

CHAPTER I

INTRODUCTION

1.1. Background of Study

According to International Monetary Fund, Indonesia is home to around 277.43 million people, which made Indonesia rank fourth in terms of largest population in the world right behind China, India, and America. Also, rank first in Southeast Asia with approximately 40.8% portion from the whole of this region population right above Philippines. As there are population increase from year to year and coupled with urbanization, Indonesia cities continue to flourish which resulted in urban sprawl (Sefriyadi et al., 2023). This circumstance creates more complex movement of people during their daily life, such as the movement to work, schools, or even for leisure purposes. Indonesia government has built lots of infrastructure to support this situation so that this enormous amount of people movement can be more effective. To do mobility, people can select several types of transportation, such as personal vehicles, buses, trains, airplane, and even online-based vehicles.

Personal vehicles, including cars has become one of the favorite transportation selections for Indonesian people beside motorcycle. This can be seen from the ownership of cars until the end of 2022 is around 17.2 million.

Table 1. 1 Ownership of Car in Indonesia 2012 -2022

Year	Ownership of Car (Unit)
2012	10.432.259
2013	11.484.514
2014	12.599.038
2015	13.480.973
2016	14.580.666
2017	15.423.968
2018	14.838.106
2019	15.592.419
2020	15.797.746
2021	16.413.522
2022	17.175.632

Source: Prepared by Writer (2023)

For a decade, the growth of car ownership in Indonesia has reach around 65%. Thus, this phenomenon represents how purchasing power of Indonesia citizen strengthened as they able to purchase their own personal vehicles for mobility purposes. Besides that, instead of choosing other types of vehicles, using personal cars provides comfort as we are able to have privacy area, flexible in terms of time and protected from rain and sun heat. There are also other potential factors that influencing car ownership, such as socioeconomic factors which related to factors that encourage people to own a car based on their needs and capabilities, perception and attitude towards car, and access factors that related to availability of other kinds of transportation and the distance between one location to another that need to be fulfilled by people during their daily activities (Sefriyadi et al., 2023).

Moreover, based on the data retrieved from *Gabungan Agen Tunggal Industri Kendaraan Bermotor Indonesia* (Gaikindo), the volume of car sales in 2022 in terms of wholesales increased from 887.202 unit into approximately 1.05 million unit from the previous year. This also reflects the volume of car sales in 2022 in terms of retail sales increase 17.4% from 863.358 unit into 1.01 million unit

compared to previous year. During the first phase of Covid-19 pandemics in Indonesia, car sales drop drastically in 2020, nearly -48.3% from 2019. This is caused by the declining of people's purchasing power due to lots of activity and business restrictions which influence the inflation rate.



Figure 1. 1 Indonesia's Car Sales Volume 2012 – 2022

Source: DataIndonesia.id

It is suggested by (Rahmayani et al., 2021) that government should act by accessing fiscal and monetary policy to boost people's income and spending. Not only to help lower-income people, but also upper-income people. The government then created a tax intensive policy, specifically on *Pajak Penjualan Atas Barang Mewah* (PPnBM) where it encourages people to make spending on buying luxury things including cars to boost economic recovery during pandemic. This policy implemented in 3 different phases throughout the year of 2021, where 100%, 50%, and 25% tax are not collected when buying cars (Soejarwati et al., 2022). This condition impacts on sales increases from 2020 to 2021 car industry.

Above stated conditions in some ways supported by people's lifestyle. Nowadays, either young or adults are highly influenced by their environment in doing their daily life. There is a tendency to look cool and dignified by owning a personal vehicle, especially cars. Apart from fulfilling daily transportation needs, it is believed that owning a car can increase self-confidence. Not only to show achievements, but also to display how well a person's financial state. This condition may be biased based on each person's perception of cars. Furthermore, as globalization creates modern lifestyle and trend, the decision to buy luxury things may be affected because of the shifted consumer buying patterns (Bimantara et al., 2022).

