

# **CHAPTER I**

## **INTRODUCTION**

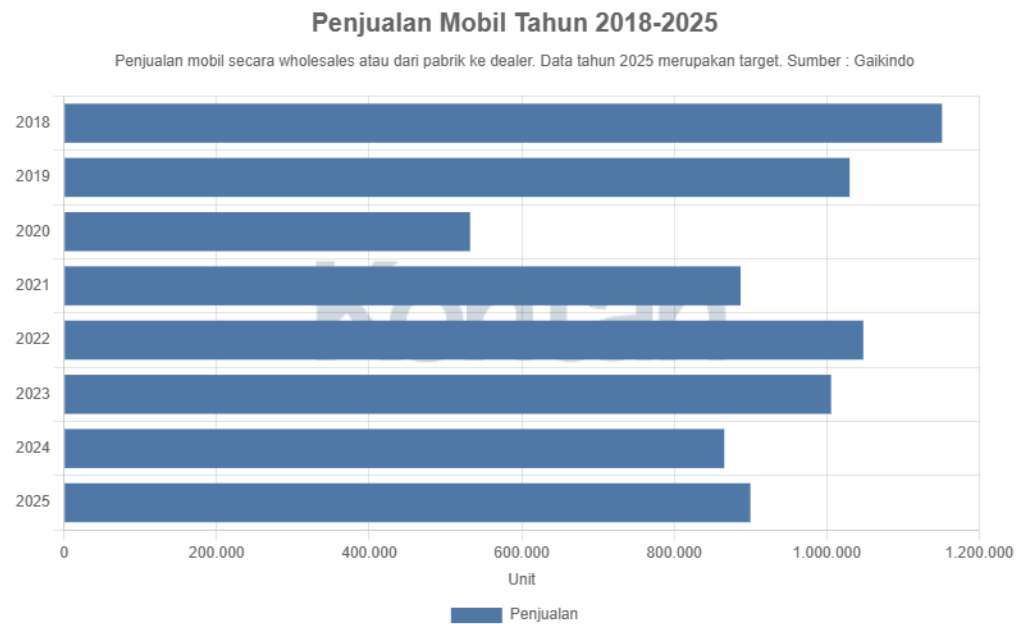
### **1.1 Background of the Study**

The automotive industry in Indonesia began in the 1960s, with the establishment of the first automotive manufacturer, PT Toyota Motor Manufacturing Indonesia (TMMIN), in 1971. Since then, the industry has grown rapidly, with many international automotive manufacturers setting up operations in the country. The Indonesian automotive industry has experienced significant growth in recent years, with a total production of over 1.3 million vehicles in 2020. As a major player in the industry, Honda has a substantial presence in Indonesia, with a market share of around 20.5%. The company's success in Indonesia is largely due to its ability to adapt to the local market and provide vehicles that meet the needs of Indonesian consumers.

The Indonesian automotive market has exhibited a notable trend over the past few years, with car sales reaching a peak of 1,151,308 units in 2018, followed by a decline in 2019 to 1,030,126 units, and then a significant drop to 532,407 units in 2020, before rebounding in 2021 with 887,202 units sold, and continuing to grow in 2022 to reach a total of 1,048,040 units, and while the sales totaled 1,005,802 units in 2023, the industry has set a target of 900,000 units for 2025. Below is given the sales car automotive performance in year 2018-2025.

Sumber: Gaikindo

Update : 26 Februari 2025



**Figure 1. 1 The whole sales car automotive performance in year 2018-2025.**

Source: Gakindo (2025)

According to data from the Indonesian Automotive Industry Association (Gakindo), which suggests that the car sales market in Indonesia has shown potential for growth and development in the future, as evidenced by the fluctuations in sales over the years, which have been influenced by various factors, including market trends, consumer behaviour, and economic conditions.

