

CHAPTER 1

BACKGROUND

1.1 Background of the Research

Japanese car has led its production in Indonesia with 90 percent market share (Zulkifli, 2011). One of the most influenced companies from Japan is Toyota with its many products. Toyota has various products to satisfy customers in Indonesia with their premium car and also cheap and business car (Durianto, Strategi menaklukan pasar riset ekuitas dan perilaku Merk, 2004). Customer in Indonesia apparently has tendencies to purchase Toyota products. That's why Toyota market share in Indonesia is really big. Because of this phenomenon, people are not hesitant to spend their money, to purchase Toyotas cars. Even though in Indonesia cars users or purchaser can be categorized as "golongan mampu" or able people to purchase car. It is because when someone is purchasing car in Indonesia, they must have money to purchase car that is above 100 million rupiah. Therefore the person who bought car must have sufficient income to purchase car. However, when purchase some car; there are tendencies to having different price and different privileges between each customer. It is very interesting phenomenon that occurred in car purchase is how much the true price of the car and it is fair to their customer to purchase such a luxurious item but in very different types and offers. And the Indonesian people are still likely to purchase Toyota cars even more. There are also interesting phenomenon that occurred in Indonesia car market. People in Indonesia has tendencies to purchase more than one car. However the brand of the car might differ each other. There are no guarantee that people will stick to one or specific items. Therefore in this research the researcher wants to know the price perception of Indonesian people towards Toyota. And how much satisfied people to Toyota's product and will it lead to become a loyal customer or they are intended to switch because they are not satisfied to Toyota.

The role of product or service price in the formation of customer satisfaction has not been studied extensively in customer satisfaction research

(Voss et al , 1998). When price has been included, it has been one of several product attributes considered relevant (Fornell et al., 1996); The researcher wants to include consumers' price perceptions as an important factor that influences overall satisfaction judgments. However, the influences are both direct, and indirect via price fairness perceptions. According to (Voss et al., 1998), are arguing that satisfaction is a function of price, performance and expectations with support for the expectations-satisfaction link are being weak. They are propose that, in contrast to performance, perceived price fairness might be the dominant determinant of satisfaction. These empirical results suggest that when there was a perceived price performance inconsistency (i.e., an inequitable or unfair outcome); it had a stronger effect (negative) on satisfaction judgments. Similar results are also being found by Oliver and DeSarbo (1988) and Oliver and Swan (1989a) in (Herrmann et al., 2007). In addition, the research has also shown that equity is related to satisfaction. Equity is a concept closely related to fairness and usually defined as a fairness, rightness, or deservingness judgment that consumers make in reference to comparative others (Herrmann et al., 2007). And Satisfaction is an overall customer attitude or behavior towards a service provider, or an emotional reaction towards the difference between what customers expect and what they receive, regarding the fulfillment of some desire, need or goal (Hansemark and Albinson, 2004).

Customer loyalty, on the other hand, is the result of an organization's creating a benefit for customers so that they will maintain and increasingly repeat business with the organization (Anderson and Jacobsen, 2000). It is in fact a deeply held commitment of customers to prefer products or services of a particular organization in future despite situational constraints or marketing influences to cause the switching behavior. Moreover true customer loyalty is created when customers become advocate of an organization without any incentive (Oliver, 1997). Customer satisfaction in believed as today's dynamic corporate environment to gain an obvious great influence towards customers repurchases intensions. Whereas dissatisfaction, has been seen as a primary reason for customers has intentions to switch to another brand. Satisfied

customers are most likely and usually are going to share their experiences with other people around them. On other hands, dissatisfied customers are more likely to tell another people about their unfortunate experiences with a particular organization. In order to achieve customer satisfaction, organizations must be able to build and maintain long lasting relationships with customers through satisfying various customer needs and demands which resultantly motivates them to continue to do business with the organization on on-going basis (La Barbera and Mazursky, 1983).

There is a previous research that has been conducted by mohsan, 2011, attempted to examine the link between (a) customer satisfaction and customer loyalty and (b) customer satisfaction and customer intentions to switch in various industries. this research is being conducted on Services Corporation in Pakistan. According to the previous research, satisfaction is a critical scale of how well a customer's needs and demands are met while customer loyalty is a measure of how likely a customer is to repeat the purchases and engage in relationship activities. Also Loyalty is vulnerable because even if consumers are satisfied with the services they will continue to defect if they think they can get better value, convenience or quality elsewhere (Mohsan et al, 2011). Therefore, customer satisfaction is not an accurate indicator of loyalty. Satisfaction is essential but not a sufficient condition of loyalty. In other words, we can have customer satisfaction without loyalty, but it is too hard or even impossible to have loyalty without satisfaction.

More over, the researcher wants to extended Hermann et al in 2007 research about their findings about price perception that leads to satisfaction more to the issue of perceived fairness in Indonesia with Toyota as its subject. It is because Toyota brand is very well known in indonesia as one of primary brand of car. Hopefully by choosing Toyota brand, people are knowing their intention and their satisfaction by choosing Toyota. The researcher will includes two components of price fairness (price offer vs. procedure) in his research as a consumer psychological characteristic (vulnerability) and examine their effects on satisfaction judgments. The researcher begins with an overview of the satisfaction and fairness concepts leading to a conceptual

model and hypotheses the same way as (Hermann, 2007) did on its research. Also this research wants to add a connection between satisfied customer with customer loyalty and intention to switching to another brand even if they are satisfied with their purchase. Therefore the concept of this research is not stopped on satisfied customer to knowing better the extension of customer satisfaction.

