

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In this modern era, the business industries have taken part integrating Indonesia economic growth. This was proven through the report from Badan Pusat Statistik (2023) stated the growth of Indonesia's economy compared to the year 2022 has a positive rise around 5,03%. Indonesia has been maintaining stable economic growth and create more opening for the industry improvement. The economic competition could be seen in uprising of many industries such as beauty industry, medical industry, etc.

One of the most significant growths of business in Indonesia is on the automotive industry. The growth of automotive industry is shown on more purchase by the middle-class customers and government support on car purchase, specifically since virus outbreak in 2020. In Indonesia, many people have been using on private transportation, such as cars, motorcycles, bicycles, etc. The local habits on owning and depending on transportation automobile takes part of daily activity toward the

destination.

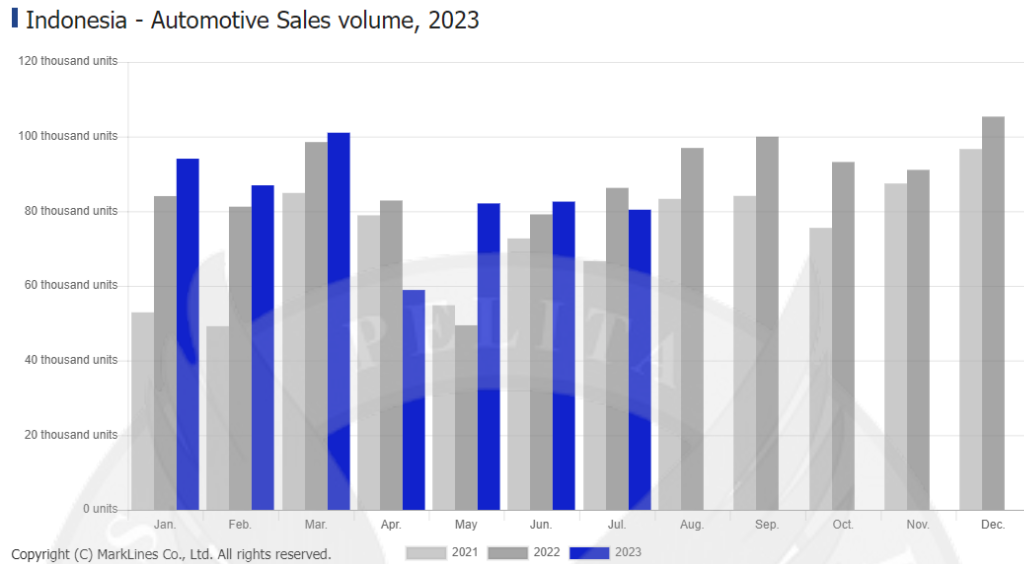


Figure 1. 1 Automotive Sales in Indonesia
Source: Marklines (2023)

Through the report, it might seem the automotive sales difference from the year 2022 might be just a little rise or even lower. However, it is predicted the sales might exceed until reaching 1 million units in 2023 (Marklines, 2023). As what we already know, Indonesia is known for its cultural distinction with its huge population. With the rise of more sales, will result in many cars ownership in Indonesia. The promising growth of the industry also raises awareness of after sale service for vehicles. After sales services define as the offered services for customers who purchased the vehicles as services that elevate vehicles safety and quality (Rustam, 2019).

After sales services include maintaining vehicle qualities, vehicle securities and insurances, private owned stores selling and installing spare parts, etc. The after sales services have been rising with more customers awareness and demands for

affordable prices of maintaining vehicles qualities. Furthermore, as the demand for after sales services is being sought after, has raised more market competition. As the availability of many after sales services companies, marketers have to assure on reaching customers attention and purchasing decisions. Based on Lamasi & Santoso (2022), marketers focus on achieving customers satisfaction to incorporate customers purchasing decision.

According to Saepuloh and Hisani (2020), promotion, product quality, and brand image are correlated and effect on customers purchasing decision. Product quality is the indication of the goods robustness, dependability, and correctness (Santoso & Sispradana, 2021). The ability of products to perform its promised quality will enhance customers purchasing decision to the product easily. Customers, through the purchasing decision process, will assess product quality information through the word of mouth or promotion advertised.

Promotion is the beginning steps of the company communication and generating benefit with the purpose of creating intensive purchase in large numbers (Lestari & Noersanti, 2019). As the promotion activities launched with the help of technology devices, the success of gaining customers attention will be easier. Promotion is the lane that leads customers to the company that elevates the purchasing decision of the brand.

Brand image is describing a product's standing and reliability, which buyers can use as a benchmark when deciding whether to purchase a given good or service (Mujjani, 2022). Images represent the brand positioning in the market based on society view. High end brand with the image as a high-quality product will easily

effect on the purchasing decision. Well-known brand has the probability of more customers trust and recognition.

