

# CHAPTER I

## INTRODUCTION

### **1.1 Background to the research**

In the globalization era, technological and industrial development are increasing every year. There is possibility for the manufacturer to take the opportunity to market their products. So many foreign manufacturers investing in Indonesia and also build their business in Indonesia. The trend of world markets has changed noticeably, all of the businesses are trying to improve their product quality by doing many efforts including advertising in order to make consumer buying decision with their product and services. Consumer buying decision all their experience in learning, choosing, using, even disposing of a product (Kotler dan Keller, 2009) have a meaning of consumer buying interest is a consumer behavior where consumers have a desire to buy or selecting a product, based on experience in selecting, using and consuming or even desire a product.

On the other hand the world has come full circle from selling to marketing and from seller's market to buyer's market. The customer today has the option to buy what he thinks he should and from whom, being in his best interest. Product development, technological improvement, cost optimization and excellent service facility are very important for any organization but their importance is only if the customer appreciates it. (Agyapong, 2010: 64)

For example, both diamond and coal are carbon but they are priced differently due to different valuations by the customer. Therefore, any business begins and ends with the customer (Sugandhi, 2002: 93).

Thus, the organizations should focus for developing mutually satisfying relationship with customer. Achieving sales and customer satisfaction targets can be extremely challenging in competitive environment. The salesforce is the fulcrum through which companies strive toward these targets and thus plays a crucial role in determining organizational success (Ingram et al., 2002). Creating a work environment that supports and facilitates sales person efforts and rewards and recognizes them for their contributions is likely to play an important role in motivating them to work towards organizational goals.

The study of consumer behavior plays an importance role to the marketers which need to study in how individuals, groups and organizations select, buy, use and dispose of goods, services, idea or experiences to satisfy their needs and wants. The marketers need to research and understand how the study of consumer behavior works and only can positioning their production in the particular groups of people.

Marketers need to considered about the factors that affecting the consumer buying behavior before starting a business. Some of the factors that may influence consumer buying decisions are the cultural influences, social influences, personal factors and psychological factors. Those of the factors are vital when using them to apply as the marketing strategies (Amelia, 2013). Consumer behavior is a very important phenomenon in the marketing activities of the company, namely the consumers behavior in the purchasing process, or receive information through the advertisements or references from others and then compare one product with another product until make the decision (Irawan Swastha and Basu, 2001). Similarly occur in automotive company in Indonesia, especially motorcycles. So many automotive company in Indonesia and the consumer will be more selective in deciding which

brand of motorcycle is the most suitable to their need. The emergence of the China industry of motorcycles are increasingly in competition of motorcycle industry in Indonesia. However, the Japanese motorcycle still on top choice in Indonesia because of many advantages.

A consumer may also rely on his/her existing knowledge for judging the performance of choice alternatives along salient evaluative criteria. Otherwise, external search will be required to form these judgements. In judging how well an alternative performs, ranges for acceptable values ('cut-offs'), that a consumer imposes for evaluative criteria will strongly determine whether a given alternative is perceived as acceptable. Additionally, judgements about choice alternatives can depend on the presence of certain cues or signals. Such is the case when price is used to infer product quality (Engel et al., 1993).

Honda as an automotive company always developed at this time, and competed in the automotive industry. Honda always gives customers a trust and hope to give them satisfaction. In Indonesia there are many distributors of Honda products, one of which is the CV Hayati Honda Padang. CV Hayati is one of the main dealer of Honda motorcycles in West Sumatera and PT. Astra Honda Motor (AHM) as distributor of Hayati .

In addition to selling a wide variety of items including Honda Tiger CW, Honda Blade, Honda Revo motorcycle, Honda Spacy Helm-In CW and Honda Supra X. CV Hayati also provide the workshop and sell Honda motorcycle spare parts. This strategy is important to give service and facilities for customers if there is damage to the motorcycle.

In product marketing strategy, CV Hayati using the marketing mix consists of four variables: product strategy (product), pricing strategy (price), promotion strategies (promotion) and distribution strategy (placement). Each of these variables will be relevant and the company should be able to choose the best combination from the four variables. For the implementation of sales development can be adapted to the tastes of consumers, so that consumers are satisfied with the products and services.

CV Hayati always trying to sell product with high quality and has more value than the competitors products, such as the Honda Beat, Honda Scoopy, and Honda Vario are a matic motorcycle type. In the premiere launch it is directly attract consumers and become the market leader for the matic motorcycle product.

The success of automatic motorcycle of Honda entered the market, making Honda to raise the production of matic motorcycle monthly and the most desirable product is Honda Beat. Honda Beat is a flagship product in matic motorcycle. Honda Beat successfully become the best-selling for matic motorcycle in Indonesia during 2013 with the number of sales 1.856.637 unit. This is Honda Beat sales reports in CV.Hayati Pemuda Padang in 2012-2013. Shown in the table 1.1 below.

**Table 1.1**  
**Sales of Honda Beat Motorcycle in CV.Hayati Pemuda Padang 2012-2013**

Year	Sales (Unit)												Total
	Jan	Feb	March	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	
2012	41	30	25	40	25	57	63	46	55	41	56	70	549
2013	35	33	29	44	53	45	88	37	58	53	49	44	568

*Source :CV.Hayati Pemuda Padang*

From the table above sales of unit Honda Beat per month in 2012 only reach 70 unit on December and for 2013 sales of unit increased to 88 unit on July. The

number of sales have increased from year 2012-2013, but their sales each month are unstable. The unstable occurs because of many factors that influence consumers in making the final decision to buy the product which among quality, price, advertising intensity, location, etc.