In Medan, Honda has a strong presence through its dealership and service network, including PT Istana Deli Kejayaan, also known as Honda IDK 2. The dealership offers a range of Honda vehicles, including the Honda Brio, Honda Jazz, and Honda HR-V, which are popular among consumers in Medan. The growth of the Indonesian automotive industry has also led to an increase in demand for vehicles in Medan, with Honda being one of the top-selling brands in the city. As a

result, Honda's presence in Medan has facilitated the city's economic expansion and advancement, generated employment possibilities and generating revenue for the local government. Furthermore, the company's commitment to innovation and quality has also influenced the local automotive industry, with other manufacturers following suit and investing in research and development to improve their products and services. Overall, Honda's presence in Medan is a significant aspect of the Indonesian automotive industry, and the company's success has had a positive impact on the local economy and community.

Honda's history in Indonesia began in the 1970s when the company established a subsidiary, PT Honda Indonesia, to manufacture and distribute motorcycles. The company's first motorcycle production facility was established in 1975 in Karawang, West Java.

In the 1980s, Honda introduced its first automobile models in Indonesia, including the Honda Civic and Honda Accord. The company established a car manufacturing facility in Karawang in 1984.

In the 1990s, Honda expanded its operations in Indonesia, introducing new models such as the Honda Jazz and Honda City. The company also established a network of dealerships and service centres across the country.

In Medan, North Sumatra, Honda has a significant presence, with several dealerships and service centres. The company has also established a manufacturing facility in Medan, which produces motorcycles and automobiles.

PT Istana Deli Kejayaan, operating as Honda IDK 2, is a well-established automotive dealership located in Medan, specializing in the sale and service of

Honda vehicles. With a proud history spanning several decades, Honda IDK 2 has established itself as a reputable entity in the automobile sector, recognized for its dedication to client satisfaction and performance.

Honda IDK 2 offers a comprehensive range of Honda cars, SUVs, and spare part services, catering to a diverse customer base. Their showroom boasts an impressive display of the latest models, featuring sleek designs and innovative technologies cars that appeal to modern drivers. Beyond sales, the dealership provides exceptional after-sales service, including reminding for maintenance, repairs, and genuine Honda parts, ensuring a seamless ownership experience for their clients.

According to Mr. Antony, as ex-supervisor of Honda IDK 2 has undergone a significant evolution since its earlier days in 2016-2018, witnessing a stark contrast in revenue and sales dynamics; while back then, due to less financially savvy customers who were easily enticed by flashy discounts without considering credit implications, the current landscape presents a formidable challenge, requiring massive efforts to convert low prospects into hot ones, with sales consultants grappling with educated customers who meticulously analysing every aspect of a deal, resulting in a bloated sales team of around 130 people, fiercely competing among themselves and with external promotions, making it exceedingly difficult to secure sales in today's market. Below is given Sales performance data of PT Istana Deli Kejayaan in year 2020-2024.

<b>[Laporan Data] Penjualan Mobil Honda IDK 2 Secara Detail 2020-2024</b>						
<b>No.</b>	<b>Type Mobil</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
1.	Honda Jazz	82	0	0	0	0
2.	Honda Brio	547	576	770	720	686
3.	Mobilio	87	66	14	20	8
4.	Honda City	32	2	8	3	2
5.	Honda City-Hatchback	0	105	82	34	5
6.	Honda BR-V	0	34	299	230	140
7.	Honda WR-V	0	0	12	229	175
8.	Honda HR-V 1.5 L	152	210	303	314	226
9.	Honda HR-V 1.8 L	11	14	0	0	0
10.	Honda CR-V	72	119	95	59	39
11.	Honda Civic RS	13	7	8	11	9
12.	Honda Accord	2	1	3	2	1
13.	Honda Civic Type-R	0	1	0	1	0
	<b>Total</b>	998	1135	1594	1623	1291

**Figure 1. 2 The sales performance of PT Istana Deli Kejayaan in year 2020-2024**

Source: Prepared by the writer (2025)

In the data and chart above can be seen that even though the sales report is rising in 2020-2023 and declining in 2024, the increase of total sales in each year seems to be not performing well. Below will be given the proof of the declining sales performance of PT Istana Deli Kejayaan in year 2020-2024.

