

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Nowadays, business development has risen and evolved at a rapid pace. Various economic developments and breakthroughs have enhanced competitiveness in the economic arena (Triyani, Mahmudi, & Abdul, 2018). Businesses are expected and obligated to be sensitive to existing changes and to improve their service quality, brand image and customer trust to increase consumer satisfaction and increase competitive advantage. Every firm should be able to comprehend consumer behavior, since a company's success or failure may be reflected in how customers behave and customer trust.

PT Perintis Perkasa was founded in 1979 as a Toyota Automobile distributor in Medan, North Sumatera. It began with a total of 5 employees in one small showroom on Jalan Gatot Subroto and eventually relocated to its current site in 1981. As the company grew, the authorized service in Jalan Adam Malik was built in 1991 to serve our clients with Toyota servicing and parts. Sales outlets were opened in Jalan Gagak Hitam in 2011, followed by Sales, Service, and Parts stores in Jalan Flamboyan in 2013. Perintis Group now has three Sales Outlets and two Service & Parts Centers in Medan to serve our loyal Toyota customers.

According to Winardy, Purba, Chaniago, & Andika (2021), The introduction several new rivals in the same economic sector has also increased competitiveness

amongst enterprises. Many dealerships of various brands have appeared up and expanded in Medan city, giving a challenge to those in the automobile sector. PT Deltamas Surya Indah Mulia, which has been in Medan since 1999, and Auto 2000, which has been in Medan since 1989, are two more companies that sell Toyota vehicles in Medan. Auto 2000 has 8 branches in Medan compared to PT Perintis Perkasa only has 3 showrooms in Medan, this shows that competition in the Toyota automotive sector is very competitive.

Furthermore, numerous companies produce innovative goods, such as Wuling and Hyundai, which recently produced electric cars, increasing market rivalry in the automotive sector. To survive and strive to control the automobile industry, businesspeople in the sector must think seriously about how to win in the challenging automotive market. They can improve their service quality, brand image and customer trust to win in this automotive market.

According to Mr. Sugiarto, the supervisor of the department of sales in PT Perintis Perkasa Flamboyan Medan. The emergence of many new vehicle brands and models into the automotive industry is driving competition to tighten, and these brands delivering good service quality and advantages to consumers, making people interested in buying automobiles from that brand. (Sandi, 2023) The participation of various new Chinese companies, including Haval, Ora, Tank, and Neta, was witnessed at the Association of Indonesian Automotive Industries (Gaikindo).

In the business sector, many elements are required to support the company's performance to compete, earn sales, and maximize profits. Sales level is a deciding element that is extremely influential in obtaining profits, and profits are a means

that is very necessary for the survival of a company, thus the firm must be able to raise the number of sales to create quality goods. Increase service quality, brand image and customer trust are approaches to maximize revenue and make the firm capable of retaining customers.

Service quality is one form of competitive advantage that the firm has in order to win its target market. The quality of service offered to clients will be a critical factor in their purchase decision. If the firm's service quality to customers is good, customers will believe the company is professional in its service offering. As a result, all businesses continually strive to enhance the quality of their services to win customers' hearts and market share.

Table 1.1. Various Kinds of Services Offered by PT Perintis Perkasa

Service	Description
THS (Toyota Home Service)	Toyota Home Service is a service that allows Toyota mechanics to come directly to the customer's home to do servicing.
T-care	Toyota is deeply concerned about your safety and comfort while driving. T-Care provides free periodic service costs and spare parts for 7x services for a period of three years. With regular service every 6 months, you may also receive a 1 year/20,000 km Extended Warranty
Free Service Exhibition	PT Perintis Perkasa also frequently runs free engine servicing campaigns, such as pre engine tune-ups and free 1 liter of oil. This is an endeavor to outperform rivals and enhance service quality.
Booking Service	Every automobile owner realizes that servicing is a sort of maintenance that must be done meticulously. Many automobile owners avoid service since the workshops are always packed and the lines are long, forcing them to wait. There is currently a new feature for Toyota automobile owners to service their vehicles by booking ahead of time.

