

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Globalization is a social process that brings and changes the order of a nation to become more advanced where geographical boundaries no longer exist. Therefore, the world is becoming borderless and increasing competition between companies. This is due to the high mobility and development opportunities provided by Globalization causing world trade to become more fierce. Companies must increase competitiveness which can make products and services better and more advanced so that they are able to attract customer's attention (Ungerma, 2018).

Talking about competition, the automotive world is a real example of competition between companies where every company is competing to be the best in any case. Therefore, car companies are inevitably obliged to improve and maintain the consistency that has been provided from the beginning until forever so that this can increase customer's loyalty. Moreover, companies are required to improve and reduce negative social views of the company's brand because bad news can be reported quickly.

In addition, the human resources owned by the company must be adequate and adapt to the culture of other countries so that they can improve their performance. Therefore, a salesperson in the automotive world who is the spearhead of a company must be monitored and cared for in such a way as to maintain the

company's vision and mission. An indicator that can assess this is by looking at employee performance and customers' satisfaction.

Moreover, talking about the automotive world, discussions about mobility or transportation are inevitable where every human being has the need to be able to transport quickly and easily. In other words, Transportation is increasingly crucial in human life because the ease of mobility will save time and provide a sense of comfort to go from one place to another places. This is also triggered by the increasing and growing human population which causes an increase in the level of mobility (Glenaldi et al, 2022). Therefore, competition occurs in the automotive industry where companies are competing to be the first and win the market.

In addition, quoting from GAIKINDO (Indonesian Association of Automotive Industries), car sales in 2022 have increased by 18.1% of which 1,048,040 were sold in the period January-December 2022 (Andi, 2023). Therefore, besides being able to meet the needs of society, the automotive industry is an industry that can boost the Indonesian economy because car sales can increase a country's GDP.

Talking about the business world, what currently happening in society is increasingly developing and advancing where technology has been used in such a way as to help sales or increase profits from a business. One of example is social media which has been widely used by retailers, wholesalers, small, large, and medium businesses in increasing sales of the products or services offered. This is driven by customer behavior which has changed from conventional to digital because apart from the impact of the globalization era, the Covid-19 pandemic has

also had a significant impact on how to sell products or services. Therefore, business practitioners have made social media as one of the strategies to attract customers and compete in the market (Putra & Aristana, 2020). One of example is the automotive industry where E-word of mouth and social media advertising have been utilized by all car brands in Medan. The reason is because this method is effective enough to convey messages related to car prices and promos offered (Juliyansi & Suryawardani, 2019).

However, it cannot be denied that apart from technology, other factors such as paying attention to the showroom's aura, the quality of human resources, and the customer's trust in the company will have an impact on the purchase's decision. Starting from the showroom atmosphere which is a physical characteristic that is built in such a way as to influence human emotions through the five senses. In other words, the showroom atmosphere is a factor that can potentially influence customer decisions and give customers an impression of the products offered (Noniktyasari, 2023).

In addition, personal selling is one of the main weapons for a company to sell products and compete with other companies. This is because the purpose of personal selling is to instill perceptions and convince consumers of the products offered. Personal selling occurs exclusively where there is physical contact between two or more people where a person makes a percentage of a person or group of buyers or customers regarding a product (Tarigan et.al, 2021). Therefore, personal selling is also the spearhead of a company because customers can consult and place orders directly with the seller.

In addition, another factor that can influence purchasing decisions is the brand image of a company (Suryani et.al, 2022). According to Miati (2020), Brand image is a form of belief or impression that a buyer has of an object. Therefore, in theory, brand image has a significant influence on consumer purchasing decisions. However, brand image may also not have a significant effect where research needs to be carried out in order to know for certain the relationship between brand image and consumer purchasing decisions (Nugroho, 2021).



Figure 1. 1 Mitsubishi Dipo Krakatau Medan
Source: Facebook (2019)

In this study, the writer will use PT Mitsubishi Dipo Krakatau as the object of research. Mitsubishi Dipo Company is a company that was founded in 1976 under the name PT. Sumatra Berlian Motor (SBM) where this automotive company is an official dealer of Mitsubishi vehicles in the form of private cars and commercial cars. In 2019, PT. SBM merged and changed the company name to DIPO Internasional Pahlala Otomotif with the aim of expanding throughout Indonesia. Apart from selling cars, PT. DIPO also provides after-sales services, including the sale of original spare parts, vehicle body repairs, and workshop services.