Understanding the elements that influence consumer purchasing decisions is crucial for companies looking to maintain their competitiveness in the fast-paced market of today. Customers go through a complicated process to determine their wants, obtain information, weigh their options, and finally decide what to buy. This process is known as the purchasing decision (Solomon, 2021).

The customer purchase decision process is a complex and multi-stage process that involves several factors, including cognitive, affective, and conative factors (Solomon, 2022). Cognitive factors refer to the customer's thoughts and perceptions about a product or service, such as the features and benefits of a Honda vehicle. Affective factors refer to the customer's feelings and emotions towards a

product or service, such as the excitement and satisfaction of driving a new Honda vehicle. Conative factors refer to the customer's intentions and behaviours towards a product or service, such as the decision to purchase a Honda vehicle from Honda IDK 2.

The problem identification, information search, alternative evaluation, buy choice, and post-purchase behavior are the several steps that make up the customer purchase decision process. Customers identify a need or issue they wish to address at the problem recognition stage, such as the requirement for a new vehicle. In order to assess the options and make a decision based on their priorities and preferences, they then obtain information about prospective solutions from a variety of sources, including social media, advertising, and word-of-mouth. Customers can choose from a variety of Honda automobiles at Honda IDK to suit their various requirements and tastes. Some consumers may still have selected other cars over Hondas, despite the fact that the company's sales force is educated to answer any questions they may have and to give them comprehensive information about the features and advantages of each model.



**Figure 1. 3 Pre-Survey Variable Y Result**  
Source: Prepared by the writer (2025)

Based on the results of the pre-survey of 30 respondents in Figure 1.4 shown that 83% (25 Persons) of respondents prefer to buy any other car, while there are only 17% (5 Persons) of respondents prefer to purchase Honda as their driving car.

Some customers have expressed their preferences for other brands, such as BYD, over Honda. For instance, Customer A stated, "I prefer buying BYD vehicles because they offer advanced technology at an affordable price." This suggests that Honda IDK 2 may need to revisit its pricing strategy and consider offering more competitive prices to attract customers.

On the other hand, Customer B mentioned that the spare parts services at Honda IDK 2 are quite expensive. "I was shocked when I found out how much it would cost to replace my car's battery," said Customer B. This highlights the need for Honda IDK 2 to review its pricing strategy for spare parts and consider offering more competitive prices to retain customer loyalty.



Additionally, Customer C expressed concerns about the quality of Honda vehicles, specifically the suspension system. "I've had my Honda car for only a few years, and the suspension system has already started to fall apart," said Customer C. "I'm disappointed in the quality of the vehicle and would think twice before purchasing another Honda car." This suggests that Honda IDK 2 may need to improve its quality control measures to ensure that its vehicles meet customer expectations.

Promotions encompass a range of activities designed to raise awareness, create interest, and ultimately, stimulate demand for a product or service (Kumar & Anand, 2021). In the current market landscape, promotions play a pivotal role in shaping customer purchase decisions at Honda IDK 2. With consumers becoming increasingly savvy and price-conscious, Honda IDK 2 also use a strategic promotion which can be a powerful tool to capture their attention and influence their choices. Well-timed and targeted promotions, such as discounts, special offers, or loyalty programs, can provide the extra incentive needed to convert prospects into buyers.



