CHAPTER 1
INTRODUCTION

1.1 Background

It is impossible to overstate the importance of any marketing effort in a business context. Marketing is critical to a company's expansion. Marketing, on the other hand, as a tool, must be founded on good and realistic market structures. Traditionally, every marketing concept used inside a business must be based on extremely good principles obtained from a strategic study of market morphology. In the world of the automotive industry, there is a vast array of marketing strategies, starting from the customer's very first step into a dealership, up to the after sales.

The assumption that purchases are preceded by a decision process is the most pervasive and influential in consumer behaviour research (Olshavsky & Granbois, 1979), which ultimately pushes companies all around the world to maintain their consumer's loyalty toward the brand. A few of the many ways an organisation will be able to achieve such target is by ensuring their customers satisfaction through their experience of using or consuming the brand of the product or service that an organisation sells.

Kenton (2020), suggests that brand is considered as an intangible asset that may be very precious for a company or organisation to possess, it will help them create their identity and to figure out what is it they want to achieve. Branding is so much more than the eye can see, it is not as simple as picking out a name and designing a logo for the brand (Marion, 2015). It is also how we set the vision, mission and aim of the brand, where we want to position ourselves and who do we

want to target. From there on, we can start to think about establishing satisfaction and fulfilment of the needs of the customers through brand experience.

To start with, we need to understand the term 'brand experience' itself. 'Brand experience is conceptualized as sensations, feelings, cognitions, and behavioural responses evoked by brand-related stimuli that are part of a brand's design and identity, packaging, communications, and environments' (Brakus, Schmitt & Zarantonello 2009, p. 93). This indicates that there are numerous combination of aspects that an organisation can maintain or improve to fulfil the customer's experience of the brand as a whole. From the product or service itself, the after sales service, and effort to maintain connection with the customer.

The importance of brand experience has never been more crucial than ever, with car brands all around the world racing to prove who's the very best in terms of safety, performance, price and overall build quality. For some Indonesians, cars are viewed more than just a means of transportation, it is considered as one of the ways of how to measure success and your social status. The rarer, sportier, more expensive car you own or drive, the higher your social status and people will also see that you are succeed. Moreover, around 91% of Indonesians who doesn't own a car felt embarrassed not to own one (Yulisman, 2014).

Nissan is a Japanese car manufacturer founded in 1933 by Yoshisuke Aikawa, Masujiro Hashimoto, William Gorham and Rokuro Aoyama. It was previously known as Datsun which was founded in 1931, discontinued in 1986 but then was relaunched in 2013 by Nissan as a low-cost car brand for markets in Indonesia, India, Nepal, Nepal and Russia. Aside from selling regular passenger

vehicles, Nissan also has a deep and legendary history in motor racing. Since 1958 Nissan has won numerous racing events from Japanese Gran Prix races to rallies in South Africa. Only after the year 1984 Nissan founded it's racing division called Nismo, participated in its first race at the 1986 24 Hours of Le Mans, and won its first championship at the 1988 IMSA Championship with the Nissan GTP ZX-Turbo. From there on, Nismo has participated in many various motorsport events until the latest category which is Formula E where Nismo debut race is in 2018. For its known history in racing, not few people wanted to buy Nissan's passenger vehicle, Nisan even had some of its cars getting tuned by Nismo and got sold to the public, such as the 370Z Nismo and GT-R R35 Nismo.

In fiscal year 2020, Nissan Motor Co., Ltd. net revenue declined to 7.86 trillion Yen, resulting in an operating loss of 150.7 billion Yen, which is significantly improved from the full-year forecast at the beginning of the fiscal year, and a net loss of 448.7 billion Yen (about 4.4 billion US dollars) (Nissan Motor Corp., 2021). This brings to one of their decisions to close one of its factory in Indonesia with means to reach their target of financial stability and profitability in the fiscal year 2023 (Aria, 2020). By closing down a factory, there is no doubt that the local Nissan consumers worry about the availability of spare parts, the decrease in selling price and increased price of a new Nissan car as Nissan Motor Indonesia will need to import their cars from outside the country. The number of Nissan's retail sales in Indonesia has plummeted by 92% in May 2020. In that month Nissan Motor Indonesia has only sold 109 units in that month of year, where at the same time previous year, Nissan Motor Indonesia sold 1,437 units (Damara, 2020).

Damara (2020) further suggests that the decline in Nissan's sales was in line with the national automotive market's weakening as a result of the coronavirus pandemic. The national retail volume was corrected by 82 percent on an annual basis, from 93,881 units to 17,083 units, according to Gaikindo data.