1.2 Identification of the Problem

Researcher wants to propose the identification of the problem in this section. Based on collected data of research gaps that have been happened and mention on the previous section therefore, the researcher purpose the identified problem as follows:

- 1 Do buyers' price perceptions influence their perceptions of the fairness of price offers on Toyota brand on Surabaya?
- 2 Will as consumers' perceived vulnerability due to an urgent need and their immediate demand increases, their perceptions of price offer fairness will decrease on Toyota brand on Surabaya?
- 3 Do buyers' perceptions of price offer fairness will have effect on their perceptions of pricing procedure fairness on Toyota brand on Surabaya?
- 4 Do buyers' perceptions of price offer fairness; will have effect on their overall satisfaction with the purchase on Toyota brand on Surabaya?
- 5 Do buyers' perceptions of pricing procedure fairness will have effect on their overall satisfaction with the purchase on Toyota brand on Surabaya?
- 6 Do buyers' price perceptions will have effect on their overall satisfaction with the purchase on Toyota brand on Surabaya?
- 7 Do buyers' satisfactions with the dealer's service will have effect on their overall satisfaction with the purchase on Toyota brand on Surabaya?
- 8 Do buyer's satisfactions with the condition of the car upon delivery will have effect on their overall satisfaction with the purchase on Toyota brand on Surabaya?

- 9 Do buyers' perceptions of pricing procedure fairness will have effect on their satisfaction with the dealer's service on Toyota brand on Surabaya?
- 10 Do buyers' satisfactions with the dealer's service will have effect on their satisfaction with the conditions of the car upon delivery on Toyota brand on Surabaya?
- 11 Do customer satisfactions will have effect on customer loyalty on Toyota brand on Surabaya?
- 12 Do customer satisfactions will have effect on intention to switch on Toyota brand on Surabaya?

1.3 Research Objectives

According to identification of the problem on the previous section, the researcher objectives are want to knowing is there is a correlation between:

- 1 to knowing that Buyers' price perceptions have an influence to perceptions of the fairness of price offers on Toyota brand in Surabaya.
- 2 to knowing that Consumers' perceived vulnerability due to an urgent need and their immediate demand increases, their perceptions of price offer fairness will affect on Toyota brand in Surabaya
- 3 to knowing that Buyers' perceptions of price offer fairness will have effect on their perceptions of pricing procedure fairness on Toyota brand in Surabaya
- 4 to knowing that Buyers' perceptions of price offer fairness, will have effect on their overall satisfaction with the purchase on Toyota brand in Surabaya
- 5 to knowing that Buyers' perceptions of pricing procedure fairness will have effect on their overall satisfaction with the purchase on Toyota brand in Surabaya
- 6 to knowing that Buyers' price perceptions will have effect on their overall satisfaction with the purchase on Toyota brand in Surabaya
- 7 to knowing that Buyers' satisfaction with the dealer's service will have effect on their overall satisfaction with the purchase on Toyota brand in Surabaya

- 8 to knowing that Buyer's satisfaction with the condition of the car upon delivery will have effect on their overall satisfaction with the purchase on Toyota brand in Surabaya
- 9 to knowing that Buyers' perceptions of pricing procedure fairness will have effect on their satisfaction with the dealer's service on Toyota brand in Surabaya
- 10 to knowing that Buyers' satisfaction with the dealer's service will have effect on their satisfaction with the conditions of the car upon delivery on Toyota brand in Surabaya
- 11 to knowing that Buyers' satisfaction will have affect on customer satisfaction on Toyota brand in Surabaya
- 12 to knowing that Buyer's satisfaction will have affect on Customer intention to switch on Toyota brand in Surabaya.

1.4 Research Contribution

1. Theoretical Contribution

This research will enrich and hopefully completed the previous researches that have been conducted to knowing price fairness will have positive aspect to satisfaction. This research will be also become a proving research price factor on marketing mix can be applied on measuring customer satisfaction. This research can also be applied to the next generation that wants to use price fairness as their variable to knowing satisfaction. This research is being enriched by after effect of buyer satisfaction that will leads into customer loyalty and intention to switch to another brand. Therefore this research is a combined version of customer behavior theory and marketing strategy theory

2. Practical Contribution

The advantage of this research for Toyota Company is to open their opinion to determine which price that will be counted as fair and will lead more satisfaction of the customer. It is also become measurement for other companies for their product. This research can also become a measurement

to knowing what factor that most influences satisfaction that will leads into loyalty.

1.5 Research outline

The Research will be arranged in following outline:

CHAPTER 1 INTRODUCTION

Chapter one will comprise the Background, Problems Statement, Purpose of Study, Research Advantages and Research Outline.

CHAPTER 2 LITERATURE REVIEW

Chapter two will comprise Previous Research, Literature Review, Research Model, and Hypothesis.

CHAPTER 3 : RESEARCH METHOD

Chapter three will comprise Research Design, Research Variable Identification, Measurement of Research Variables, Type and Source of Data, Population, Sample and Sampling Technique, Scale Measurement of Variables, Data Testing, Data Analysis Technique

CHAPTER 4: RESULT AND DISCUSSION

Chapter four will comprire Charateristic respondent, descriptive of respondent, result of analysis, hyphoyhesis testing and discussion.

CHAPTER 5: CONCLUTION AND RECCOMENDATION

Chapter five will comprise conclusion, recomendation and limitation of the research.