

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Nowadays the automobile industry is one of the mainstay sectors that significantly contributes to the national economy, it is currently a business that is highly well-liked by many people. In Indonesia, there are now 22 industrial enterprises that produce motorized vehicles with four wheels or more. (kemenperin, 2021). The automotive industry innovates daily in terms of technology and design to satisfy the requirements of society or even just the wishes of car enthusiasts. Just take a look at the various media. Each year, new motorcycles or cars with more advanced technology are introduced. Intending to reach the greatest number of consumers, numerous companies have developed and are fighting to market their car products.

Several factors contribute to the popularity of vehicles today, including the fact that people purchase them as a mode of mobility because they are seen as more practical, quick, and affordable. Many Indonesians are unwilling to walk even short distances and instead favor using cars. In addition to being purchased to satisfy necessities, cars are also purchased to satisfy wants, live a luxurious lifestyle to demonstrate social status, or even merely as a hobby to satisfy the owner's wants or needs.

Many people can't help but give in to the need to upgrade their vehicle or acquire the newest model. Every year, new models of cars from various manufacturers are released with more advanced automobile technology.

Therefore, demand and sales persist even though an automobile truly has a long lifespan. It is well known that there are numerous car models and pricing ranges. The cost is still not low, even though the automobile is not a luxury model.

However, since you may purchase an automobile using installments or credit rather than paying cash, it is incredibly simple to own one. In actuality, a growing number of financial services now provide low-term auto financing with modest down payments.

In addition, a lot of businesses are competing for consumer attention by working to develop ideas or breakthroughs due to the enormous number of car enthusiasts. Between the top five automakers, including Toyota, Daihatsu, Honda, Mitsubishi Motors, and Suzuki, there has been competition and elbowing from 2018 until the present. giving it its distinct hue in the car sector. One aspect of the fierce rivalry in Indonesia is the exchange of best-selling brand rankings. The sales goals set by five major manufacturers of passenger cars, including Toyota, which aims to retain a minimum market share of 31% of total domestic sales, are summarized in business mainstream media. In 2018, Daihatsu has consistently maintained second place as the best-selling brand for the last ten years. Daihatsu achieved 17.6%, up slightly from 17.3 percent in 2017, Honda achieved a share of 14.1 percent thanks to sales of 162,170 units, Mitsubishi Motors closed 2018 with a 12.4 percent market share, PT Suzuki Indomobil Sales (SIS ) targets to achieve 11.1 percent market share in 2019. This figure is an increase compared to the 2018 realization of 10.25 percent for wholesalers. (GAIKINDO, 2018)

On August 28, 1937, Toyota Motor Corporation was established in Japan.

Aichi, Japan is home to Toyota Motor Corporation's corporate headquarters. Toyota's U.S. operations are headquartered in Torrance, California. In 2011, Toyota, a Japanese multinational automaker that ranks after General Motors and the Volkswagen Group in terms of output, employed 300,734 workers around the globe. (Admin, 2023)

According to revenue, Toyota is the eleventh largest company in the world. The corporation announced in July 2012 that it had produced 200 million vehicles. Kiichiro Toyoda created the business to produce cars from his father's business, Toyota Industries. Toyota, including the Scion brand, Lexus, Daihatsu, and Hino Motors are members of the Toyota Motor Corporation group of enterprises. One of the biggest companies in the world, the Toyota Group, includes TMC. (Admin, 2023)

Toyota manufactures or assembles automobiles for regional markets at most of the world's facilities. Japan, Australia, India, Sri Lanka, Canada, Indonesia, Poland, South Africa, Turkey, Colombia, the United Kingdom, the United States, France, Brazil, and Portugal are just a few of the countries where Toyota has manufacturing or assembly facilities. More recently, Argentina, the Czech Republic, Mexico, Malaysia, Thailand, Pakistan, Egypt, China, Vietnam, Venezuela, the Philippines, and Russia have joined the list (Admin, 2023).

Large bus and truck manufacturers including Hino, Nippon Denso, and Daihatsu Motor Company were among the first to be acquired by Toyota in 1966. According to reports, Toyota sold more than a million automobiles worldwide in the 1970s. In truth, Toyota has been the biggest automaker in Japan for several

years and has continued to expand in the US, European, and Asia markets, including Indonesia (Sihombing, 2022).

