

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Transportation is vital to human needs and cannot separate human fulfillment Gatta et al. (2019). The means of transportation used can help and facilitate the activities of humans who use them. This matter triggers automotive companies, primarily cars, to constantly innovate and improve the quality of products and services according to market demand. Competition and the variety of products offered in marketing allow prospective buyers to choose products according to their needs and desires. The market demand for such vehicles is high, and car manufacturers are racing against each other to make a product that can meet prospective buyers' needs.

The success of an automotive company is measured by how the customer is convinced based on current knowledge and information about a particular brand. Personal selling is one factor affecting the customer's purchase decision. Personal selling is defined by how the company sales representative can provide the necessary knowledge, communication, and a good relationship with the customer. When the sales "personal selling" develops an adequate connection, customer purchase decisions will be created and benefit the company. There is also a possibility that the buyer who experiences excellent personal selling could form a good relationship—depending on the company for future purchases, resulting in customer retention, which will positively benefit the company. On the other hand,

with poor personal selling, the customer experience will not lead to purchase decisions and decrease the company's sales revenue.

Another factor affecting the customer purchase decision is brand image. Brand image is the overall impression that the consumers have towards a particular brand or product the company produces. Every company has a certain degree of brand image, which is the crucial difference between brands in an industry. The brand image provides added value to the customer, as there are countless automotive brands in Indonesia where transportation serves as a means of moving goods or people from one place to another. The objective is the same: the difference in features, material, style, and the added value that customers have had could have compared to brands that affect the customer.

Furthermore, a factor that affects the customer purchase decision is word of mouth. Word of mouth (WOM) is an informal communication that passes information from one person to another via communication. People tend to trust their friends or relatives when buying products compared to the media. With the benefit of WOM, information and feedback can spread quickly between people serving as free marketing. The action creates a customer base that engages with the company and shares it with a broader audience. An article shows that 92% of consumers trust their friends or relatives when buying products compared to media (Hayes, 2021). Thus, the recommendation that people make affect the customer purchase decision.

Every company aims to aim for the highest level of customer purchase decisions. Therefore, the automotive company must show its dedication and effort

to the market. When buyers experience good personal selling, brand image, and word of mouth from the company, the customer would likely purchase the product—in some cases, becoming a loyal customer and achieving customer retention—bringing profitability for the company in the short-term and long-term.

One of the automotive companies that produce cars is the brand Isuzu. PT Astra International Tbk is an Indonesian conglomerate company with a business model based on synergy and diversification of seven automotive businesses. Financial services, heavy equipment, mining, construction & energy, agribusiness, infrastructure and logistic, information technology, and property. Automotive alone PT Astra International Tbk is one of the largest independent automotive groups that provide a range of cars and motorcycles, partnering with companies: Toyota, Daihatsu, Isuzu, UD trucks, Peugeot, and BMW for vehicles, and Honda for motorcycles. Regarding the brand Isuzu, PT Isuzu Astra Motor Indonesia (IAMI) formed a joint venture with PT Astra International Tbk and Isuzu Motors Limited as Isuzu brand holder and manufacturer of Isuzu brand vehicles components, accessories, and spare parts in Indonesia.

This research is done at PT Astra International Tbk. Isuzu Sales Operation Deli Serdang branch. Astra Isuzu has been an official distributor of Isuzu vehicles since 2008. They mainly focus on selling Commercial vehicles for businesses, Light Commercial vehicles (LCV), and heavy-duty commercial vehicles. The typical prospective buyer is people in the industry or freight that must transport goods. In this branch, aligned with the Isuzu joint venture, PT Astra International Tbk helps as the Isuzu Sales Operation (ISO).

The brand Isuzu in Indonesia offers various models of automobiles: Passenger, SUV 4x4, Single Cabin, Double Cabin, Pick up 4x4, Pickup 4x2, Light Truck, and Medium Truck. The names of the vehicles the company offers are Mu-X, Traga, D-MAX, NLR, NMR, NPS, and Giga, with a price range for the light commercial vehicles around Rp 363,000,000 – Rp559,800,000 (Astra Isuzu, 2022)