Source: PT Perintis Perkasa Flamboyan Branch Medan (2023)

Table above is various of service that PT Perintis Perkasa Provides to their customer. The services offered aim to make life easier for consumers and to solve

difficulties they may have. Thus, enhancing customer happiness, brand image, service quality, and consumer trust in PT Perintis Perkasa

In improving service quality every morning all employees of PT Perintis Perkasa conducts briefings and training to improve service quality in serving customers. Furthermore, every employee of PT Perintis Perkasa, particularly those in the sales department, has access to the i-talent module, which is a learning module on how to service clients effectively and appropriately. Even though have frequently done briefings and provided learning modules, there are still many employees that are inefficient, resulting in substandard service quality.

Brand image has a significant impact on purchasing decisions. The values that a company shows to its customers are referred to as its brand image. Companies must thus establish and strengthen their brand image for consumers to have greater faith in the company and acquire products or services without hesitation. In this research brand image is analyze brand product that PT Perintis Perkasa sell which is Toyota brand. This brand image is an essential identifier that has been scientifically demonstrated to be one of the primary motivators of purchase decisions in a variety of settings.

Table 1.2 Indonesia Top 5 Automotive Brand

Year	Brand	Sales (Unit)
2020 (Dhoni, 2021),	Toyota	329.498
	Daihatsu	188.660
	Honda	125.411
	Mitsubishi	97.936
	Suzuki	89.067
2021 (Dhoni, 2021),	Toyota	290.499
	Daihatsu	151.107
	Mitsubishi	104.407
	Honda	91.393
	Suzuki	89.596
2022 (Gaikindo, 2023)	Toyota	182.665
	Daihatsu	100.026
	Honda	79.451
	Suzuki	72.389
	Mitsubishi	54.768

Source: (Dhoni, 2021), (Gaikindo, 2023)

From the table above shows that Toyota always acquiring the Indonesian automobile market by ranking first among Indonesia's top five automotive brands. Toyota has long been one of the most popular automotive manufacturers in the world, with the most typical attributes being dependability and safety. Toyota automobiles have traditionally been thought of being family-friendly vehicles that seldom break down and are reasonably priced and economical. Based on the facts shown above, we can infer that Toyota has a highly positive brand image in Indonesia, which is beneficial for customer purchase choices.

PT Perintis Perkasa has a strong reputation and brand image in the eyes of most people in Medan since it has been in business in the automotive sector for a long time and is a big firm in the Medan city. PT Perintis Perkasa has also made numerous efforts to boost the company's brand image and increase public awareness

of PT Perintis Perkasa. Efforts are being made to enhance brand image by using digital marketing and posting interesting content to social media. This is great since it can reach a large number of potential customers. Furthermore, PT Perintis Perkasa hosts automobile displays in prominent malls in Medan such as Sun Plaza, Medan Fair, Center Point, and others on a daily basis. This is excellent for raising public awareness and creating the idea to public that PT Perintis Perkasa has a positive brand image.

Customer Trust is an important factor in maintaining a long-term connection. Companies who have earned the trust of their customers will benefit tremendously because their customers will rely on them and be loyal to them. Long-term relationships will build client trust in the expectations they will receive from the organization, reducing consumer concern over the service they receive.

Toyota Wins Award as One of the Best Brands Choice by Consumers. Toyota managed to get an award as one of the best brands chosen by consumers in Indonesia. The award was obtained from WOW BRAND 2022 which was organized by MarkPlus Insight, in Jakarta. This shows that consumer trust in the Toyota brand is very high, which has a very good influence on consumer purchasing decisions.

Customer trust is tough to build since PT Perintis Perkasa offers vehicles which are quite costly things, thus customers may be cautious to buy these cars from dealers they have never purchased from before. However, PT. Perintis Perkasa makes numerous efforts to build customer trust in the firm by frequently conducting gathering events with prospective customers where customers may enjoy free

meals, attractive offers, and prizes through lucky drawings. This is particularly beneficial since it may foster relationships between sales and customers, hence improving consumer purchasing decisions.

Purchasing decision is a process before making a purchase where consumers will consider several factors of a product or service and then make a purchase. Customers will purchase products or services that provide many advantages, benefits and of course also through sellers they trust. Therefore, companies in the automotive sector must have a strategy in making consumers interested in buying their products.

Table 1.3 The best-selling car model

	Avanza	Rush	Innova
2020	67 unit	52 unit	50 unit
2021	110 unit	107 unit	100 unit
2022	113 unit	78 unit	76 unit

Source: PT Perintis Perkasa Flamboyan Branch Medan (2023)

According to the table above, the Avanza is the best-selling model every year. Mr. Sugiarto, the supervisor of the sales department of PT Perintis Perkasa Flamboyan Medan, claims that Avanza is the best-selling model. Avanza is a family automobile that can seat up to 7-8 people; it is perfect for sale in Indonesia and is in high demand there.