As the industry competes for sales and produces better product and service qualities, the main objective is to gain profit and ensure customers purchase. According to Priadana and Sunarsi (2021) in Hardini, et al., (2020), prior purchasing decision, customers already have a variety of options available to them, therefore at this point they will decide to purchase a good according to the options provided. Purchasing decision could affect the availability and benefit of competitor product quality to the customers. If the company provides better outcomes in satisfying customers through the offered products, it will support the customer purchasing decision.

The company that will be observed as the research object is PT Sukses Selaras Sentosa. PT Sukses Selaras Sentosa was founded in 2008 as one of the ongoing distribution and procurement of goods at Jl. Panjang Kedoya Selatan Kebon Jeruk Jakarta Barat DKI Jakarta. The company is in the distribution industry of spare parts specifically cars. It also conducted business through B2B and B2C systems

Throughout almost 15 years of business, the company has created good relationship and connection with long time customers and suppliers. In these years, there has been a decline in customer's buying decision which is proven through this chart.

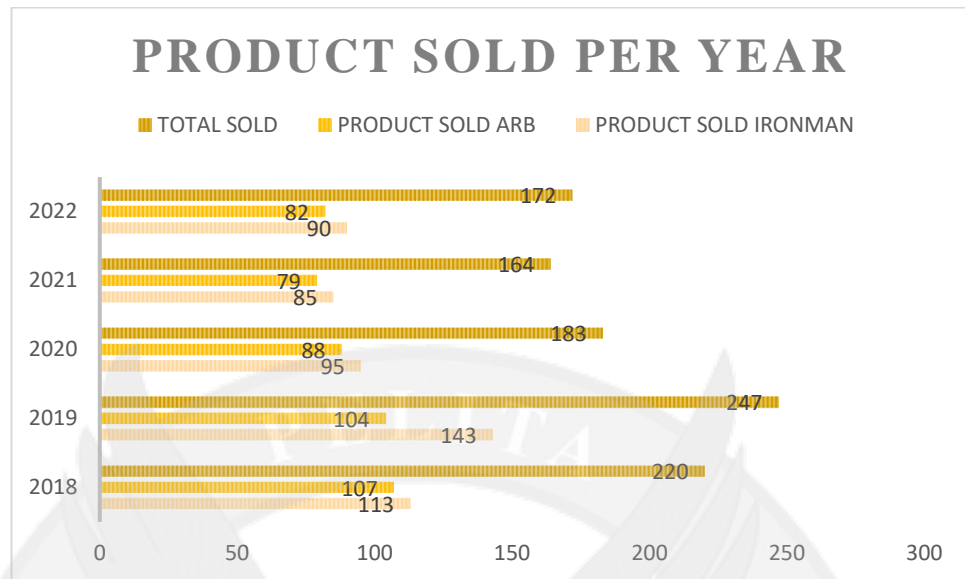


Figure 1. 2 Product Sold Chart of PT Sukses Selaras Sentosa
Source: PT Sukses Selaras Sentosa (2023)

Based on the table lists of last 5 years, there has been some growth and decline of the total sales per year. The sales have increased from 2018 to 2019. However, in 2020 and 2021, the sales dropped through. Although it soon made recovery in 2022, the total doesn't cover for the high sales back in 2019.

The success of the company in achieving the objectives depends on the marketing strategy that is implemented by the company. With more uptight competition in the industry, marketing strategy is necessary to interact with the customers. However, PT Sukses Selaras Sentosa Medan hasn't been active in promotion to create awareness. As the digital era, PT Sukses Selaras Sentosa Medan has been aware of online platforms such as Instagram and official website. Although the website platforms help customers make choices and access customer services, there is a lack of Instagram activities.