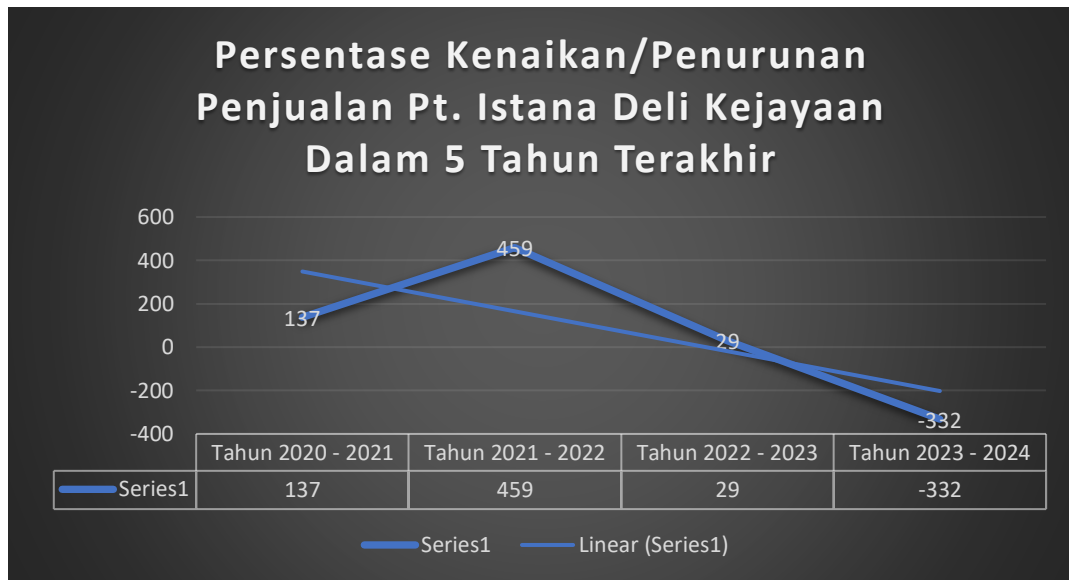
**Figure 1. 4 The example of discount or promotion and loyalty programs**

Source: Provided by the writer (2025)



For instance, offering a limited-time discount on select Honda models or providing exclusive benefits to loyal customers can create a sense of urgency and perceived value. According to Boone & Kurtz (2021), These promotions are temporary in nature and aim to create a sense of urgency, excitement, or added value that motivates consumers to act.

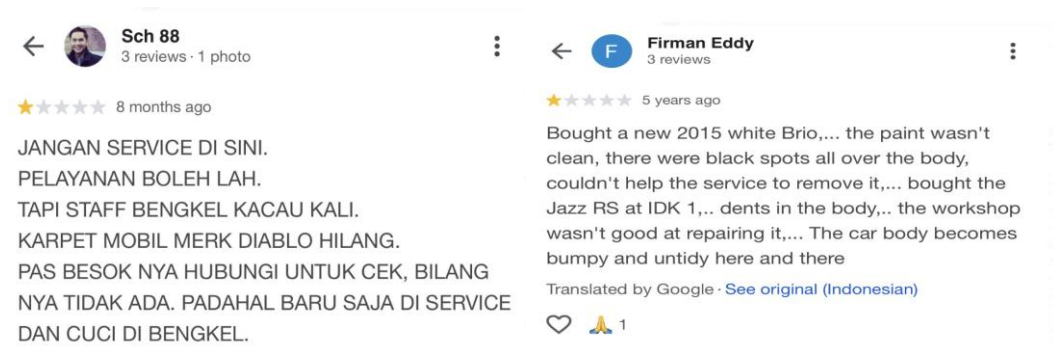
Personal selling remains indispensable in the automotive industry, particularly when it comes to high-involvement purchases like cars. Building rapport, addressing concerns, and providing personalized recommendations are key aspects of effective personal selling. According to Rosenbloom et al., (2022). In the context of modern marketing, personal selling plays a pivotal role in differentiating a brand and fostering customer loyalty. By establishing trust and creating a positive buying experience, salespeople can not only influence immediate purchase decisions but also foster long-term customer loyalty. Sales consultants at Honda IDK 2 need to acts as trusted advisors, leveraging their expertise to guide customers through the complex process of selecting a vehicle that aligns with their needs, preferences, and budget. However, not all employee act as a good sales consultant in front of their customers and make the sales.



**Figure 1. 5 The declining sales chart of PT Istana Deli Kejayaan Medan in year 2020-2024**  
Source: Provided by the writer (2025)

This can be shown by the table above, which highlights the challenges faced by sales consultants at Honda IDK 2 in making a sale, despite being trained on the features and benefits of Honda vehicles. The data suggests that only a limited number of sales consultants can effectively communicate with customers and close a deal, emphasizing the need for ongoing training and support to improve sales performance.