Another factor that may encourage car ownership is discounts. A discount is a reduction of price which may attract customers more because they will pay a lower price with the exchange of the same product value. In fact, the discount factor may be a support factor to complement the reasons people buy cars. When there is an opportunity to increase sales, car dealers may provide several interesting discounts to boost the customer's purchase of cars. Customers nowadays like to cross-check prices with many sellers in order to get the desired price. They make a comparison and select sellers that can give the best price for them. Kumendong et al., (2022) said that customers that have good perception towards price may decide to purchase as they believe the amount of money that they sacrifice is in accordance with what will they get. So, it is important to set the most desirable discount to attract customers.

On the other hand, marketing existence can affect customer purchase decisions. In all conscience, marketing not only contributes to obtaining customers but also to building and retaining relationships with customers. When customers have made their first purchase with us, we need to create a strong impression on them so they can remember us when they want to make additional purchases. This type of marketing is called relationship marketing which refers to the strategy used by a company to grip attention, retain, and improve relationship with customers (Hanoum & Setiawati, 2021). In long term view, the market may shift as there are lots of new entrants to the industry which directly impacts on the rivalry intensity. Therefore, it is important to prepare well in advance by cultivating customer loyalty to maintain or even increase company market share, which will be reflected in customers' purchasing decisions.

Factors like promotion that act as communication tools are created by company to persuade customers to make a purchase. It is crucial for companies to have the capabilities to inform product information in the right manner, so customers are able to receive it. No matter how amazing features possess by products, when company unable to communicate it to the market, it will be hard to get customers purchase decisions (Hermiyenti & Wardi, 2019). Nowadays, promotion not just sticks to traditional methods, such as through brochures and pamphlets, but also through digital channels like social media. The opportunity for company to monitors and evaluates promotion contents and feedbacks are greater which will reflect to communication quality with potential customers (Chen Yang et al., 2021). Moreover, when a customer decides to purchase a product, besides

going through information finding, it should also be supported by “why” customer want to purchase those products. This refers to motivation that lies behind the initial reason why customers want to discover product features and benefits.

Indonesia car industry consists lots of brand, namely Toyota, Daihatsu, Honda, Hyundai, etc. According to Gaikindo, Toyota ranked first in terms of total amount of sales, leaving Daihatsu and Honda behind. In 2022 itself, Toyota able to contribute approximately 31.6% share to the total car sales, which means they still dominating the market despite lots of competitor brand circulating in Indonesia. Even within Toyota, there are many dealers that are competing for market share. In Medan, there are 13 Toyota dealers, including Auto2000 and PT Deltamas Surya Indah Mulia.



Figure 1. 2 Top 10 Car Wholesales 2022
Source: Gaikindo

PT Deltamas Surya Indah Mulia is established by Lemman Boediman in 1999. This company engages in the car industry, specifically the Toyota brand. Unlike Toyota Auto2000, this company stands with private ownership of Boediman’s

family. However, Deltamas still act as authorized dealers. First, it is located in Thamrin Street No 13, Medan. But since 2004, along with the increasing customers' needs for Toyota service and the improvement of Indonesia economy, Deltamas move to Balai Kota Street, No 2A. This location is very strategic as located at the zero point of Medan City. It is projected to create a greater opportunity for attracting potential customers to buy Toyota cars at Deltamas, instead of other authorized dealers.

Not only dealing with marketing and sales, Deltamas also provides services and spare part facilities. This will help loyal Toyota customers to maintain their car quality so it can be used long-term. In addition, they also provide home service, emergency service that is available 24 hours, trade-in facilities, and body car painting. For trade-in facilities, Deltamas create brand called "Trust" in 2020. While body car painting and more advanced service facilities provided on their branch in Sisingamangaraja Street.

