

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Transportation has become a crucial aspect of daily life in today's era. With the fast-paced nature of modern living, there is a demand for a more efficient transportation system to facilitate quick and convenient movement from one place to another. The types of transportation that can be used are by taking private transportation or public transportation. MRT, buses, city transport services, and so on are several examples of public transportation. On the other hand, the examples of private transportation include motorbikes and cars. In today's modern life, cars have emerged as one of the most popular forms of transportation because cars are the most comfortable form of transportation compared to motorbikes. Unlike motorbikes, cars provide protection from rain, heat, and dust on the roads. Additionally, using a personal car eliminates the need to be in crowded public transport, which can be uncomfortable and suffocating. Hence, as time goes by, cars have transitioned from being a tertiary necessity to a secondary one in society, driven by the demand for reliable and comfortable transportation. Furthermore, many car dealers now offer cars at more affordable prices, making individuals easier to purchase.

Despite the increasing demand for car purchases, there are still many individuals with limited funds who wish to buy a car. There are two primary methods to acquire a car: paying in cash or through credit from a leasing

company. If the customer chooses to pay in cash, the customer will pay the entire price of the car upfront and can immediately obtain proof of ownership, such as a Vehicle Registration Certificate (STNK) and Motor Vehicle Ownership Book (BPKB). Conversely, if a customer chooses to finance the car through a leasing company, customer will initially pay a down payment and then make instalment payments over a period agreed upon with the leasing company. Most individuals prefer to purchase a car on credit through a leasing or financing company because credit purchasing allows spreading the cost over time rather than making a large one-time payment. According to the Financial Services Authority (OJK), leasing is a financing activity that involves the provision of capital goods through leasing, either in the form of a finance lease (with option rights) or an operating lease (without option rights). Lessee is a company or individual who uses capital goods with financing from a financing company (lessor). The lessee will use the leased goods for a specified period, making periodic payments. In short, leasing is a form of financing facility for capital goods, including vehicles. Car leasing companies usually provide funds for those who wish to purchase a new or used car, then allowing customers to acquire the desired car by paying in instalments. Generally, these credit payment methods involve a tenor of 12 - 36 months.

Before purchasing a car on credit through a financing company, several factors must be considered that can influence this decision. One of these factors is brand image. According to Firmansyah (2019), brand image refers to consumers' perception and preference of a brand, shaped by different associations consumers hold in their memory. Customers' thoughts and emotions are reflected in a brand

image when they encounter a brand's name or logo. A positive brand image increases the likelihood of consumer purchases and is fundamental to establishing a favourable corporate image. Essentially, brand image represents a memory scheme that encompasses consumers' interpretations of a brand's attributes, benefits, applications, target users, and the characteristics of the marketer or manufacturer. Brand image includes both cognitive aspects such as knowledge and beliefs about the brand's attributes and the outcomes of using it, and affective aspects, which involve the evaluations, emotions, and feelings associated with the brand. Consumers are more likely to make a purchase from a brand they have a positive image of.

Word of mouth (WOM) involves the sharing of opinions or assessments about a product or service, either individually or in groups, with the aim of providing personal information. Word of mouth is a highly effective strategy that influences consumer decisions in using products or services and builds customer trust. Satisfied customers often share positive experiences with others, recommending the product or service through word of mouth. As recommendations from trusted friends and other consumers are often perceived as more credible than commercial sources like advertising and salespeople, hence, word of mouth significantly impacts the purchasing behavior of consumers. Word of mouth naturally occurs when consumers share their experiences with a brand they use, highlighting the benefits of a product or service to potential customers and influencing their perceptions and decisions (Fakhrudin et al., 2021).

According to Uluwiyah (2022), promotion is a series of marketing activities designed to introduce a product from producers to consumers, with the goal to influence and encourage consumers to purchase the product through effective communication. Promotional activities can be conducted directly, such as face-to-face interactions with potential buyers, or through various media channels like social media, mass media, or sales promotions.