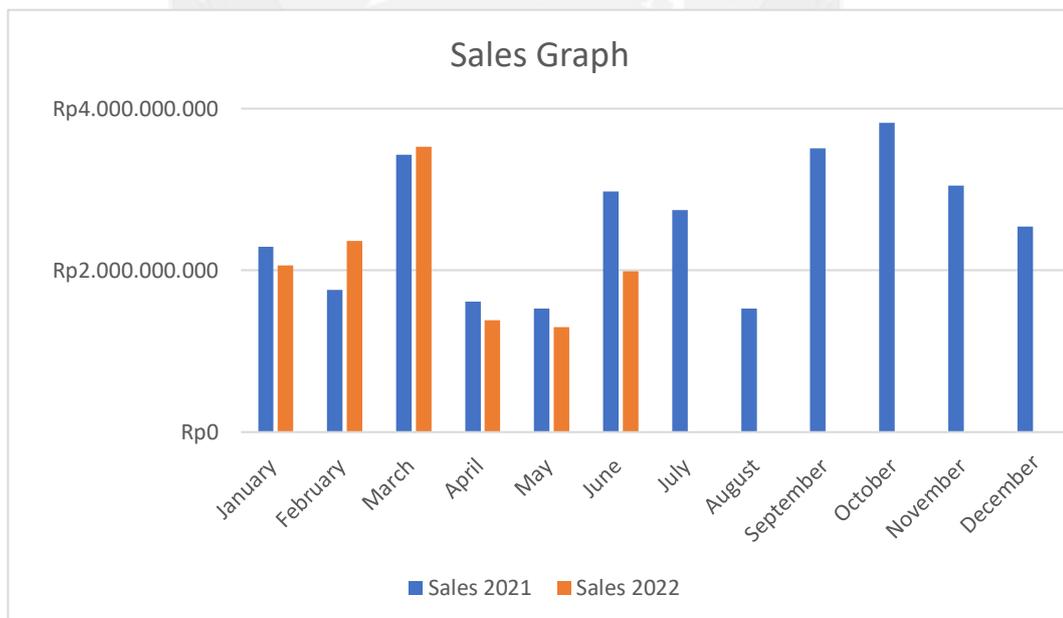
As of June 1<sup>st</sup>, 2022, *Gabungan Industri Kendaraan Bermotor Indonesia* (GAIKINDO) released automotive brands' wholesales in Indonesia. Wholesale is a condition where a person sells a vast quantity of an item to retailers or other. Due to limitation the author utilize national wholesale data to represent Astra Isuzu sales. Astra Isuzu itself is one of the largest dealer comprising 45% of total Isuzu brand car sales

**Table 1.1 Wholesales by brand in Indonesia January – May 2022**

No	Brand	Month						Sales 2021	Shares %
		JAN	FEB	MAR	APR	MAY	JUN		
1	TOYOTA	22.886	24.865	33.344	27.779	13.297	27.290	149.461	31,4%
2	DAIHATSU	18.319	15.036	17.465	15.617	6.981	16.925	90.343	19,0%
3	HONDA	10.883	11.407	12.975	10.149	8.114	9.057	62.585	13,2%
4	mitsubishi motors	12.135	10.018	11.501	7.528	5.414	4.700	51.296	10,8%
5	SUZUKI	7.017	6.750	8.604	5.801	6.026	7.215	41.413	8,7%
6	ISUZU	2.828	2.800	3.420	2.854	2.740	2.594	17.236	3,6%
7	MITSUBISHI FUSO	2.432	2.290	1.788	4.799	1.307	3.183	15.799	3,3%
8	HINO	2.022	1.764	2.336	1.533	1.871	2.900	12.426	2,6%
9	HYUNDAI - H MID	1.220	2.400	2.150	2.175	1.532	1.805	11.282	2,4%
10	WULING	2.501	2.008	2.500	2.201	815	1.236	11.261	2,4%
11	MAZDA	208	58	110	627	245	314	1.562	0,3%
12	BMW	178	178	257	293	190	288	1.384	0,3%
13	MERCEDES-BENZ CV	133	242	389	315	111	276	1.466	0,3%
14	NISSAN	313	340	338	158	116	160	1.425	0,3%
15	MERCEDES-BENZ PC	141	123	255	235	215	227	1.196	0,3%
16	DFSK	202	101	286	75	188	292	1.144	0,3%
17	UD TRUCKS	225	219	248	89	139	69	989	0,2%
18	K I A	113	67	135	190	134	92	731	0,2%
19	LEXUS	0	71	171	113	115	84	554	0,1%
20	MORRIS GARAGE	212	108	2	25	33	58	438	0,1%
21	MINI	46	51	87	53	50	56	343	0,1%
22	PEUGEOT	50	32	65	46	46	34	273	0,1%
23	VOLKSWAGEN	35	21	62	20	23	29	190	0,1%
24	TATA	25	5	28	42	0	3	103	0,0%
25	FAW	24	40	19	5	8	14	110	0,0%
26	SUBARU	0	0	0	0	0	0	0	0,0%
27	AUDI	1	0	1	7	1	10	20	0,0%
28	HYUNDAI - HIM	0	1	0	0	0	0	1	0,0%
29	DATSUN	0	0	0	0	0	0	0	0,0%
30	SCANIA	0	0	0	0	0	0	0	0,0%
31	INFINITI	0	0	0	0	0	0	0	0,0%
32	CHERY	0	0	0	0	0	0	0	0,0%
33	CHERVROLET	0	0	0	0	0	0	0	0,0%
34	HONGYAN	0	0	0	0	0	0	0	0,0%
35	RENAULT	0	0	0	0	0	0	0	0%
GRAND TOTAL		84.149	80.995	98.536	82.729	49.711	78.911	121.346	100%
CUMULATIVE		84.149	165.144	263.680	346.409	396.120	475.031		