Table 1.4 Car Sales Data for the last 5 years at PT Perintis Perkasa

	2018	2019	2020	2021	2022
January	48	44	54	25	51
February	49	47	44	31	34
March	69	66	34	39	56
April	57	60	20	52	48
May	68	84	20	27	29
June	49	33	24	34	30
July	48	66	21	51	59
August	62	70	19	61	66
September	50	52	27	70	67
October	72	60	21	69	57
November	57	60	50	58	55
December	60	67	51	88	69
Total Units	689	709	385	605	621

Source: PT Perintis Perkasa Flamboyan Branch Medan (2023)

The numbers above show that there has been a large growth in sales, particularly from 2020 to 2021. However, as compared to the growth from 2020 to 2021, the increase from 2021 to 2022 was just slightly larger. Sales in 2022 did not achieve and remain much lower than the greatest sales, 709 in 2019.

After customer completes a purchase, there are various customer complaints, such as sales not notifying them when the car must be repaired and no longer caring about consumers since sales have earned a profit from sales. This might have a negative impact on consumer trust in PT Perintis Perkasa as well as Toyota's brand image. As a result, PT Perintis Perkasa, particularly the Flamboyan branch, must develop a strategies and approaches to improve service quality, brand image, and customer trust to grow sales and competitive advantages.

1.2 Problem Limitations

The research at PT Perintis Perkasa Flamboyan Medan on the effect of service quality, brand image, and customer trust on purchase decisions has its own set of limitations, which include:

1. This research is limited to only analyzing customers who buy cars at the PT Perintis Perkasa Flamboyan branch Medan.
2. The research only focuses on 3 independent variables which are service quality, brand image and customer trust, 1 dependent variable which is purchasing decision.
3. The participants of this research will be PT Perintis Perkasa Flamboyan Customer who live in Medan.

1.3 Problem Formulation

Based on the above research, the problem formulation in this research is as follows:

1. Does service quality have a positive effect on purchasing decisions at PT Perintis Perkasa Flamboyan Medan?
2. Does brand image have a positive effect on purchasing decisions at PT Perintis Perkasa Flamboyan?
3. Does customer trust have a positive effect on purchasing decisions at PT Perintis Perkasa Flamboyan?

4. Do service quality, brand image and customer trust simultaneously have positive effect on purchasing decision at PT Perintis Perkasa Flamboyan?

1.4 Objective of the Research

The following are the research objectives based on the problem formulation in this research:

1. Investigate the effect of service quality on purchasing decisions at PT Perintis Perkasa (Flamboyan Branch).
2. Investigate the effect of brand image on purchasing decisions at PT Perintis Perkasa (Flamboyan Branch).
3. Investigate the effect of customer trust on purchasing decisions at PT Perintis Perkasa (Flamboyan Branch).
4. Investigate the simultaneous effect of service quality, brand image and customer trust on purchasing decisions at PT Perintis Perkasa (Flamboyan Branch).

1.5 Benefit of the Research

The benefit of this research is that businesses may better respond to their consumers' demands by investigating how service quality, brand image, and customer trust impact purchase choices at PT Perintis Perkasa (Flamboyan Branch).

This will improve not just customer satisfaction but also sales and income. The benefits of this research are classified into two categories:

1.5.1 Theoretical Benefit

This study will contribute to the existing body of knowledge on customer behavior, notably in the car business. Future researchers might use this study as a springboard for more in-depth examinations into how service quality, business image, and consumer trust effect purchasing decisions.

The study will provide some insight into the complexities of customer behavior especially in the automotive sectors. Academics may develop ideas on consumer behavior in various market circumstances by identifying which aspects are most important in purchase decisions.

1.5.2 Practical Benefit

The information will help PT Perintis Perkasa Flamboyan Medan and other businesses in developing marketing and operational strategies. Knowing what factors effect buying decisions assists companies customize their offers and advertisements accordingly with the intention of increasing the sales and increasing competitive advantages.

Acknowledging the significance of service quality, brand image, and customer trust in purchase decisions can inspire companies to raise their service quality and brand image, resulting in higher sales and this enables companies to outperform competitors and gain more market share.