

# CHAPTER I

## INTRODUCTION

### 1.1 Background of Study

To reach its best potential, every company activity involving the production of goods or services must be managed properly and efficiently. As a result, it is crucial to use the management function in addition to being aware of numerous important factors. A running corporation must always overcome a variety of challenges in order to succeed or fail, forcing it to decide on a suitable strategy of action and tactics. One of the many management tasks that is crucial is the marketing system since it directly supports both the company's operations and the growth of sales in order to maximize profits from maximum sales results.

Because vehicles are essential for direct community activities, the motor vehicle sector is one of the fastest growing in the world, including in Indonesia. The higher welfare of individuals in the area where motorized vehicles are marketed, the greater the demand for these vehicles. Naturally, the evolution of the worldwide automotive sector has a significant impact on Indonesians, since the country's automotive market continues to be competitive with a wide variety of motorbikes from different companies. Considering that this has the potential to be profitable, it should come without stating that companies in the automobile sector will be able to profitably utilize this service. In Indonesia, there are numerous automakers, particularly those that produce motorbikes, with Honda being one of the most well-known.

PT Indako Trading Coy is located at Jalan Pemuda No. 18 D-H Medan and was established in 1966. From North Sumatra and Aceh. PT Indako Trading Coy already has a Honda sales network with 102 dealers, 191 AHASS workshops, and 414 spare parts stores. Currently the company is experiencing a phenomenon of declining consumer purchases where every year the number of consumers making purchases is getting smaller. Even though this decrease is not very significant, if left unchecked it can have a very bad impact. The following table shows the sales for the company:

**Table 1.1**  
**Sales Data of PT Indako Trading Coy Period 2019 to 2023**

Year	Sales Total
2019	4.375
2020	3.807
2021	3.684
2022	3.890
2023	3.043

Source: PT Indako Trading Coy, 2024

Based on the table above, it can be seen that in 2019 total sales reached 4,375 units, while in 2020 sales decreased and only reached 3,807 units. In 2021, total unit sales only reached 3,684 followed by a decline that occurred in 2022 with a total of 3,890 units sold and 3,043 units for 2023. Based on observations that the researcher made by conducting a few interviews with several consumers, the researcher found that there were various things that influenced the decline in purchasing decisions for products offered by the company and among them were personal selling, sales promotion and word of mouth as the most dominant things complained about by consumers.

It is known because the company's personal selling activities are less effective in getting prospective consumers to make purchases where from the

results of prospects made by employees, almost all of these prospects do not have potential consumers to make purchases. Some consumers also complain that there are employees who cannot communicate well in the sense of not being able to explain the products they offer when consumers want to know the advantages and disadvantages when compared to other products. It is also known that several employees who carry out personal selling activities are new employees who do not really understand the market and existing comparisons. Apart from that, there are also complaints that some employees have not been able to form good relationships with their consumers, such as starting basic conversations first and so on which can make consumers feel comfortable, on the other hand, employees only come and offer brochures and then when consumers are less interested, employees will immediately leave consumer.

Based on the some google review about company, it can be seen that there are several consumers who complain about personal selling activities carried out by companies such as sales marketing services which are still categorized as bad because when consumers want to make a purchase in cash, the consumer is promised that the unit will be delivered within 10 days. but the consumer's purchased unit has still not been delivered even though the consumer has waited 2 weeks or 14 days. Consumers also complain that marketing prioritizes selling on credit because it has more benefits so that when the desired product is not fulfilled, sales will usually prioritize credit sales consumers first and consumers who make cash purchases have to wait a few days for the product ordered by the consumer to

arrive. Apart from that, there are consumers who feel disappointed with the sales because the information given by sales are not accurate.

In addition to personal selling activities, sales promotion is also known to be one of the triggers for consumers to have less desire to buy products because it is known that companies not giving any discount or carrying out sales promotion activities that can influence consumers to make purchases of the products offered by the company. The lack of discounts makes consumers feel that the company's products are more expensive than other companies.

Based on the some google review about company, it can be seen that there are consumers who complain that the price is still relatively expensive compared to other dealers, which makes consumers feel a little disappointed and have to think again before making a purchase. Apart from that, the lack of sales promotion carried out by the company can also be seen from the number of samples displaying motorbike units on only a few classy motorbikes, while products with relatively low prices are rarely displayed at all so that when consumers want to see the product, the sales team cannot show the sample and can only show it from the smartphone image.

Apart from that, some consumers also feel that companies are holding various events such as gatherings and so on less frequently because consumers remember that in previous years the company was considered to have held gatherings quite often to offer its products to consumers. Some consumers complain that giving company gifts for consumer purchases is also less attractive, namely just

an ordinary jacket, while other dealers sometimes give leather jackets accompanied by key chains, umbrellas and so on.