Source: Prepared by the Writer (2022)

Based on the wholesale data table provided by the writer, Isuzu is in the sixth position with 3.6% of the market share. However, compared to the national sales Isuzu performed, it resulted in an increment decrease as in January the total sales was 2828, peaked on march 3420. Still, it decreased on April 2854 and further reduced on May 2740 and June 2594. the Isuzu vehicle brand specializes in selling LCVs such as trucks. Its main competitors are Mitsubishi Fuso and Hino.



**Figure 1.1 Sales Graph Jan 2021 – June 2022**

Source: Data retrieved from Astra Isuzu Deli Serdang branch

Furthermore, the branch Unit sales data, comparing the sales data for the years 2021 and 2022, we can see an increment decrease in sales revenue. Additionally, in the Monthly sales year 2021 comparison, a significant reduction in sales in April and August in the year 2022 after peaking in march also decreased, with total monthly sales revenue less than last year. The fluctuation and sales performance that differ from month to month indicate inconsistency in company performance.

The decrease in customer purchase decisions indicates a reduction in the Astra Isuzu Deli Serdang branch in portraying and performing the task. The company's marketing efforts divide into two, direct and indirect. Direct marketing efforts derive from sales representatives approaching customers, where personal selling is still poor. In comparison, indirect marketing is an external way the company approach. Where there is reluctance towards the brand Izuzu, showing the brand image is not strong and not well known. In addition, the recommendation and wording of the public are still unfavorable, resulting in ineffective word of mouth. The sales data indicate a decrease and inconsistent in the customer purchase decision. The company should review the decreased matter immediately.

One of the main contributors to Astra Isuzu Deli Serdang branch income comes from sales representatives and their selling effort. However, the company's selling effort is still poor when seeking prospective buyers. During prospecting, consumers cannot receive solutions when sales meet unexpected demands, which prolongs the unnecessary waiting time for the customer and affects the consumer experience with the personal selling staff. The customer does not receive a timely follow-up from the sales. In contrast, another brand has followed up with the consumer. The recurring customer did not receive any current sales promotion when purchasing the product, resulting in disappointed customers and affecting the company's relationship. The consumer could not obtain the necessary explanation from the personal selling staff, which made the customer directly communicate with the head branch, creating a hassle and waste of time for the consumer. The problem highlights the need to review personal selling toward consumer purchase decisions.

In addition, there is also a problem with the brand image of Isuzu. The brand image of Isuzu is not well known. According to OTO (2022), neither Isuzu cars was featured nor entered a well-known brand in Indonesia. Therefore, the author conducts preliminary interviews with a few business owners who run the transportation industry and some prospecting customers to learn about the phenomenon of Isuzu's brand image.

The author approaches some prospecting buyers looking for heavy-duty vehicles to transport goods by considering the Isuzu and Mitsubishi FUSO brand. The prospecting buyer with the initial "U" express that post-sales service and spare parts in the facility is an important aspect. In contrast, the prospecting buyer expresses that the facility of Isuzu gives the impression of not being exceptionally equipped with complete equipment compared to other brands, highlighting the negativity prospecting buyers have towards the brand image.

A business owner with the initial "F" who runs a spare parts shop for commercial Light Vehicle (CLV) explains that only a few people search for Isuzu spare parts. Therefore, the business owner favors stock and selling Mitsubishi-motors-FUSO spare parts compared to Isuzu. Another business initial "E" owner does business in construction where the need to transport sand, dirt, and other construction material every day. He explained that he favored Mitsubishi-motors-FUSO because its CLV is much more well-known in the market and will be easier to resell to other owners than Isuzu. With the knowledge of the business owner's response, the author conducts a comparison of the brand Mitsubishi-motos-FUSO with Isuzu.

**Table 1.2 Specification comparison Isuzu and Mitsubishi FUSO**

	Isuzu GIGA (4x2) Rigid-4 CYL	Mitsubishi FUSO FM 517 HS
Harga (Medan)	Start from Rp 541 Million	Start from Rp 806 Million
Capacity	7790 cc	7545 cc
Length	7595 mm	7535 mm
Width	2465 mm	2425 mm
Height	2930 mm	2725 mm
Max power	245	220
Max Speed	89 kmph	96 kmph
Fuel tank	200 L	200 L

Source: (OTO, 2022)

Comparing both prominent features of the brand Isuzu and Mitsubishi FUSO, the brand feature of Isuzu is more affordable, has bigger capacity, and has a higher engine power compared to Mitsubishi FUSO, which only excels in speed.