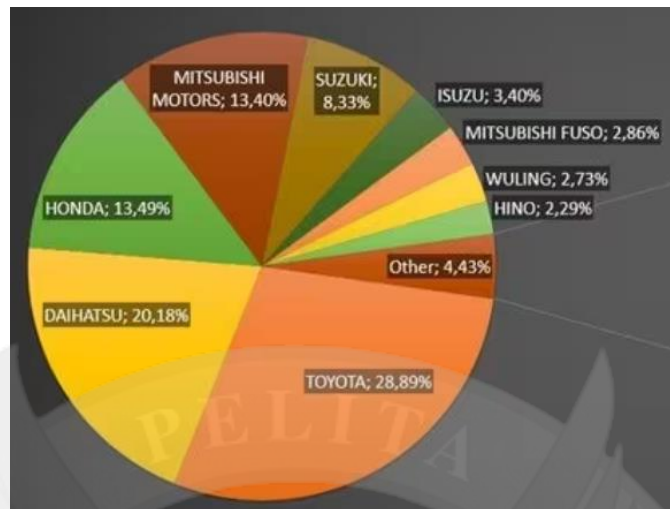


Figure 1. 2 Market Share in Indonesia for year 2022
 Source: zigwheels (2022)

The data above is an indicator of Car's market share in Indonesia where can be seen that Mitsubishi Motors is in fourth position (controlling 13.4% of the market) and Mitsubishi Fuso is in seventh position (controlling 2.86%). Therefore, it can be concluded that the Mitsubishi brand still needs to develop strategies to increase sales and compete with its competitors.

Table 1. 1 Mitsubishi car sales data at PT Dipo Internasional Pahala Otomotif Krakatau Medan in 2022

Month	Unit	Percentage
January	80	10,72%
February	68	9,12%
March	57	7,64%
April	55	7,37%
May	52	6,97%
June	60	8,04%
July	54	7,24%
August	56	7,51%
September	60	8,04%
October	63	8,45%
November	68	9,11%
December	73	9,79%
TOTAL	746	100%

Source: PT Dipo Internasional Pahala Otomotif (2023)

The table above shows total Mitsubishi car sales in 2022, where total sales continue to decline from January to May. However, there was an increase from June to December.

Table 1. 2 Mitsubishi car sales data at PT Dipo Internasional Pahala Otomotif Krakatau Medan in 2023

Month	Unit	Percentage
January	68	16,07%
February	60	14,18%
March	38	8,98%
April	45	10,63%
May	55	13%
June	57	13,47%
July	55	13%
August	45	10,63%
TOTAL	423	100%

Source: PT Dipo Internasional Pahala Otomotif (2023)

The data above shows total unit sales for 2023 per month where the analysis shows that from month to month, car sales at the Mitsubishi Dipo Krakatau branch dealership have decreased. As early as 2023 started, it could be seen that sales declined and plummeted in March. Although sales increased in April, May, and July, total sales decreased in July and August.

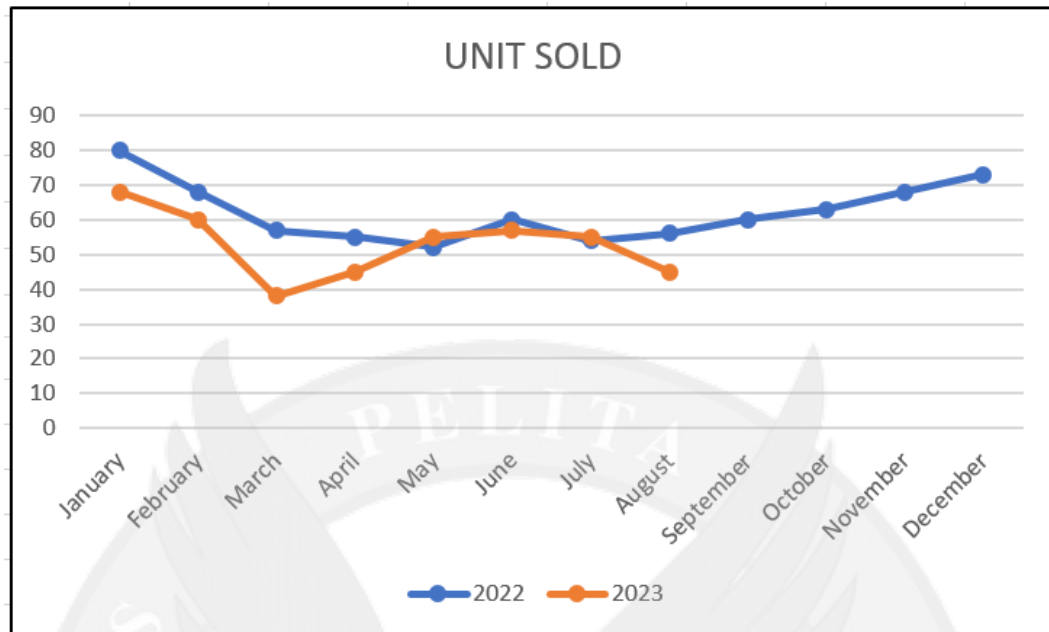


Figure 1. 3 Unit Sold of the Mitsubishi car sales data at PT Dipo Internasional Pahala Otomotif, Medan in 2023