Although Deltamas has been established for quite a long time as Toyota authorized dealers in Medan, there is no concrete evidence that Deltamas is the top choice for customers who want to buy Toyota cars. Official car prices may be the same throughout all Toyota dealers in Medan, but discounts given may vary. Hence, attracting customers to choose Deltamas as their priority in purchasing Toyota car can be challenging due to uncertainty created by competitor unpredictable action towards discount. Below is a comparison discount table between Deltamas and Auto2000 dealers in the year 2022. The rates presented are the average discount

rates that can be given to customers. It is not the final discount amount due to uncertain conditions that may be encountered by salesperson and customers.

Table 1. 2 Discount Rate of Toyota Car Comparison 2022

	Deltamas (in million rupiah)	Auto 2000 (in million rupiah)
Agya	17	18
Alphard	35	35
Avanza	27	25
Calya	16	18
Camry	5	5
Corolla Cross Hybrid	12	12
Fortuner	30	25
Hi Ace	5	5
Hilux	25	28
Zenix non-Hybrid	4	4
Zenix Hybrid	0	0
Innova Reborn	15	10
Raize	23	25
Rush	27	28
Vellfire	35	35
Veloz	25	27
Vios	7	7
Voxy	2	2
Yaris	15	15

Source: Deltamas' internal data (2023)

This situation also affects the customer purchase decision, whether they will accept offers made by Deltamas Sales or other dealers offers. Purchase decision is an action taken by customers whether they want to buy or not a particular product/service which may answer their problems (Mappesona et al., 2020). It is also further explained that purchase decision requires evaluating multiple factors. In accordance with this view, (Simbolon et al., 2020) also stated that purchase decision went through several phases. Sequentially from the intentions to buy to meet customer needs and desires, searching from experience and external opinion for product information, evaluating brand alternatives and end it with selecting the most desirable brand.

Besides uncertainty caused by discounts, how salesperson presents the product information to customers also influences purchasing decision. A salesperson with great product knowledge shows that they master the product in detail, and it will make them confidently introduce their product to potential buyers. Potential buyers will get precise information about the product and allow them to consider whether to buy the product or not. This condition is also supported by findings from Novizal & Rizal (2020), as they stated that product knowledge has a positive correlation to purchase decision.

Great product knowledge that possesses by salesperson may be connected to relationship marketing. The main idea of relationship marketing is to build long-term relationships with the goal of retaining customers. Consequently, giving a professional impression may drive customers to increase their purchase intention which will gradually move to purchase decision. After sales service is also one of the elements of relationship marketing. Wisely responding to customers' complaints due to lack of satisfaction with product/service may be an example. On Deltamas case, based on the interview with one of the supervisors, many salespersons do not have skills to do the relationship marketing. This reflects on how they present products to potential buyers, answering complaints, follow-up process, and even after-sales service that may affect customers overall service experience. Below are some reviews given by customers toward Deltamas' service in google:



Atmaja Putra Dedek

1 review

★ ★ ★ ★ ★ 2 months ago

Saya sangat kecewa dengan pelayanan service advisornya....mobil baru beli 5 bulan....entah apa2 aja yg kalian masukan ke bon pembayaran saya....ini untuk yg terakhir x nya saya servise di deltamass



Figure 1. 3 Customer Ratings and Feedback of Deltamas

Source: Google Reviews

It is also stated that many customers only stop the process of bargaining discounts. Other dealers may add the number of discounts right above Deltamas offering to attract customers' attention. This condition was experienced by Deltamas salesperson for real as customers started to compare their offerings with other dealers' offerings. The need of relationship marketing is high as Deltamas needs to cultivate customer loyalty which will result in customer retention towards Toyota cars purchase in Deltamas.