Word-of-mouth continues to exert a profound influence on customer purchase decisions, especially in the automotive domain. Positive testimonials, online reviews, and social media posts from satisfied customers can serve as powerful endorsements for Honda IDK 2. Prospective buyers often seek out the experiences of their peers or trusted influencers before making a significant purchase decision.



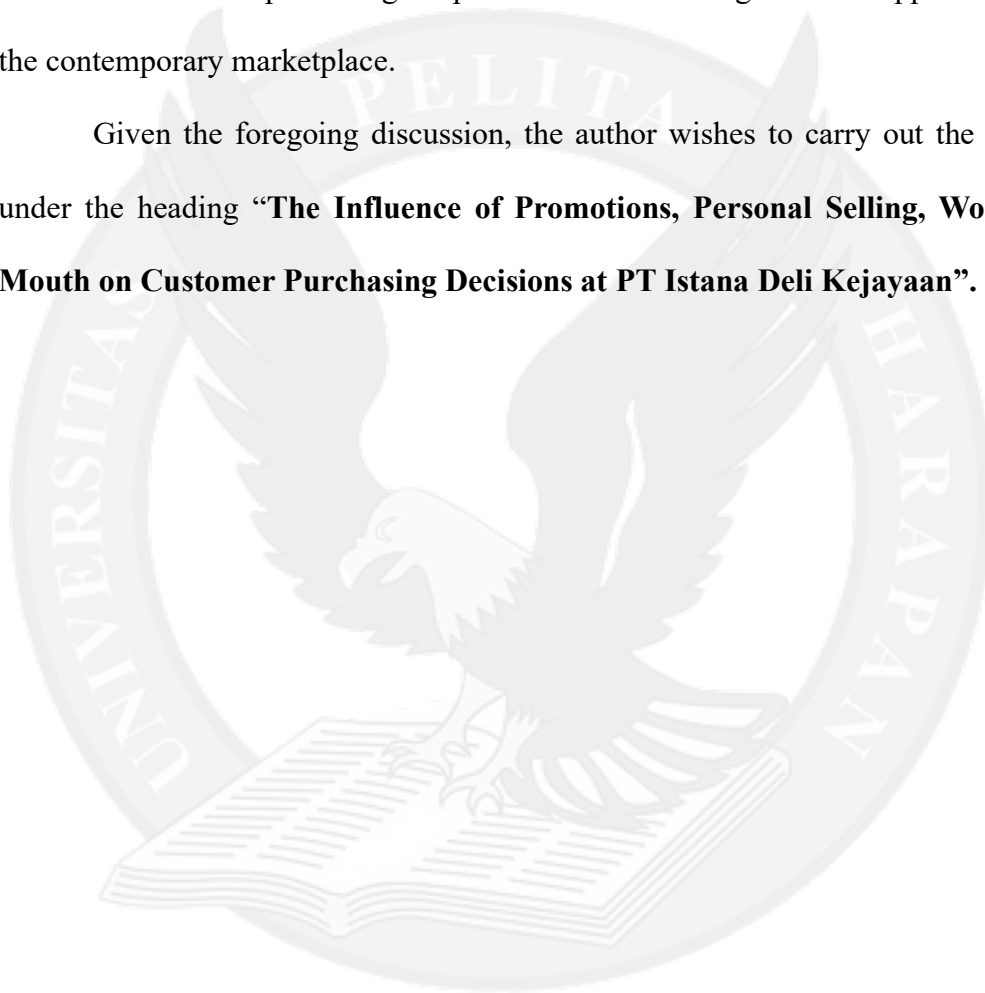
**Figure 1. 6 The dissatisfaction of customer**  
Source: Google review (2025)

Some customers have expressed dissatisfaction with the car products and services provided by Honda IDK 2, which can negatively impact the effectiveness of word of mouth. For instance, some customers have reported issues with the quality of the vehicles, such as mechanical problems or design flaws, which can erode trust and confidence in the brand. Additionally, some customers have complained about the poor service they received from the sales consultants, such as lack of knowledge or unprofessional behaviour, which can further damage the reputation of Honda IDK 2. It can be difficult for sales consultants to gain the trust and develop a good rapport with consumers who have had a bad experience with the product or service, which eventually influences the customer's decision to buy. Additionally, unfavorable internet and word-of-mouth reviews may damage Honda IDK 2's reputation, making it increasingly harder for sales consultants to convince prospective buyers to buy.