Purchase decision is a process in which consumers initially identify a need or problem, prompting them to search for information about various products or brands, and evaluate the available alternatives to determine how well each option can address their issue, which ultimately leads to the final purchasing decision (Tjiptono, 2019).

This research was conducted at PT Clipan Finance Indonesia Tbk, a public financing company in Indonesia, affiliated with the Panin Group. Several of Clipan Finance's prominent products are used car financing, new car financing, heavy equipment financing and cash financing. Within its operations, Clipan Finance encounters several competitors, such as Adira Finance, Dipo Star Finance, Astra Credit Companies, Summit Oto Finance, BCA Finance, etc. Clipan Finance offers both new car financing and used car financing for customers which enables customers to purchase new or used cars through credit or leasing options. This service facilitates customers to purchase cars without requiring full upfront payments and makes customers easier to manage the car payment through installments over a predetermined period of time.

In its operations, Clipan Finance must engage in partnership with car dealers to enhance the service offerings and ensure a smooth experience for customers. A car dealer is a company that sells new or used cars to individual final consumers or other parties such as certain companies or institutions. Apart from offering vehicles, car dealers also usually offer other services related to after-sales such as vehicle maintenance and repair, sales of various spare parts, and access to financing or leasing services. Through collaboration with car dealerships, Clipan Finance gains access to a broader market reach, as most customers directly visit car dealers to purchase cars and customers who select credit-based purchases are often directed to leasing company by these dealerships. Furthermore, car dealers also serve as effective channels for endorsing Clipan Finance's car financing services through positive word-of-mouth referrals, which will also increase the volume of car financing, enhancing the market presence and profitability. Car dealers and financing companies operate symbiotically, and each relies on the other for the mutual benefit of both parties.

Table 1.1 Number of Used Car Financing Units Sold

Month	2021	2022	2023
January	117	107	105
February	121	110	108
March	118	114	111
April	125	113	93
May	131	90	69
June	108	88	66
July	104	96	68
August	99	94	77
September	96	100	82
October	106	102	92
November	108	105	102
December	116	113	110
Total	1,349	1,232	1,083

Source: PT Clipan Finance Indonesia Tbk, Medan (2024)

The table above shows that the number of used car financing units sold at PT Clipan Finance Indonesia Tbk in Medan has been declining from 1,349 units in 2021 to 1,232 units in 2022, and further down to 1,083 units in 2023. The sales in 2023 have generally been lower compared to 2021 and 2022. As economic conditions become more challenging, competitors are offering financing products with more attractive terms and conditions, providing customers with a wider range of choices. This heightened competition likely influences customers' decisions, drawing them towards alternative financing options that may better suit their preferences. The writer suspected that the decline is due to several factors such as brand image, word of mouth, and promotion influencing the customer purchase decisions.

Brand image is a crucial factor in shaping customer perceptions of a brand or product. A negative brand image may deter customers from purchasing a company's products, while a positive brand image tends to attract more customers and encourage them to choose that brand's offerings. Compared to its competitors, Clipan Finance might not be the best in its field and has a weaker brand image, which significantly impacts customer preferences. Clipan Finance is less recognized by consumers compared to its competitors such as BCA Finance, ACC, and Summit Oto Finance. Despite its long presence in the automotive financing industry, Clipan Finance has not managed in establishing a strong brand image in the minds of its consumers. This is largely due to ineffective marketing campaigns and limited engagement with the automotive community, such as not organizing events like expos to boost brand visibility. In contrast, competitors like

BCA Finance consistently execute marketing campaigns and maintain strong visibility across various media platforms, making them more recognizable and memorable to consumers. As a subsidiary of BCA, which already has a strong brand image, BCA Finance is also perceived as more reliable and trustworthy by consumers. This helps BCA Finance build a stronger brand image and a better reputation in the minds of customers compared to Clipan Finance. The weaker brand image and lack of market awareness put Clipan Finance at a competitive disadvantage. Many customers are unfamiliar with Clipan Finance or do not consider it a top choice when seeking automotive financing. Hence, consumers are more likely to choose companies that have been widely recognized with a strong reputation and better brand image. This significantly impacts Clipan Finance's sales, making it difficult for the company to attract and retain customers in the competitive market, ultimately leading to a decline in customer purchases.