Not only Nissan has closed its factory in Indonesia, Nissan dealerships around Jabodetabek area went down from 30 dealership in September 2020 to only 22 dealerships today. Nissan Indonesia's sales have also fluctuated since 2018. In the year 2018, Nissan has a total market share of 0.6%, then 1.2% in 2019, 1.3% in 2020 dan only 1.1% in the first-half of 2021. Table 1.1 shows the top 16 brands that have the highest number of wholesales from brand holder agents to dealers in Indonesia. It is apparent that the Indonesian market have the greatest interest and purchase numbers for Toyota, Daihatsu and Honda. It is believed that, because of the closing of Nissan's car factory in Indonesia in May 2020, the number of cars produced has surely declined and therefore Nissan Motor Distributor Indonesia has to import its products from countries that export Nissan's cars, which implies that the prices of Nissan's cars are increasing.

Table 1.1

Ranked in the Top 16 Sales from Brand Holder Agents to Dealers in Indonesia based on Brand January 2018 - June 2021

No	2018	2019	2020	2021
1	Toyota	Toyota	Toyota	Toyota
2	Daihatsu	Daihatsu	Daihatsu	Daihatsu
3	Honda	Honda	Honda	Honda
4	Mitsubishi Motors	Mitsubishi Motors	Suzuki	Mitsubishi Motors
5	Suzuki	Suzuki	Mitsubishi Motors	Suzuki
6	Mitsubishi Fuso	Mitsubishi Fuso	Mitsubishi Fuso	Mitsubishi Fuso

7	Hino	Hino	Isuzu	Isuzu
8	Isuzu	Isuzu	Nissan	Wuling
9	Wuling	Wuling	Hino	Hino
10	Datsun	Nissan	Wuling	Mazda
11	Nissan	Datsun	Mazda	KIA
12	Mazda	Mazda	BMW	DFSK
13	UD Trucks	DFSK	Mercedes-Benz PC	Mazda
14	Chevrolet	Mercedes-Benz CV	DFSK	Hyundai
15	BMW	BMW	Lexus	Mercedes-Benz PC
16	Hyundai	UD Trucks	KIA	Nissan

Source: Data processed by the researcher from GAIKINDO
(https://www.gaikindo.or.id/indonesian-automobile-industry-data/, 2021)

Consumers develop their perception about the quality of services provided by physical stores or showrooms based on the store's amenities and how its employees interact with the customers (Bhakar & Bhakar, 2017). Staff behaviour and the quality of physical environment is the very first thing that a potential customer perceives about the Nissan brand, how comfortable is the showroom, how friendly is the staff and how well the sales can explain about the product towards the customers. Bhakar and Bhakar (2017) proved that the physical environment of the store has a significant impact on employee behaviour and the perception that customers have of a physical store, and this is why staff behaviour and physical environment is important for businesses in running their operations. Evans et al. (2000) imples that the content and outcomes of a variety of interpersonal encounters are influenced by others' first impressions and that a salesperson's first impressions of a customer provide a starting point for probing customer needs and adapting to those needs in sales encounters. This means that a salesperson's effectiveness in an

initial sales encounter is linked, at least in part, to the customer's first impression (Evans et al., 2020). If the salespersons are able to execute it properly, the customers will most probably close up a deal and order a vehicle from the showroom which ultimately increases the number of sales.

The main goal of this research is to look at the nature of the relationship between service quality and the three components of an automobile dealership's emotional brand attachment. The secondary goal is to look into the influence of emotional brand attachment components on brand loyalty, and the third goal is to look into the mediation effect of emotional brand attachment components on the service quality–brand loyalty relationship. Finally, the differential effect reflects customer behaviour, which encompasses their general opinion of the brand, as well as their preferences and behaviour toward it. This research will be concentrating on one specific car manufacturer brand branch which is Nissan, and to allow a more focused a research one branch will be used as the source of sample and that is Nissan's Alam Sutera dealership, located at Alam Sutera, Tangerang Selatan, Banten. This is to allow the researcher to focus more on the independent and dependent variables. In means to improve and maintain the customer's experience in the dealership, sales and human resources division has undergone trainings for salespersons on how to improve communication with the customers and keep a high standard for product knowledge. Since the past 1 year, there has not been any major complaints regarding the customer's experience in the dealership, all comments and feedbacks are received positively and does not indicate that the customers have a poor or unpleasant buying and the dealership experience as a whole.

1.2 Research Questions

As it has been mentioned in the background, this study will focus on the customers' brand passion, brand affection, self-brand connection towards influence of staff behaviour and quality of physical environment of Nissan's showroom and the customers brand loyalty. With the event of Nissan's factory in Indonesia being closed and with the impact of plummeting number of sales, the writer wants to know whether the main reason of staff behaviour and quality of physical environment will be able to maintain the customer's brand passion, brand affection, self-brand connection towards the customers brand loyalty. To understand the problem stated above, this paper will try to answer the following questions:

1. **Does physical quality positively impact emotional brand attachment?**
   a. Does physical quality positively impact brand passion?
   b. Does physical quality positively impact brand affection?
   c. Does physical quality positively impact self-brand connection?

2. **Does staff behaviour positively impact emotional brand attachment?**
   a. Does staff behaviour positively impact brand passion?
   b. Does staff behaviour positively impact brand affection?
   c. Does staff behaviour positively impact self-brand connection?