In the dynamic and ever-evolving automotive industry, Honda IDK 2 recognizes the imperative need to adapt its strategies to resonate with today's discerning customers. They can overcome the difficulties posed by a

knowledgeable customer base and heightened competition by skillfully utilizing the interaction of promotions, personal selling, and word-of-mouth. This research aims to provide valuable insights into the weight of these factors in shaping customer purchasing decisions, offering practical guidance for Honda IDK 2 and other automotive dealerships striving to optimize their marketing and sales approaches in the contemporary marketplace.

Given the foregoing discussion, the author wishes to carry out the study under the heading **“The Influence of Promotions, Personal Selling, Word of Mouth on Customer Purchasing Decisions at PT Istana Deli Kejayaan”**.



## 1.2 Problem Limitation

To ensure that the research resulted in a credible output, the writer decides to conduct the research by setting up such limitation below:

- a. The data of this research is gathered from PT Istana Deli Kejayaan/Honda IDK 2, located at Jl. Sei Batang Hari No.22-24, Babura Sunggal, Kec. Medan Sunggal, Kota Medan, Sumatera Utara 20121, Indonesia.
- b. The targeted respondents are taken from PT Istana Deli Kejayaan customer who had bought Honda car and do services on car dealer.
- c. The research uses four variables, which include three independent variables: Sales Promotions (SP) as  $X_1$ , Personal Selling (PS) as  $X_2$ , and Word of Mouth (WOM) as  $X_3$ ; and one dependent variable, which is Customer Purchase Decision (CPD) as  $Y$ .

## 1.3 Problem Formulation

This research analyses the influence of Sales Promotions (SP), Personal Selling (PS), and Word of Mouth (WOM) on Customer Purchase Decision (CPD).

Based on preliminary research, the writer has formulated the following questions:

- a. Does Sales Promotions partially influence the Consumer Purchase Decision at PT Istana Deli Kejayaan?
- b. Does Personal Selling partially influence the Consumer Purchase Decision at PT Istana Deli Kejayaan?

- c. Does Word of Mouth partially influence the Consumer Purchase Decision at PT Istana Deli Kejayaan?
- d. Does Sales Promotions, Personal Selling, and Word of Mouth simultaneously influence Consumer Purchase Decision at PT Istana Deli Kejayaan?

#### **1.4 Objectives of the research**

The objective of this research are as follows:

- a. To elaborate how Sales Promotions partially influence Customer Purchase Decision at PT Istana Deli Kejayaan.
- b. To understand how Personal Selling partially influence Customer Purchase Decision at PT Istana Deli Kejayaan.
- c. To analyse how Word of Mouth partially influence Customer Purchase Decision at PT Istana Deli Kejayaan.
- d. To understand how Sales Promotions, Personal Selling, and Word of Mouth simultaneously influence Consumer Purchase Decision at PT Istana Deli Kejayaan.

#### **1.5 Benefit of the Research**

##### **1.5.1 Theoretical benefit**

The conducted research is expected to give a profound understanding for the writer about the topic chosen. It also expected to could give an insight about the influence on how sales promotions, personal selling and word of mouth could



influence customer purchase decision on the future research. Furthermore, the writer expects that this research could be useful for other parties that might face the same problem in theoretical way or for academic purpose.

### **1.5.2 Practical Benefit**

The practical benefit of this research are as follows:

- a. For the company, the research conducted is expected to be able to help PT Istana Deli Kejayaan to have a better understanding on how customer make purchase decision. The result of this result is also expected to be able to help the company to maximize its marketing strategies that could give an effective result to increase sales performance.
- b. For the writer, the study could help the writer gain more practical information to better grasp how to use marketing methods that could affect a customer's decision.
- c. For the researcher, the research conducted is expected could contribute to another future research that might face the same problem which related to this topic.