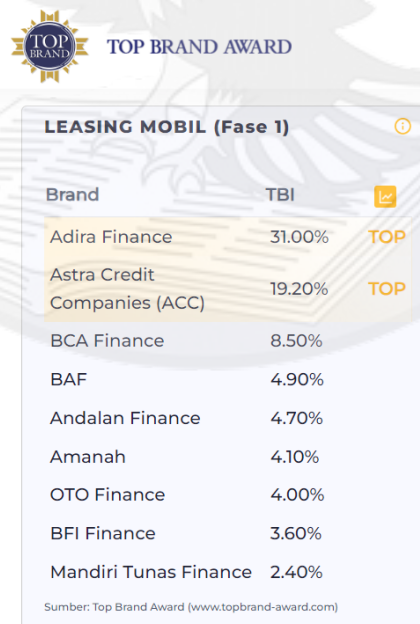


Figure 1.1 Top Brand Awards 2024
Source: Top Brand Indonesia (2024)

Furthermore, based on the data from the Indonesia Top Brand Index website, it can be observed that Clipan Finance did not make the list in the Top Brand Award 2024 for the car leasing category, while BCA Finance secured the third position in this category. This indicates that Clipan Finance's brand is still not strong enough compared to its competitors, presenting a significant challenge for Clipan Finance in its market. This highlights the challenges Clipan Finance faces in maintaining its brand image and market position amidst strong competition.

Word of mouth is one of the most crucial factors in boosting a company's sales. Satisfied customers are more inclined to share their positive experiences with friends and relatives, generating valuable word-of-mouth referrals. However, Clipan Finance has encountered significant challenges that have led to negative word of mouth from its customers, due to prolonged credit approval processes from the company which typically takes around two weeks, while competitors manage to complete the same process in under a week. This delay frustrates customers, resulting in dissatisfaction and complaints from the customers, and leading them to recommend other companies to their relatives and acquaintances. Additionally, the prolonged credit approval process leads to delayed fund disbursement, making Clipan Finance slower in disbursing funds to car dealers compared to its competitors, which cause delays that disrupt dealers' cash flow and reduce their trust in the company. Given that word of mouth for Clipan Finance comes not only from customers but also from its partner car dealers, it's crucial for Clipan Finance to strengthen relationships with car dealers to

encourage them to promote its financing options, in order to boost positive word of mouth and attract more customers. Dealers who previously recommended Clipan Finance now prefer more reliable financing companies with faster fund disbursement. If car dealers stop actively recommending Clipan Finance and instead suggest other companies, customers are likely to choose those alternative options as well, leading to a decline in Clipan Finance's sales.