The official start of Toyota's history in Indonesia was in 1961. 100 Toyota Land Cruiser FJ Series vehicles, ordered as a fleet by the Republic of Indonesia's (RI) Ministry of Transmigration, Cooperatives, and Village Community Development, were the first units to be sold at that time and in addition to the Land Cruiser, AH Budi, the founder of Nasmoco Group, imported various Toyota Tiara models into Indonesia. So, the Nasmoco Toyota dealer might be considered one of the country's first Toyota automobile dealers (Sihombing, 2022).

Furthermore, the government policy ultimately altered as a result of the rising sales of Toyota vehicles in Indonesia. In the years that followed, the government made it necessary for Single Brand Holder Agents (ATPM) to exist before automakers could advertise their vehicles in Indonesia. Astra adopted this new rule right away, naming PT Toyota Astra Motor (TAM) as the ATPM for Toyota vehicles in Indonesia. Founded on April 12th, 1971, TAM. According to TAM's official website, the business exclusively served as a distributor and importer of Toyota brand automobiles at the time. Following that, Toyota opened the PT Multi Astra manufacturing factory in 1973 as a result of the rising demand for Toyota goods. Additionally, Toyota wants to be able to conduct thorough quality inspections (Sihombing, 2022).

Additionally, Indonesia's Minister of Industry issued a Decree mandating the use of domestically produced components. Finally, Toyota established PT Toyota Mobilindo in 1976 to produce body parts for commercial cars in response

to this initiative. The first Toyota Kijang, which was built in Indonesia for the first time in 1977, was born at this time. The manufacture of automobiles in Indonesia follows the legacy of Toyota (Sihombing, 2022).

Toyota continued to grow in the years that followed, and in 2004 it introduced the Avanza and Kijang Innova. The Toyota Fortuner, another IMV vehicle, was first produced by TMMIN sometime in 2006. Then, in 2008, the company devoted to the capital T tried to rekindle market growth by promoting the Prius hybrid vehicle. Toyota continued to produce 2 million vehicles in Indonesia in 2010 and 2011, opened a second factory in Karawang, and, of course, commemorated its 40th anniversary. One million CBU vehicles were exported up till 2018. Toyota Indonesia is currently managing five facilities with a 250,000-unit yearly manufacturing capacity in Sunter, Jakarta, and Karawang, West Java. (SIHOMBING, 2022)

Toyota established itself as a mobility firm in 2019 based on the demands of consumers who seek convenience in traveling, reliable transportation, and environmental friendliness. Toyota Indonesia has sold 10 electrified vehicle lineups, including 8 hybrid electric vehicles (HEV), 1 plug-in hybrid electric vehicle (PHEV), and 1 battery electric vehicle (BEV), during its more than 50-year history. To keep up, Toyota Indonesia and the supply chain team have planned to develop HEV models for the export market in addition to the domestic market. The Indonesian Toyota car's hybrid version is anticipated to be in production by the end of 2022 (Sihombing, 2022).

**Table 1.1 Indonesia's Top 5 automotive brands**

<b>Year</b>	<b>Brand</b>	<b>Sales (Unit)</b>
2020	Toyota	329.498
	Daihatsu	188.660
	Honda	125.411
	Mitsubishi	97.936
	Suzuki	89.067
2021	Toyota	290.499
	Daihatsu	151.107
	Mitsubishi	104.407
	Honda	91.393
	Suzuki	89.596
2022	Toyota	182.665
	Daihatsu	100.026
	Honda	79.451
	Suzuki	72.389
	Mitsubishi	54.768

Source: (Dhoni, 2021), (Gaikindo, 10 Merek Mobil Terlaris di Indonesia 2022, 2023)

According to the above facts, Toyota will experience a greater market gain from 2020 to 2023 than the other 5 brands. and from this information it can be deduced that Toyota has the highest unit sales, demonstrating that it has the highest profit margin among the five brands.