Customer lifestyle influence consumer needs. It demands customers to select the right product to actively socialize with society which links with self-image, social status, and prestige. It also refers to the desire of fulfilling needs through interest, environmental factors, and consumer behavior that change throughout time (Pasaribu et al., 2019). Furthermore, environmental situations have risen concern. People's demands toward cars also develop as they want to contribute to saving the earth from damage. In consequence, Hybrids and electric vehicles

popularity increases. The demand for “green car” rises drastically but there are no guarantee customers will choose Toyota “green” product as other car brands such as Hyundai and Wuling also produce hybrids and electric vehicles. Even if they choose Toyota, Deltamas still need to compete with other Toyota authorized dealers based in Medan to secure their product sales.

Deltamas created lots of promotional effort to attract and trigger customers to make a purchase. Promotion is mainly divided into 5 (five) types, namely advertising, sales promotion, public relations, direct marketing, and personal selling (Oktafani et al, 2022). Based on the fact presented by Deltamas promotion effort, they vary their promotion throughout the year. Sales promotions, such as Ramadhan and Independence Day special price reduction package, supermarket vouchers, fuel station coupons, and gifts (ex: tumblers, umbrellas, bag, etc.) are the most frequent promotions given by Deltamas. Direct marketing through telemarketing is also routinely done to cultivate relationships with customers. But in some ways, telemarketing seems to annoy customers due to the way and time to approach customers are not effective as each customer has their respective busyness and not able to receive telemarketing initial intention. Telemarketing was also initially intended for customer survey, so the company is able to measure how well their customer’s purchasing experience. In contrast, the timing for the customer survey is not right due to different departments and miscommunication among internal company processes which resulted in customers becoming fed-up as they had not yet finished the purchasing process. Customers have been offered other complimentary products and service when their new car has not yet arrived. For

personal selling, as it is one-on-one interaction, most of the success relies on salesperson attitude and skills on persuading customers to make a purchase. In this context, salesperson should possess great marketing skills, capabilities, and product knowledge to be able to convince customers. Below are some promotions offered by Deltamas:



Figure 1. 4 Deltamas Promotion
Source: Internal Sources (2023)

Need to be noted that these types of promotion can also be performed by competitors. Due to intense car market competitions, each dealer has their right to

modify promotion so customers will choose their dealers when it comes to purchasing a new Toyota car. While maximizing promotional efforts, Deltamas still struggles to secure its place in customers' hearts. Presently, digital transformation allows customers to have greater opportunities and channels to discover products information before buying it. Comparing product prices and benefits one to another will be found very often. Customer expectations also increase due to technological advancement and intense market competition. Therefore, it is critical for Deltamas to be able to create an effective promotion to capture potential customers' attention.

On top of that, the existence of motivation to purchase a product influence customer purchase decision. Motivation emerges due to the urge for needs from customers as it reflects to customers action to make a purchase. Needs appear as customers feel that it is necessary for them to fulfill (Fahmilia & Adinugraha, 2022). Each customer may have their own motives when they want to purchase a product, whether from internal or external sources. This also applies to purchasing a new car. A car is classified as a luxury item which will make customers think more critically and in detail before deciding to spend their money. Personal motivation such as accomplishments celebration, identity confirmation; social motivation such as image improvement, self-assertion; and cultural motivation that relates to family, dignity, and self-image may be some examples that influence customer purchase decisions (Morhart et al., 2020). Although understanding customer purchase motivation is crucial, Deltamas needs to compete with other Toyota dealers to convince customers to buy with them as each dealer definitely provides the same products. When it comes to purchasing a Toyota car, customers should book their

queuing numbers. When stocks are available, customers do not need to wait for long time. But when it is not available, customers need to wait for an extra 1-3 months, or even 1 year to get their desired car. This reflects how strong is the purchase motivation. When motivation degree is high, customers might be able to wait for extra time and stay loyal to Deltamas. But sometimes other dealers may offer them the same prospect with faster track due to its stock availability. This creates another problem for Deltamas whether they are able to retain their customers or not.