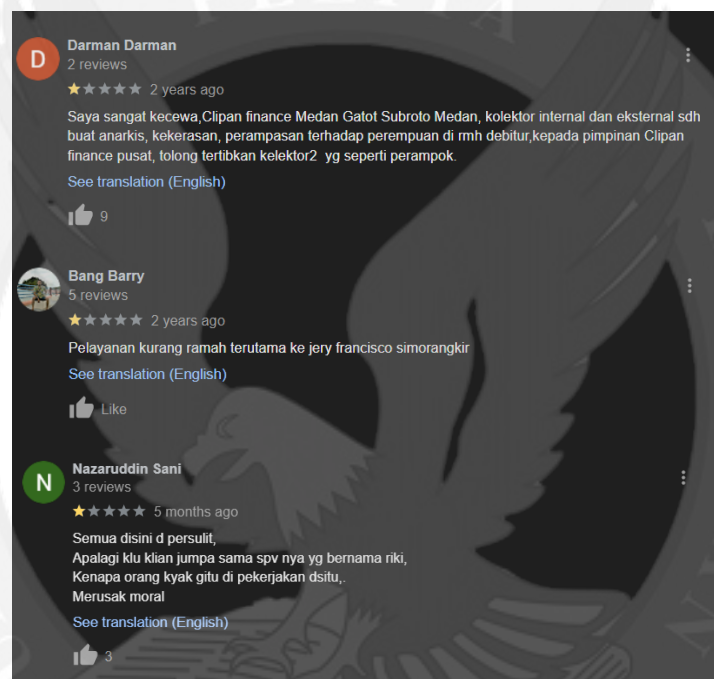


Figure 1.2 Customer Reviews of Clipan Finance
Source: Google Reviews (2024)

From the figure above, it can be seen that several negative reviews have been posted by customers on Google Reviews. The first review by Darman Darman states *“Saya sangat kecewa, Clipan finance Medan Gatot Subroto Medan, kolektor internal dan eksternal sdh buat anarkis, kekerasan, perampasan terhadap perempuan di rmh debitur, kepada pimpinan Clipan finance pusat, tolong tertibkan kolektor2 yg seperti perampok.”* (Translation: *“I am very disappointed, Clipan Finance Medan Gatot Subroto, the internal and external*

collectors have committed anarchy, violence, and confiscation against women in the debtor's home. To the leaders of Clipan Finance, please control the collectors who behave like robbers.”) This review describes an extremely negative experience involving Clipan Finance's debt collectors. The reviewer accuses both internal and external collectors of using violent and anarchic methods, including harassment of women and behavior likened to robbery. Such allegations severely damage the company's image, portraying Clipan Finance as unethical and overly aggressive in its debt collection practices. Strong language like "robbers" paints a picture of unprofessionalism and a lack of accountability within the organization. This type of negative word of mouth (WOM) can spread quickly, leading to public distrust and a fear of engagement with the company. For prospective customers, such behavior is a major deterrent, ultimately leading to a decline in purchase decisions. The second review by Bang Barry states “*Pelayanan kurang ramah terutama ke jery francisco simorangkir.*” (Translation: “The service is unfriendly, especially by Jery Francisco Simorangkir.”) In this review, the customer highlights poor service and specifically mentions an employee, Jery Francisco Simorangkir, for being unfriendly. Poor customer service is a common reason for dissatisfaction, as it reflects a lack of professionalism and care toward clients. This kind of complaint, when shared publicly, generates negative word of mouth, causing potential customers to question the company’s ability to deliver reliable and respectful service. For a financing company, maintaining trust and good relationships is crucial. If customers perceive the staff as unprofessional or rude, it can discourage them from engaging with the company, as they may fear similar

treatment, in which they might also view Clipan Finance as a company that provides poor services to its customers. Moreover, the third review by Nazaruddin Sani states *“Semua disini dipersulit, Apalagi klu kalian jumpa sama spv nya yg bernama riki, Kenapa orang kayak gitu di pekerjaan disitu. Merusak moral.”* (Translation: “Everything here is made difficult, especially if you meet their supervisor named Riki. Why are people like that working there? It ruins morale.”) This review highlights systemic inefficiencies and unprofessional behavior within Clipan Finance. The reviewer mentions that processes are unnecessarily made difficult and points out a supervisor named Riki for worsening the situation. Such inefficiencies and poor staff behavior damage the company's image by portraying it as disorganized and inconsiderate of its customers. Negative WOM stemming from these complaints spreads distrust and dissatisfaction, which can significantly deter potential customers. Customers seeking financial services value efficiency and professionalism, and a reputation for inefficiency may lead them to choose competitors with smoother processes. These unfavorable comments can generate negative word of mouth among potential customers, which could damage the brand image of Clipan Finance. As a result, they may reconsider choosing Clipan Finance for their financing needs and choose its competitors instead, potentially leading to a decline in sales. In conclusion, negative word of mouth from such experiences can spread rapidly, severely harming the company's brand image. Financing companies rely heavily on trust, professionalism, and customer care; without these qualities, customers are unlikely to engage with the company. Thus,

the negative word of mouth from previous customers has also contributed to the decline in customer purchases.