**Table 1.2 Indonesia top 5 Best-selling car**

<b>Brand</b>	<b>Quantity</b>	<b>Year</b>
Toyota + Lexus	33.530	September (2022)
Daihatsu	18.781	September (2022)
Isuzu	3.450	September (2022)
UD Trucks	221	September (2022)
Peugeot	40	September (2022)

Source: (Gaikindo, gaikindo, 2021)

From Above data, it shows that Toyota still had the greatest sales volume among all other auto brands in September 2022, according to the data above, which indicates sales of Toyota vehicles. Because so many customers have confidence in Toyota when purchasing cars, this demonstrates that Toyota's brand image and brand personality are quite strong.

After Toyota took profits and market gains from Indonesia then one by one car dealers opened in every city in Indonesia . like PT Toyota Perintis Perkasa established in 1979, PT Perintis Perkasa is a Toyota Automobile distributor located in Medan, North Sumatera. With five branches, it started off as a small store on Jalan Gatot Subroto until moving to its current location in 1981. As the business expanded, the approved service in Jalan Adam Malik was constructed in 1991 to provide our clients with Toyota maintenance and parts.

Sales outlets first appeared on Jalan Gagak Hitam in 2011, and in 2014, Jalan Flamboyan saw the opening of sales, service, and parts retailers. To further serve our devoted Toyota customers, Perintis Group now operates three sales locations and two service and parts stores in Medan (Perkasa, n.d.). The success and expansion of a business in a cutthroat market depends on its ability to

understand the variables that influence customer brand choices. Building a strong brand image and personality is very important for a business to thrive in the market as the automotive sector is very competitive. PT Toyota Perintis Perkasa is a well-known vehicle manufacturer in the city of Medan, Indonesia.

Brand image is Consumers' perceptions and beliefs about a brand can be shown in the associations they make in their minds. Even if two items are comparable, a brand's special qualities set it apart from competitors. Long-term effects will be felt by the company if it is successful in building a positive and powerful image, especially if it can always keep it up by constantly delivering on and keeping the promises made in connection with the image that was fully purposefully developed. Customers who trust a brand will use words of mouth. (Ismail, 2019).

Brand personality refers to the human traits and attributes connected to a brand, whereas brand image refers to how customers view and perceive a brand. These elements significantly influence how consumers view a brand and how they feel about it.

Creating successful methods to increase customer brand preference requires an understanding of PT Toyota Perintis Perkasa's present brand image and brand personality in the Medan market. PT Toyota Perkasa is a reasonably well known company.

However, as far as we are aware, many customers continue to buy other car brands instead of Toyotas therefore there must be a problem whether Toyota Brand Image, Brand Personality or Brand Preference.



As therefore, it is crucial to develop a brand's personality within an organization, particularly for firms that have essentially tailored their personality to that of a target consumer. (Charitomeni Tsordia, 2018)

Brand Preference is when clients regularly favor one brand over another. In other words, they have learned about the rival companies, possibly even tried a few of their items, and have decided which brand they prefer. Brand preference and brand loyalty go hand in hand. Customers that have brand preferences will always go with your brand when given the option. This kind of recurring business generates brand supporters and client loyalty, which in turn aids in building a successful and long-lasting company. (Utami, 2022)

**Table 1.3. Car Sales Data for the last 5 years**

	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
<b>Total Units</b>	689	709	385	605	621

Source: PT Perintis Perkasa Flamboyan Branch Medan (2022)

The image above shows that there is large sales growth every year, but it can be seen that there is very significant sales growth in 2020 to 2021. However,

there is also a very large decreasing sale in 2019 to 2020. However, on average, Toyota's sales growth continues to increase from year to year.

The decline in sales from 2019 to 2020 is thought to be related to brand image due to poor customer service and the brand personality at this branch which does not match the Toyota brand personality in general. Examples of bad brand image include poor customer service. Such as slow response, not reminding service schedule, wrong product explanation, not responsible with after service sales. Examples of bad brand personality such as not safe and there are no responsible. Like Late reply, it does not answer complaints from consumers after the car has been sold, and consumers have to come to the office to be served. The decline in brand image and brand personality will have an impact on customer brand preference, which will result in customer loyalty being lost and interest in Toyota cars decreasing.

