaged in production of goods or services needs to be managed efficiently and effectively so that organization can achieve optimal goals. Therefore, it is very necessary to implement a management function in addition to paying attention to various influential aspects. The success or failure of an operating organization is always faced with various obstacles so that the organization must take appropriate actions and strategies. The marketing system is one of several management activities that have an important role because it is a direct support for organization activities and also for sales development to obtain optimal profits from maximum sales results.

The growth of the automotive market in Indonesia from year to year is increasingly showing significant developments where currently there are various kinds of motorized vehicle products presented to the public for daily mobility. Of the many automotive products in Indonesia, two-wheeled motorized vehicles or what are often referred to as motorcycles are the most popular automotive products in Indonesia. This is because motorcycles are very flexible and efficient to support people's daily mobility. Therefore, the production of motorcycles is a very potential industrial sector in the automotive business world in Indonesia.

The automotive industry is one of the fastest growing industries in the world, including in Indonesia, this is because the human need for vehicles is very

important for direct community activities. The demand for motorized vehicles will continue to grow along with the growth in the welfare of the community in the marketing area of the vehicle. The development of the world automotive industry is certainly very influential for the Indonesian nation where so many types and types of vehicles from various brands continue to brighten the automotive vehicle market in Indonesia. Seeing this as something that is quite potential in generating profits, this is certainly an opportunity for automotive industry players to be able to take advantage of this opportunity well.

PT. Alfa Scorpai has been in the automotive business for more than 20 years as a main dealer. The Brand of PT. Alfa Scorpai is Yamaha. Its service coverage is centered in the northern part of Sumatra (for now it has entered 4 provinces, namely North Sumatra, NAD, Riau Mainland and Riau Islands). Alfa Scorpai sales continued to grow and opened various dealer branches ranging from Main Dealers and Independent Dealers in Medan. The following Yamaha Alfa Scorpai products can be seen in the table below:

**Table 1.1**  
**PT. Alfa Scorpai Product**

<b>Product Type</b>	<b>Description</b>	<b>Product Type</b>	<b>Description</b>
	FreeGo		X-max
	Aerox 155		N-max

Product Type	Description	Product Type	Description
	Lexi		V-ixion R
	Mio S		Jupiter MX King

Sources: PT. Alfa Scorpii Adam Malik, 2022

Products from Alfa Scorpii look attractive with various types of vehicles, both automatic, sport, and standard types so that they can achieve satisfactory sales performance, but the achievements obtained cannot last long where in recent years it is experiencing a decline because the organization's sales have become sluggish because consumers decide to buy. to competitor dealers. This is indicated because many old consumers have never re-purchased products where consumers usually always look for the latest products from Yamaha when they want to buy motorcycle products. Consumers who are considered to always like products from Yamaha have now used competitor products. Consumers who used to make frequent purchases have now turned to competitors and no longer recommend products to other consumers. Thus it can be seen that consumer confidence in the brand begins to disappear from time to time. The following is the sales data of PT. Alfa Scorpii Adam Malik Branch:

**Table 1.2**  
**PT. Alfa Scorpii Adam Malik Brach Sales Data Period 2017 - 2021**

Year	Total Sales Unit
2017	1.301
2018	991

<b>Year</b>	<b>Total Sales Unit</b>
2019	978
2020	814
2021	808

Sources: PT. Alfa Scorpii Medan, 2022

From Table 1.2 above, it can be seen that sales at PT. Alfa Scorpii Adam Malik Brach have decreased where sales achievement has decreased from year to year. In 2017, the achievement reached 1.301 units, however in 2021 the total sales only reached 808 units.