Promotion is also essential for financing products. Clipan Finance has experienced a significant decline in sales due to an ineffective promotion strategy. The company has not been active enough in leveraging various media, including digital platforms, social media, and billboard advertising, to highlight its special offers and promotions. Moreover, Clipan Finance rarely offers attractive sales promotion such as discounts, low-interest rates, unique financing packages, or cashback programs, which are commonly used by competitors to attract customer attention. In addition, Clipan Finance also faces challenges in personal selling and direct marketing. The company's marketing team lacks aggressiveness in approaching potential customers directly, whether through visits to car dealerships, participation in automotive exhibitions, or direct communication with potential customers. The lack of personal selling reduces the opportunity for Clipan Finance to effectively communicate the benefits of their products to consumers, ultimately affecting purchasing decisions. Furthermore, Clipan Finance seldom engages in promotional activities to market its financing products. When competitors engage in more promotional activities, it leads to greater awareness and interest in their products, making customers more likely to choose them over Clipan Finance. Without appealing incentives like discounts or low-interest rates, strong personal selling and direct marketing efforts, along with attractive promotional activities, customers are more likely to choose competitors

that offer additional benefits, further contributing to the decline in customer purchases of Clipan Finance.

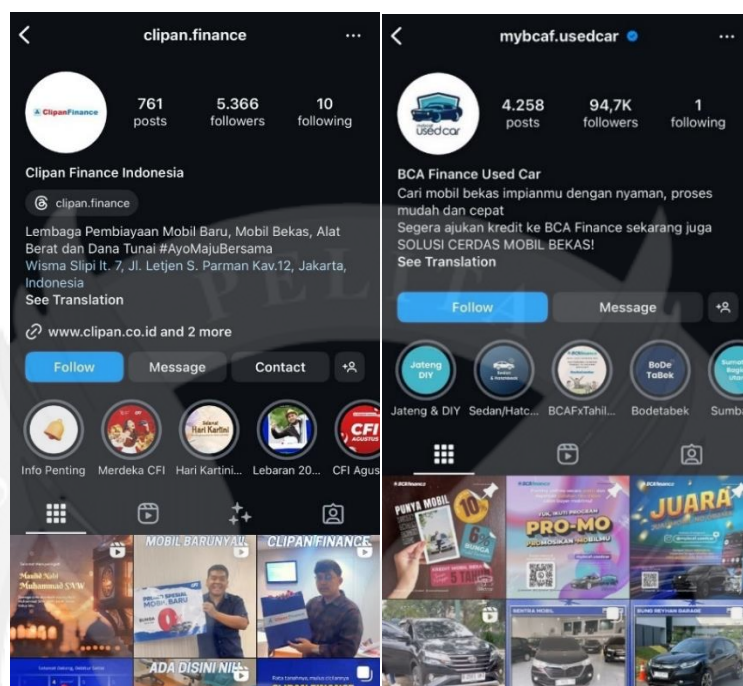


Figure 1.3 Instagram Profile of Clipan Finance and BCA Finance
Source: Instagram (2024)

Based on the figure above, it can be seen that compared to competitors like BCA Finance, Clipan Finance has significantly fewer followers and posts on Instagram. While Clipan Finance has only 761 posts and 5,366 followers, BCA Finance has 4,258 posts and 94.7k followers. In today's society, social media, particularly Instagram, serves as one of the easiest platforms for customers to access information and find attractive promotions, including for automotive financing. The lower number of posts of Clipan Finance indicates that it may be less active in utilizing social media as an effective marketing tool to promote its products and services, and Clipan Finance may not be engaging its audience as often as it should. This lack of content limits the company's ability to communicate key promotions, financial products, and services to both potential

and existing customers. Furthermore, the significantly lower followers suggests that Clipan Finance may not be reaching as broad an audience as BCA Finance, which could reduce its brand visibility and awareness. This disadvantage in social media presence can hinder Clipan Finance's ability to attract new customers, especially those who rely on online platforms for their decision-making process. Since social media is considered as one of the most accessible promotional platforms, the lack of visibility could limit the ability of a company to effectively advertise its products. Consequently, Clipan Finance may struggle to compete with competitors like BCA Finance, which is more active and visible online to promote their products and services, potentially leading to decline in its customer purchases.