Furthermore, there is also information that the word of mouth activity that occurs is not good, such as some consumers not recommending the company to other consumers for various reasons including price that are still higher than other dealers, the quality of the motorbike seat is easily torn so it does not provide comfort to the customer, some of the products sent have scratches so they have to be returned and waste consumers time for waiting another unit to be sent to consumer, and so on then form a disappointment with the company that creates bad word of mouth in forming a bad impression in the minds of consumers. Prospective consumers who are affected will certainly think again before making a purchase and prefer the company that is most recommended by many consumers so that they do not feel disappointed or have a bad experience. Apart from being related to the place of purchase, Honda products themselves have also received some unfavorable information, such as that the product frame is quickly damaged or broken. The manufacturer, Astra Honda Motor (AHM), is in the spotlight because its eSAF frame products on several automatic scooters (scooters) went viral on social media. This will make a bad impression in the minds of consumers so consumer will think again because they already have doubts within themselves before making a purchase for example, a consumer who is interested in Honda products, but there are colleagues who do not recommend the product and tell all the shortcomings of the product, of course this makes the consumer doubt the information received and in the end look for alternative purchases of other brands such as Yamaha. Apart

from that, there is also some recent negative word of mouth information which is making consumers increasingly hesitant to buy Honda products, namely related to the quality being increasingly poor and there are Honda products that have frames that break easily, such as Honda Vario or Honda Beat products. Reported from (cnbcindonesia.com), the Honda scooter was in the spotlight after social media was filled with posts by netizens complaining that the motorbike's frame was rusty and broken. This incident happened to a motorbike scooter with an eSAF (enhanced Smart Architecture Frame) frame. The eSAF frame is made of steel plates that are pressed and welded using laser welding so it is different from a regular frame. AHM claims the eSAF frame is 8 percent lighter than the previous Honda scooter frame. However, consumers are becoming increasingly doubtful with various reports that Honda products are prone to frame breakage.

Based on the research conducted by Situmeang. et. al. (2020) entitled “The Effect of Price, Sales Promotion and Personal Selling on Purchasing Decisions at the Spare Parts Distributor Company PT Wstandard Indonesia.” The results of the study show that partially or simultaneously, price, sales promotion and personal selling have a positive and significant influence on consumer purchasing decisions at PT Wstandard Indonesia. Based on the background study, the writer is interested to conduct research with the title: **“The Effect of Personal Selling, Sales Promotion, and Word of Mouth toward Consumer Purchase Decision at PT Indako Trading Coy Medan.”**

## **1.2 Problem Limitation**

For the problem limitation, writer will concentrate on three variables which are personal selling, sales promotion, word of mouth and purchase decision. This thesis aims to investigate how personal selling, sales promotion, word of mouth can affect towards purchase decision. This research will focus on PT Indako Trading Coy Medan.

## **1.3 Problem Formulation**

The context of the problem as described above allows for the identification of the identification problems in this investigation.

1. Does personal selling have positive and significant effect toward consumer purchase decision at PT Indako Trading Coy Medan?
2. Does sales promotion have positive and significant effect toward consumer purchase decision at PT Indako Trading Coy Medan?
3. Does word of mouth have positive and significant effect toward consumer purchase decision at PT Indako Trading Coy Medan?
4. Do personal selling, sales promotion and word of mouth have positive and significant effect toward consumer purchase decision at PT Indako Trading Coy Medan?

## **1.4 Objective of the Research**

The objective of the research as follow:

1. To analyze whether the personal selling has positive and significant effect toward customer purchase decision at PT Indako Trading Coy Medan.
2. To analyze whether the sales promotion has positive and significant effect toward customer purchase decision at PT Indako Trading Coy Medan.
3. To analyze whether the word of mouth has positive and significant effect toward customer purchase decision at PT Indako Trading Coy Medan.
4. To analyze whether the personal selling, sales promotion and word of mouth have positive and significant effect toward customer purchase decision at PT Indako Trading Coy Medan.

## **1.5 Benefit of the Research**

The benefit of the researches as follow:

### **1.5.1 Theoretical Benefit**

#### **a. For Readers**

The result from this study can be proof for readers to know that personal selling, sales promotion and word of mouth have effect towards purchase decision in PT Indako Trading Coy Medan.

#### **b. For Writer**

The results of the research provide knowledge, expertise, and insights from actual situations that will be very useful to the writer in the future.

#### **c. For Other Researches**

The result from this study can be used for reference for those who are interested in studying the same problem in the future

### 1.5.2 Practical Benefit

a. For PT Indako Trading Coy Medan

The researcher expects that the results of the research will help businesses analyze and use the findings as suggestions to understand how word-of-mouth, sales promotion, and personal selling affect consumers' purchase decisions.

b. For Writer

The results of the research will make the writer gain additional experience and more knowledge about the importance of personal selling, sales promotion and word of mouth towards purchase decision.

c. For Future Research

The researcher expects the results of the research could become a comparison for the future researchers who are interested in studying the same topic which is the influence personal selling, sales promotion and word of mouth towards purchase decision.