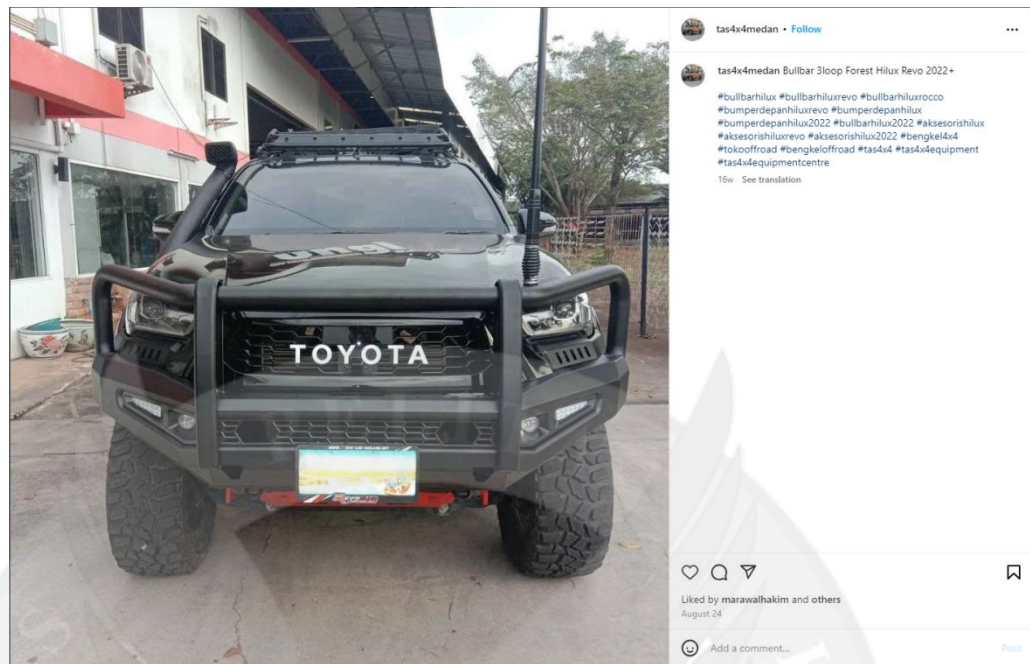


Figure 1. 3 PT Sukses Selaras Sentosa Instagram

Source: <https://www.instagram.com/tas4x4medan/>

Through the official Instagram account @tas4x4medan, the last content posted was on 24th August 2023. This has shown that the lack of digital promotion activity of the company. The official account doesn't conduct proper digital activity with the purpose of communicating with customers.

As a long history of company, PT Sukses Selaras Sentosa has conducted business mainly with long-time customers and referred customers. The company has strong customers loyalty for its good brand image of creating good experiences of the services. The marketer holds the responsibility to ensure the company brand image stands strong. The rating at Google was above 4; which is good. However, the review in the google by reviewer is not unclear or backup with additional information to support the score given. Most of the reviewers given 4 to 5 points without clear statement of support. According to the interview with one of the

employees, the company lacks recognition and is unnoticeable to the young adults and potential new customers. The company is seeking new customers as most of the customers are long-term customers and referred customers.

Furthermore, the interview with the customers resulted in several complaints regarding the product quality of spare parts; such as long fixing time, some employees lack the serviceability, low durability, etc. Many issues with the spare parts certainly affected the sales as the main products were offered to the customers.

As the company grows in business, there are more factors that are exposed to the threat of profitability loss. Marketers must be diligent while observing customer preferences in order to increase sales revenue and purchasing behavior. Based on the above discussion, the writer would like to make a research of product quality, brand image, and promotion to the purchasing decision. Thus, the writer has decided this study title to be “The Influence of Product Quality, Brand Image, and Promotion to Customer Purchasing Decision of Spare Parts at PT Sukses Selaras Sentosa Medan”.

1.2 Problem Limitation

Due to the limitation of time and budget, the writer concludes the final paper is limited to Product Quality (X_1), Brand Image (X_2), and Promotion (X_3) as the independent variables with Customers Purchasing Behavior (Y_1) as the dependent variable. Furthermore, the writer will limit the object of the research which is PT

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1.3 Objective of the Research

Through the problem formulated in the study, the writer concludes on the objective.

1. To assess whether product quality has a partial influence on customers purchasing decision at PT Sukses Selaras Sentosa Medan.
2. To determine on whether brand image has a partial influence on customers purchasing decision at PT Sukses Selaras Sentosa Medan
3. To explore on whether promotion has a partial influence on customers purchasing decision at PT Sukses Selaras Sentosa Medan
4. To analyze on whether product quality, brand image, and promotion have simultaneous influence on customers purchasing decision at PT Sukses Selaras Sentosa Medan

1.4 Problem Formulation

As stated in the background of this study, the writer summarizes some research questions.

1. Does Product Quality have a partial influence on Customers Purchasing Decision at PT Sukses Selaras Sentosa Medan?
2. Does Brand Image have a partial influence on Customers Purchasing Decision at PT Sukses Selaras Sentosa Medan?

3. Does Promotion have a partial influence on Customers Purchasing Decision at PT Sukses Selaras Sentosa Medan?
4. Do Product Quality, Brand Image, and Promotion have simultaneous influence on Customers Purchasing Decision at PT Sukses Selaras Sentosa Medan?

1.5 Benefit of the Research

The benefits are constructed into two sections which are

1.5.1 Theoretical Benefit

The end result of the research is to give a better understanding of how Promotion, Brand Image, and Product Quality effects on Customer Buying Decision. These variables assist on the supporting theories that are related to promotion, brand image, product quality, and the effect on customers purchasing decision.

1.5.2 Practical Benefit

The practical benefits are given.

- a. For the writer

This research will be beneficial to give further understanding and exploration of each variable and expand on additional information to the writer.

- b. For PT Sukses Selaras Sentosa

Through the research, the end result will contribute to PT Sukses Selaras Sentosa as research object, to assess on the effect that impact on customers buying decision. With the purposes of increasing customers buying decision, it will directly affect product sales.

c. For other researchers

The research will open the opportunity of new perspective and references of the promotion, brand image, product quality, and the effect on customers buying decision.