Based on the background of the study, the writer is interested to conduct research entitled "**The Influence of Brand Image, Word of Mouth, and Promotion on Customer Purchase Decision for Automotive Financing at PT Clipan Finance Indonesia Tbk, Medan**".

1.2 Problem Limitation

To enhance the focus of this study and simplify the data gathering processing, the writer decides to limit the scope research to the following variables: brand image (X_1), word of mouth (X_2), and promotion (X_3) as the independent variables and customer purchase decision (Y) as the dependent variable. The indicators for brand image include recognition, reputation, affinity, and brand loyalty (Indrasari, 2019). The indicators for word of mouth include

highlighting positive aspects, recommendations, and encouragement (Zakaria, 2020). The indicators for promotion include advertising, sales promotion, personal selling, and direct marketing (Larika and Ekowati, 2020). The indicators of customer purchase decision include consistency of a product, habitual purchasing behavior, providing recommendations to others, and engaging in repeat purchase (Larika and Ekowati, 2020). In addition, the writer would also limit the object of the research, which is PT Clipan Finance Indonesia Tbk, Medan, located at Jl. Gatot Subroto, Komplek CBD No. BB – 1/1A, Medan, focusing on the automotive financing for used cars.

1.3 Problem Formulation

According to the background of the study, the writer can formulate some questions as follows:

- a. Does brand image have a partial influence on customer purchase decision for automotive financing at PT Clipan Finance Indonesia Tbk, Medan?
- b. Does word of mouth have a partial influence on customer purchase decision for automotive financing at PT Clipan Finance Indonesia Tbk, Medan?
- c. Does promotion have a partial influence on customer purchase decision for automotive financing at PT Clipan Finance Indonesia Tbk, Medan?
- d. Do brand image, word of mouth, and promotion have a simultaneous influence on customer purchase decision for automotive financing at PT Clipan Finance Indonesia Tbk, Medan?

1.4 Objective of the Research

Based on the background and the formulation of the problem, the objectives of this research are as follows:

- a. To analyze whether brand image has a partial influence on customer purchase decision for automotive financing at PT Clipan Finance Indonesia Tbk, Medan.
- b. To analyze whether word of mouth has a partial influence on customer purchase decision for automotive financing at PT Clipan Finance Indonesia Tbk, Medan.
- c. To analyze whether promotion has a partial influence on customer purchase decision for automotive financing at PT Clipan Finance Indonesia Tbk, Medan.
- d. To analyze whether brand image, word of mouth, and promotion have a simultaneous influence on customer purchase decision for automotive financing at PT Clipan Finance Indonesia Tbk, Medan.

1.5 Benefit of the Research

The results of the research on “The Influence of Brand Image, Word of Mouth, and Promotion on Customer Purchase Decision for Automotive Financing at PT Clipan Finance Indonesia, Tbk, Medan” are expected to provide benefits, which can be categorized into two types:

1.5.1 Theoretical Benefit

The outcome of this research aims to offer a deeper understanding of how brand image, word of mouth, and promotion will influence customer purchase decisions. This research is expected to enrich existing theories and research related to leasing financing services, and to serve as a foundational reference for further research in this area.

1.5.2 Practical Benefit

The following are the practical benefits.

a. For the writer,

This research is expected to broaden the writer's knowledge base, give extra information to the writer, and make the writer gain new experience and insights.

b. For PT Clipan Finance Indonesia Tbk, Medan,

This research is expected to be able to contribute to helping the company to increase customer purchase decisions, especially improving the brand image, word of mouth, and promotion.

c. For future researchers,

This research is expected to serve as reference and give information about brand image, word of mouth, and promotion, and the influence on customer purchase decisions.