3. **Does emotional brand attachment impact brand loyalty?**
   a. Does brand passion positively impact brand loyalty?
   b. Does brand affection positively impact brand loyalty?
   c. Does self-brand connection positively impact brand loyalty?

4. **Does brand passion partially mediate the impact of physical quality and staff behaviour on brand loyalty**?

   a. Does brand passion partially mediate the effect of physical quality on brand loyalty?

   b. Does brand passion partially mediate the effect of staff behaviour on of brand loyalty?

5. **Does brand affection partially mediates the impact of physical quality and staff behaviour on brand loyalty**?

   a. Does brand affection partially mediate the impact of physical quality on brand loyalty?

   b. Does brand affection partially mediate the impact of staff behavior on brand loyalty?

6. **Does self-brand connection partially mediate the impact of physical quality and staff behaviour on brand loyalty**?

   a. Does self-brand connection partially mediate the impact of physical quality on brand loyalty?

   b. Does self-brand connection partially mediate the impact of staff behaviour on brand loyalty?

7. **Does First-time Visitors and Repeat Visitors moderate the impact of physical quality, staff behaviour, on emotional brand attachment and emotional brand attachment on brand loyalty?**

   a. Is the physical quality-brand passion–brand loyalty impact stronger for repeat visitors compared to first-time visitors?

b. Is the physical quality-brand affection-brand loyalty impact stronger for repeat visitors compared to first-time visitors?

c. Is physical quality–brand connection–brand loyalty impact stronger for repeat visitors compared to first-time visators?

d. Is staff behavior– brand passion–brand loyalty impact stronger for repeat visitors compared to first-time visitors?

e. Is staff behavior–brand affection–brand loyalty impact stronger for repeat visitors compared to first-time visitors?

f. Is staff behavior–brand connection–brand loyalty impact stronger for repeat visitors compared to first-time visitors?

1.3 Research Objectives

1. To examine and test whether physical quality positively impact emotional brand attachment.

2. To examine and test whether staff behaviour positively impact emotional brand attachment.

3. To examine and test whether emotional brand attachment impacts brand loyalty.

4. To examine and test whether brand passion partially mediates the impact of physical quality and staff behaviour on brand loyalty.

5. To examine and test whether brand affection partially mediates the impact of physical quality and staff behaviour on brand loyalty.

6. To examine and test whether self-brand connection partially mediates the impact of physical quality and staff behaviour on brand loyalty.

7. To examine and test whether first-time visitors and repeat visitors moderate the impact of physical quality and staff behaviour on emotional brand attachment and emotional brand attachment on brand loyalty.

1.4 Research Contributions

This study is anticipated to help academics who may be interested in doing future research, as well as practitioners of marketing and branding techniques, based on the study's aim, which has been previously detailed:

1. Future Research : Theoretically, this study should be able to support the provision of new information that has not been discovered in prior studies. The purpose of this research was to learn more about the influence of brand experience on brand loyalty, brand affection, brand connection, and repurchase intention. The findings of this research are anticipated to serve as a resource or input for the advancement of management science, particularly marketing management.

2. Marketing Practioners: This research can also be said to provide practical benefits if the research can provide benefits to practitioners. This research is expected to be input for marketers, business people who are looking for strategies in business development, can also be used to add insight for researchers, universities to be able to see the effect of brand experience on brand loyalty, brand affection, brand connection, and repurchase intention.

1.5 Scope of Study

In order to gather sufficient data to conduct the research, to process and analyse the data gathered, the approximate time needed to complete the study is around 4 months. The research that will be conducted is to find out if Nissan's dealership branch located at Alam Sutera, Tangerang brand experience has an effect towards the customers' loyalty, affection, connection towards the brand and ultimately repurchase intention. Sample of data required to conduct the research will be Nissan customers from the specified branch aged 17 and above who has Indonesian residency and is a Nissan customer who recently has bought a car from the dealership no earlier than August 2020. Once all the required data is gathered, it will be processed and analyzed using Smart PLS program.

1.6 Research Outlines

This research is made up of 5 (five) chapters. The contents of the discussion are presented in the following method:

CHAPTER I: INTRODUCTION

The first chapter consists of the research background, research questions, research objectives, research contributions, and research limitations.

CHAPTER II: LITERATURE REVIEW

The second chapter consists of all the theories discussed and mentioned, previous studies that are relevant to the current study, the concepts that are related to the topic of interest, and the hypotheses of the research.

CHAPTER III: RESEARCH DESIGN

The third chapter consists of the data collection method, research design, and pretest results.

CHAPTER IV: RESULTS, ANALYSIS, AND DISCUSSION

The fourth chapter consists of the results from the actual tests, all research findings and the discussion regarding the hypotheses of this research.

CHAPTER V : CONCLUSIONS, RECOMMENDATIONS, LIMITATIONS

The fifth and final chapter consists of the conclusion pertaining to managerial implications based on the findings, as well as recommendations to improve upon for future research.