Based on the background of the study, I chose the title of this thesis because there was indeed a decrease in prices in 2020 which was due to a decrease in brand image, brand personality and brand preference from customers at PT Toyota Perintis Perkasa Medan (FLAMBOYAN BRANCH).

## **1.2 Problem Limitation**

**Generalizability:** Because of the research's special emphasis on PT Toyota Perintis Perkasa in the Medan market, it is possible that the findings cannot be applied to other automakers or markets.

**Sample Size and Representativeness:** The study will use a sample of Medan customers, and the sample's representativeness may have an influence on

how generalizable the findings are. To maintain statistical validity, it is important to carefully choose the sample size. Subjectivity: Evaluation of brand personality, brand image, and consumer brand choices relies on self-report surveys, which can potentially create problems with the data.

**Time and Resource Restraints:** Sufficient time and resources are required to conduct a thorough study of brand image, brand personality, and consumer brand choices. because if it is delayed carrying out a thorough study regarding brand image, brand personality, and consumer brand choices, there is a possibility for consumers to switch their hearts to another brand.

**External variables:** PT Toyota Perintis Perkasa has little control on external variables including the state of the economy, market trends, and competitors' business plans, which might have an impact on the study's findings.

### **1.3 Problem Formulation**

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

1. Does Brand Image have a positive effect on Brand Preference at PT Perintis Perkasa Flamboyan Medan?
2. Does brand Personality have a positive effect on Brand Preference at PT Perintis Perkasa Flamboyan?
3. Does both Brand Image and Brand Personality have a positive effect on Brand Preference at PT Perintis Perkasa Flamboyan?

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

The objectives of this proposed research are as follows:

1. To assess the current brand image and brand personality of PTToyota

Perintis Perkasa in Flamboyan Branch.

2. To examine the relationship between brand image and consumer brand preference in PT Toyota Perintis Perkasa in Flamboyan Branch.
3. To explore the relationship between brand personality and consumer brand preference PT Toyota Perintis Perkasa in Flamboyan Branch.
4. To influence the combined impact of brand image and brand personality on consumer brand preference PT Toyota Perintis Perkasa in Flamboyan Branch.
5. To influence recommendations and strategic insights to PT Toyota Perintis Perkasa for improving brand image and brand personality to enhance consumer brand preference.

### **1.5 Benefit of the Research**

The benefit of this research is to find out how much consumer loyalty there is to the Toyota brand, and to find out why consumers prefer other brands over Toyota. and to determine the combined impact of brand image and brand personality on consumer brand preferences. After knowing all that, Toyota can use this advantage as their reference in the future.

#### **1.5.1 Theoretical Benefit**

The addition to the body of knowledge on brand image and brand personality in the context of the automotive sector is one of the research's theoretical advantages. This study adds to the body of knowledge on consumer behavior, branding, and marketing by examining the connection between brand personality, brand image, and consumer brand Preference. The results may provide light on how these variables affect customer preferences and decision-making. In order to

provide a theoretical framework for comprehending these notions, the research also combines pertinent theories, such as the theory of brand personality and the theory of brand image.

### **1.5.2 Practical Benefit**

- a. **Strategic Insights:** The research's findings can give PT Toyota Perintis Perkasa strategic advice on how to strengthen their brand's personality and image in order to increase customer preference for their products. This data may be utilized to reinforce brand positioning, create more efficient branding and marketing initiatives, and foster client loyalty.
- b. **Competitive Advantage:** PT Toyota Perintis Perkasa may be able to get a competitive edge in the Medan market by comprehending the variable that affect customer brand preference. They may set themselves apart from other brands and draw in more customers by matching their brand personality and brand image with client preferences.
- c. **Marketing Efficiency:** PT Toyota Perintis Perkasa may be able to better allocate its marketing budget as a result of the study's findings. They may successfully target their target audience by concentrating on the essential factors that influence customer brand preference.
- d. **Customer Satisfaction:** Based on the research findings, enhancing brand image and brand personality can result in higher customer satisfaction. Customers are more likely to have a good attitude about the company and grow stronger brand Personality when they perceive it favourably and connect with its personality.

- e. Market Expansion: PT Toyota Perintis Perkasa can find chances for market expansion by influence the variables that affect customer brand preference. They may create customized marketing strategies to appeal to certain clients.