Source : PT Dipo Internasional Pahala Otomotif (2023)

The graph above shows the comparison of total sales in 2022 and 2023, where it can be seen that sales in 2022 have decreased. This can be seen from the comparison of total sales each month, where in 2023, there is only a slight increase in May and July. Meanwhile, in other months there was a significant decline in 2023. Therefore, the writer speculates that there are several problems that arise and negatively influence consumer purchasing decisions at PT Dipo Internasional Pahala Otomotif Krakatau, Medan. Moreover, the time required to wait for spare parts sent from Jakarta is quite long when compared to other brands. Also, the additional gift for consumers who have just bought a car are not as many as other brands, where sometimes salespeople even have to buy it for customers. In addition, the discount offered by PT Dipo Internasional Pahala Otomotif is not as much as other brand dealers.

Table 1. 3 Preliminary Study : Showroom Atmosphere

Indicator	Results
General Exterior	The building of PT Dipo Internasional Pahala Otomotif Krakatau branch is less visible than other building.
General Interior	The clear glass of the showroom cannot withstand the heat when the sun goes down.
Store Layout	The cars on display in the showroom only consist of 2 units.
Interior Display	Consumers who visit the showroom for the first time do not know the location of the waiting room.

Source: PT Dipo Internasional Pahala Otomotif (2023)

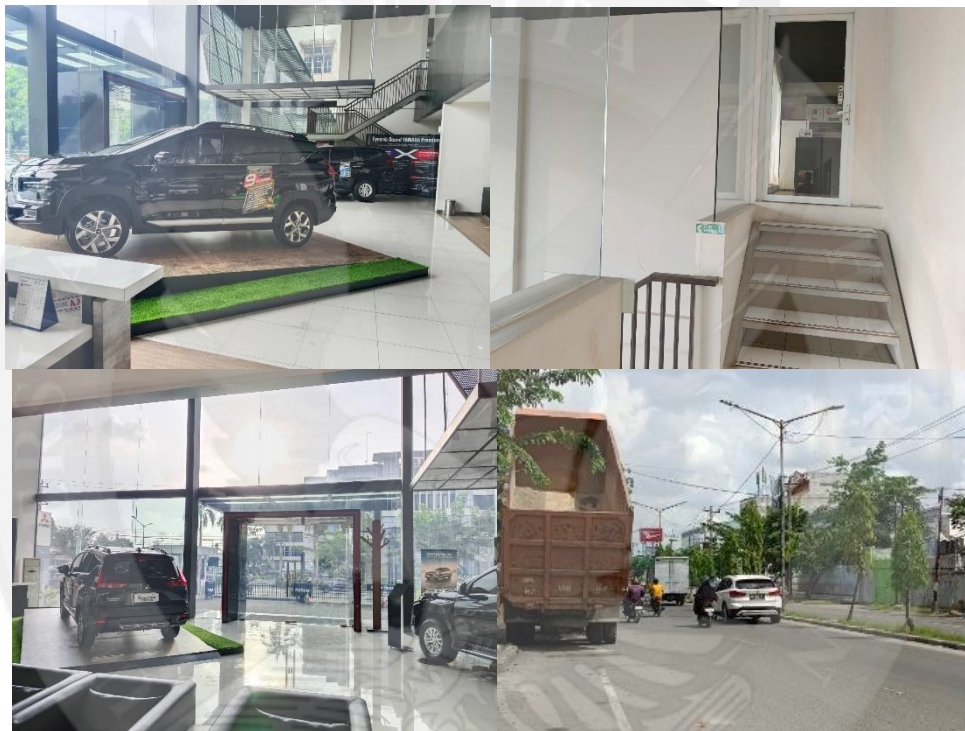


Figure 1. 4: Showroom Atmosphere at PT Dipo Internasional Pahala Otomotif-Krakatau Branch, Medan

Source: Prepared by the writer (2023)

Based on direct customer interviews and observations in the showroom environment,, PT Dipo Internasional Pahala Otomotif – Krakatau branch Medan has several shortcomings, namely in terms of the visibility of the building which looks less conspicuous compared to the surrounding buildings, the heat that is felt in the showroom when the weather is hot, too few display units, and the directions in the showroom are not good.