In addition, according to data gathered from Deltamas, sales often fluctuate from time to time. Below are sales data from the year January 2022 – Aug 2023

Table 1. 3 Deltamas Monthly Sales – Jan 2022 to Aug 2023

Month(s)	Total Sales (in units)
January 2022	215
February 2022	206
March 2022	231
April 2022	219
May 2022	322
June 2022	313
July 2022	257
August 2022	243
September 2022	346
October 2022	311
November 2022	293
December 2022	372
January 2023	299
February 2023	246
March 2023	394
April 2023	280
May 2023	365
June 2023	327
July 2023	281
August 2023	236

Source: Deltamas's internal data (2023)

Moreover, the fact that Auto2000 dealer dominates approximately 70-80% Toyota car sales in Indonesia made Toyota market quite competitive. From the problems described above, the writer decided to conduct research titled **“The Influence of Discount, Lifestyle, Relationship Marketing, and Promotion Towards**

Purchase Motivation and Customer Purchase Decision at PT Deltamas Surya Indah Mulia”.

1.2. Problem Limitation

Limitation is a must so that there are boundaries of areas that will be investigated and covered through the research. Due to time constraints and to keep the research focus on what the writer intends to address, this research will focus only on several variables. The company that will be discussed is PT Deltamas Surya Indah Mulia, located in Medan with customers who come from within or outside Medan City. It will analyze how discounts, lifestyle, relationship marketing, and promotion as independent variables will influence purchase motivation and customer purchase decision as dependent variables at PT Deltamas Surya Indah Mulia. Realizing the fact that this company has lots of service facilities, it will only focus on purchasing car decision, both first and additional buy. This is done to ensure readers understand with detailed scope.

1.3. Problem Formulation

Based on the observations towards the company, writer has formulated several questions to be answered through this research:

- a. Does discount have a partial influence on purchase motivation at PT Deltamas Surya Indah Mulia, Medan?
- b. Does lifestyle have a partial influence on purchase motivation at PT Deltamas Surya Indah Mulia, Medan?

- c. Does relationship marketing have a partial influence purchase motivation at PT Deltamas Surya Indah Mulia, Medan?
- d. Does promotion have a partial influence on purchase motivation at PT Deltamas Surya Indah Mulia, Medan?
- e. Does purchase motivation have a partial influence on customer purchase decisions at PT Deltamas Surya Indah Mulia, Medan?

1.4. Objective of the Research

The objectives of this research are as follow:

- a. To discover whether discount has a partial influence on purchase motivation at PT Deltamas Surya Indah Mulia, Medan
- b. To analyze whether lifestyle has a partial influence on purchase motivation at PT Deltamas Surya Indah Mulia, Medan
- c. To evaluate whether relationship marketing has a partial influence on purchase motivation at PT Deltamas Surya Indah Mulia, Medan
- d. To examine whether promotion has a partial influence on purchase motivation at PT Deltamas Surya Indah Mulia, Medan
- e. To address whether purchase motivation has a partial influence on customer purchase decision at PT Deltamas Surya Indah Mulia, Medan

1.5. Benefit of the Research

Writer wishes to provide two types of benefit for relevant parties through this research, as follows:

1.5.1. Theoretical Benefit

The theoretical benefit of this study is to clarify whether or not discounts, lifestyle, relationship marketing, and promotion have influence on purchase motivation and customer purchase decision at PT Deltamas Surya Indah Mulia. In addition, the writer also wishes that this research can help on understanding existing relevant theories, particularly underlying the research variables and the relationship between those variables.

1.5.2. Practical Benefit

The practical benefits of this research are:

- a. For the writer, it facilitates gaining new knowledge and insights about discount, lifestyle, relationship marketing, promotion, purchase motivation, and purchase decision.
- b. For the company, it is expected that the result of this research may help the company in monitoring the influence that may affect customer purchase decisions. It also may help the company to develop tactics and strategies for attracting new customers or retaining existing customers.
- c. For other researchers, the findings may provide background information, reference, and point of comparison for those who solely want to gain knowledge or even do the same area of research.