Another factor that influences the brand Isuzu is word of mouth. Customers do not have any topic or campaign that a person can share. The company does not provide benefits or incentives that could affect the customer's recommendation to other people. For example, The company does not initiate discount campaigns such as referrals for people who purchase the car from colleagues or friends, which do not encourage people to recommend the product. The company's current efforts include discounts, competitive pricing, and installment payment. Not to mention the negative word of mouth that issued in society where 92% of people are likely to trust their relatives, if negative word of mouth occur it would have 92% affect on consumer therefore the positive word of mouth should be further encouraged.

Moreover. another problem is when a customer creates negative word of mouth about the product. For example, the previous customer who has experience with the brand share that the after-sales service is terrible compared to other brands, and services will take longer, more expensive. Negative word of mouth affects the customer's decision to purchase with the company on the respective brand.

Based on the problem, evaluation needs to be done to understand the shortcomings of personal selling of sales representatives in the field with the customer, improving or focusing on the perception of brand image, which could provide better public knowledge and word of mouth at PT. Astra International Tbk. Isuzu Sales operation Deli Serdang branch, Thus more profound research needs to be done to identify and improve the personal selling, brand image, and word of mouth to increase the customer purchase decision. Following the background of the study, the author is concerned with doing the research titled” **The influence of Personal Selling, Brand Image and Word of Mouth on Customer Purchase Decision at PT. Astra International Tbk, Isuzu sales operation Deli Serdang branch.**”

## **1.2 Problem Limitation**

Based on the writer’s research, there are limited journal sources regarding personal selling, brand image, and word of mouth as the Independent variable and customer purchase decision as the Depended Variable in PT Astra International Tbk. Isuzu Deli Serdang branch. The study population is the end customer of the deli Serdang branch, who owns, purchases, and purchases vehicles. The data retrieval process conducts by a google form survey to a customer who meets the criteria and the convenient availability of the respondents. The data analysis will then be using Multiple Linear regression utilizing SPSS.

### **1.3 Problem Formulation**

Currently, Isuzu is in third place behind Daihatsu and Toyota, both under the Astra Group. Furthermore, many new rivals continue to enter the Indonesian automotive market. Hence, to be able to sustain and improve its position as a market leader in the automotive industry in Indonesia, it is crucial to conduct research into what Simultaneously and partially influence on customer purchase decision. Partial influence serve to identify if the variable individually have part in influencing other variable. While simultaneous influence serve to identify if the collective variable all have part in influencing on customer purchase decision of Isuzu products. Therefore, the research questions of this research are:

- 1) Does personal selling have partial influence on customers' purchase decisions for Isuzu Indonesia?
- 2) Does brand image have a partial influence on customers' purchase decisions for Isuzu Indonesia?
- 3) Does word of mouth have a partial influence on customers' purchase decisions for Isuzu Indonesia?
- 4) Do personal selling, brand image, and word of mouth simultaneously have a significant influence on customers' purchase decisions for Isuzu Indonesia?

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

According to these variables this study aims to determine whether these variables can influence the Customer Purchase Decision of Isuzu so that in the future, it can help increase Isuzu sales. So the objective of these studies is:

- 1) To examine whether personal selling has a partial influence on Indonesian consumers' purchase decisions for Isuzu.
- 2) To examine whether brand image have a partial influence on Indonesian consumers' purchase decisions for Isuzu.
- 3) To examine whether word of mouth has a partial influence on Indonesian consumer's purchase decisions for Isuzu
- 4) To examine whether personal selling, brand image, and word of the mouth simultaneously Influence Indonesia consumers' purchase decisions for Isuzu

## **1.5 Benefit of Research**

The benefit of the research paper can be differentiated into two categories

### **1.5.1 Theoretical Benefit**

Theoretically, the result of the research can help verify that personal Selling, Brand Image, and Word of mouth (WOM) impact customer purchase decisions. The research is done to update the existing theory and knowledge and as a form of comparative study in future research on the similar topics

### **1.5.2 Practical Benefit**

There are several benefits researchers hope can be obtained through this research, which are:

- 1) This research is expected to provide new insights for Isuzu, as well as provide insights on employees in Isuzu to make a better decision
- 2) This research is expected to be a means to use the knowledge learned and obtained from Pelita Harapan University.

- 3) This research is expected to add insight into developing new knowledge for universities about the company.