Table 1. 4 Preliminary Study : Personal Selling

Indicator	Results
Communication Skills	Salesperson communication skills are not persuasive enough. However, salesperson can communicate well with consumers.
Product Knowledge	Several consumers have complained about the salesperson's product knowledge being inadequate.
Creativity	Most salespeople are not skilled at attracting consumers' attention.

Source: PT Dipo Internasional Pahala Otomotif (2023)

Moreover, the communication skills of the salesperson were considered less persuasive, which was supported by several customers who visited Mitsubishi booths in several malls. Apart from that, several customers also complained about the product knowledge possessed by salespersons, where there were several people who did not master the product well. Therefore, companies should hold more training and give exams to test salesperson abilities and encourage employees to become more creative individuals.

Table 1. 5 Preliminary Study : Brand Image

Indicator	Results
Product Image	Mitsubishi car spare parts are considered more expensive compared to other brands.
Corporate Image	Mitsubishi company is seen as profit seeker company as car discounts are smaller than other brands.
User Image	Mitsubishi car users are seen as business people because Mitsubishi is famous for its Fuso truck commercial vehicles.

Source: PT Dipo Internasional Pahala Otomotif (2023)

Furthermore, the duration of ordering spare parts is not as fast as other brands, which will have a negative impact on consumer satisfaction. Mitsubishi company is also seen as a profit seeker company as the price discounts offered are not as big as other brands. In addition, Mitsubishi users are seen as business people because Fuso trucks are known by the wider community.

The writer is interested in conducting research at PT Dipo Internasional Pahala Otomotif because the data above shows a decline in sales which reflects there are some factors that influence consumer buying decisions not to purchase a

car at the Mitsubishi branch on Jalan Krakatau. Therefore, the writer tends to conduct research with the title **“The Influence of Showroom Atmosphere, Personal Selling, and Brand Image on Customer’s Purchase Decision at PT Dipo Internasional Pahala Otomotif - Krakatau Branch, Medan”**.

1.2 Problem Limitation

There are several problem limitations in this research, such as:

- a. The variables discussed are Showroom’s atmosphere, personal selling, brand image, and customer’s purchase decision on Mitsubishi Dipo Pahala Otomotif – Krakatau branch, Medan.
- b. Questionnaires will be used in this study to obtain data for this research.
- c. The data will be collected from Medan’s respondents who have an experience to purchase Mitsubishi Cars.

1.3 Problem Formulation

The formulation of the problem will be listed as follow:

- a. Does showroom’s atmosphere have partial influence on customer purchase decision at PT Dipo Internasional Pahala Otomotif-Krakatau, Medan?
- b. Does personal selling Influence have partial on customer purchase decisions at PT Dipo Internasional Pahala Otomotif-Krakatau, Medan?
- c. Does brand image have partial influence on customer purchase decision at PT Dipo Internasional Pahala Otomotif-Krakatau, Medan?

- d. Do showroom atmosphere, personal selling, and brand image, have simultaneous influence on customer purchase decision PT Dipo Internasional Pahala Otomotif, Medan?

1.4 Objective of the Research

The research objectives are as follows:

- a. To analyse whether showroom's atmosphere have partial influence on customer purchase decisions at PT Dipo Internasional Pahala Otomotif, Medan.
- b. To explain whether personal selling have partial influence on customer purchase decisions at PT Dipo Internasional Pahala Otomotif, Medan.
- c. To identify whether brand image have partial influence on customer purchase decisions at PT Dipo Internasional Pahala Otomotif, Medan.
- d. To investigate whether showroom atmosphere, personal selling, and brand image have partial influence on customer purchase decision at PT Dipo Internasional Pahala Otomotif, Medan.

1.5 Benefits of the Research

1.5.1 Theoretical Benefits

The results of this research aim to provide an explanation of how showroom atmosphere, personal selling, and brand image influence customer purchase decisions. These variables are expected to contribute to the existing theories especially those relevant to showroom atmosphere, personal selling, and brand image as well as the influence on customer purchase decisions.

1.5.2 Practical Benefits

- a. For the writer, this research will get deeper learning about the influence of the showroom's atmosphere, personal selling, brand image, as well as customer purchase decisions so that in the future, it can be applied to increase sales.
- b. For PT Mitsubishi Dipo Internasional Pahala Otomotif Krakatau Medan, the findings are expected to be useful information to increase sales and get an overview of the impact of the showroom's atmosphere, personal selling, and brand image on customer purchase decisions.
- c. For other researchers, the study results are expected to be useful for other students in conducting research as reference regarding the same marketing areas.