Factors that influence purchasing decisions are brand image. From the initial observations that the researchers did where it was found that the Yamaha brand seemed to give a bad impression on consumers so that when researchers interviewed about products from Yamaha, consumers were a little indifferent. The brand image obtained is that motorcycles seem extravagant, have a higher price, the product does not provide comfort, lacks uniqueness and almost every product has the same design. Another factor is the pricing strategy where the price set for each Yamaha product is considered to be higher than its competitors, Honda, so that consumers sometimes think again because currently consumers are very selective in making every product purchase, especially for products with quite high prices. The following is a comparison of Yamaha prices with competing products:

**Table 1.3**  
**Product Price Comparison**

<b>Unit</b>	<b>Yamaha</b>	<b>Unit</b>	<b>Honda</b>
Mio M3 125	Rp. 17.270.000	Honda Beat	Rp. 16.815.000
Fino	Rp. 19.895.000	Genio	Rp. 18.465.000
Aerox 155	Rp. 29.750.000	Vario 150	Rp. 24.715.000
Nmax 155	Rp. 32.265.000	PCX	Rp. 30.945.000

Sources: PT. Alfa Scorpii Medan, 2022

From the table above, it can be seen that for comparable motorcycle units, Yamaha is considered to have a higher price than its main competitor, Honda.

The objective of this research is to investigate whether there is an effect of brand image and price towards purchase decision. Because of that, writer is interested to conduct a research with the title: **“The Effect of Brand Image and Pricing Strategy Towards Customer Purchase Decision at PT. Alfa Scorpii Medan.”**

## **1.2 Problem Limitation**

The purpose of problem limitation is to create boundaries to focus on the main problem needed to be discussed. So that the discussion is not long-winded and effective. For the problem limitation, writer will focus on two variable which are brand image, pricing strategy and purchase decision for the problem limitation. This thesis aims to investigate on how brand image and price can affect purchase decision. This research will focus on customer of PT. Alfa Scorpii Medan since they have the experience there. The problem limitation that will be discussed by the researcher are as follow:

1. The survey will be limited to customer who have making purchase at PT. Alfa Scorpii at least one time and spread using questionnaire.
2. The questionnaire will be spread in 2 weeks.
3. The discussion will only be limited to three variables which are brand image, pricing strategy and purchase decision.

4. In this research, brand image will be using indicators such as quality, trusted, pricing strategy, image, function, and design.
5. In this research, pricing strategy will be using indicators such as price affordability, price match with product quality, price competitiveness, and price match with product use.
6. In this research, purchase decision will be using indicators such as problem recognition, information search, alternative evaluation, purchase decision, post purchase behavior.

### **1.3 Problem Formulation**

From the description of the background of the problem above, there are identification problem in this study can be identified:

1. Does brand image significantly influence the purchase decision at PT. Alfa Scorpil Medan?
2. Does pricing strategy significantly influence the purchase decision at PT. Alfa Scorpil Medan?
3. Do brand image and pricing strategy significantly influence the purchase decision at PT. Alfa Scorpil Medan?

### **1.4 Objective of the Research**

The objective of the research is as follow:

1. To determine whether brand image significantly influence the purchase decision at PT. Alfa Scorpil Medan.

2. To determine whether pricing strategy significantly influence the purchase decision at PT. Alfa Scorpii Medan.
3. To determine whether brand image and pricing strategy significantly influence the purchase decision at PT. Alfa Scorpii Medan.

## **1.5 Benefit of the Research**

### **1.5.1 Theoretical Benefit**

#### a. For Readers

The result from this study can be proof for readers to know that brand image and pricing strategy towards purchase decision.

#### b. For Writer

The result from this study provide insight and experience as well as observations in a real-life situation which is very useful for the writer in the future.

#### c. For Other Researches

The result from this study can be used for reference for those who are interested in studying the same problem in the future.

### **1.5.2 Practical Benefit**

#### a. For Organization

The researcher expects the result from this study could benefit the organization to evaluate, and take the result as suggestion to know the brand image and pricing strategy towards purchase decision.

b. For Writer

This study will make the writer gain experience and knowledge about brand image and pricing strategy towards purchase decision.

c. For Future Research

The result from this study can be a comparison for the future researcher who are interested of studying the same topic which is effect of brand image and pricing strategy on purchase decision.