The existence of competition between Honda, Yamaha, Suzuki and others automotive companies, they have the flagship for matic motorcycle such as Honda Beat, Yamaha Mio, Suzuki Nex etc. they also apply the same marketing strategy. for the product quality they always improve latest innovation to their products and maintain their quality, Based on Kuswaraharja (2014) Honda Beat Injection, Yamaha Mio J, and Suzuki Nex claimed as -the most fuel efficient motor. Honda BeAT-FI provided reliable engine 110cc PGM-FI performance which more better, more efficient, and environmentally friendly than others.

For the price the dealers held an event to attracts consumers by providing a discount and make the cooperation with financial institutions in order to facilitate the consumers purchasing power. The ad was created to attract their consumers. The collaboration with celebrities and famous people make the consumers become more confident in determining product compliance with their desire. And it is important for all automotive companies should be able to read the strategy, situation and to face the competition. especially for the Honda how to maintain their existence because for this year Honda motorcycle is the number one for matic motorcycle.

In Padang there is competition in the automotive companies for example between CV.Hayati and CV.Tjahaja Baru dealer of Yamaha motorcycle. CV.Hayati and CV. Tjahaja Baru have a close location and the consumer will compare the

quality and prices that the companies provide, So can affecting the level of sales of Honda motorcycles.

Because of very competitive, companies are required to offer a quality product and more value, so it can looks different from competitors products. Quality is one factor consumers into consideration before buying a product. Quality determined by a set of usability and functionality, including power resistant, independence on other products or other components, the exclusivity, comfort, exterior form (color, shape, packaging, and so on). (T.Hani Handoko, 2000; 49). With good quality and reliable then product will always be exist for consumers, because consumers are willing pay some money to buy a quality product.

The price is also important, because price determines the amount of buyers and quantity sold by the business. It also gives an "image" of the brand whether it's high quality or low quality. Typically, consumers think that higher prices mean more quality. Still, if a company charges to high prices, the level of demand will be lower. Many companies make the mistake in setting the price level and and detrimental to organizational revenue, The optimization of pricing strategy is as important as the management of costs and the growth of sales volume. Since most companies have never done it, rigorous price optimization has emerged as an important source of competitive advantage and increased profitability. The company set the price for various considerations, but it is better if in these pricing adapted from the values, benefits and quality of the product.

CV Hayati in selling their products also notice the price and the product quality to attract the consumers. CV Hayati also provides discounts and prizes to consumers who buy a Honda motorcycle with a certain kind in cash or cash back. CV

Hayati also receive payments in the future (installment) that the period between 12 months - 48 months. Consumers have the right to choose the appropriate payment period.

In addition to offering quality products and pricing, the ability to communicate the company's products to consumers through the promotional activities is also an important thing. Promotional activities of the company is to highlight features of products and persuade consumers to purchase (Stanton, 1996). Promotion strategy a plan for the optimal use of the elements of promotion: Advertising, Public Relations, Personal Selling, Sales Promotion (Lamb, Hair, McDaniel, 2001). Keep in mind that how good is a product if the consumer never know and are not sure of the product, then potential customers will not make a deal purchase.

To further introduce the product, CV.Hayati aggressively do the promotional activities to attract consumer buying interest, between making ads through the print or electronic media, distributed leaflets to the public, performing music, a free service for users etc. Marketers use these types of tool for communication purpose. Advertisement evolves date back in the ancient times. Different societies used different types of symbols for the promotion of the products and services for attracting consumers. However, these pictures were used for a limited area for promotion. In modern time, advertisement has become important way to promote products and services and is used for communication purpose. No company can become a market leader unless they invest lots of their investment in promotional purposes (Hussainy et al., 2008). To attract customers, Honda uses celebrities commercials or people who are known by the general public like Agnes Monica,

Nidji, Daniel Mananta, and others. The advent of new competitors that will inhibit the rate of motorcycles sales such as CV.Tjahaja Baru as a Yamaha motorcycle dealership. This leads consumers to compare products before selecting and purchasing a product that fit with their desires and expectations, decline and rise in spending occurred because of many factors that influence consumers in making purchasing decisions in final product, such as quality, price, advertising intensity, location, etc. (Engel, 1994). This research analyzes the factors that influence the consumer decision to purchases Honda motorcycles in CV Hayati Padang. If purchasing decisions quickly and accurately, consumers will not think long in making a purchase. So, consumers will continue to buy the product and will not displacement the product, even consumers would recommend these products to others and the company indirectly get benefit from it.

This study is replication from Novandri (2010) in different models. Novandri conducted a study about The Analysis of product quality, price and advertising influence on purchasing decisions of Yamaha Motorcycle in Ngaliyan.

In order to provide findings,the addressed research tittle will be as follows  
**"The Influence of Product Quality, Price and Advertising toward Buying Decision of Honda Beat Motorcycles” (Case Study in CV.Hayati Padang)**

## **1.2 Problem Statements**

1. Is there any influence of product quality toward buying decisions of Honda Beat motorcycle ?
2. Is there any influence of price toward buying decisions of Honda Beat motorcycle ?



3. Is there any influence of advertising toward buying decisions of Honda Beat motorcycle ?

### **1.3 Objective of the research**

The objectives of this study were to :

- To analyze the influence of product quality toward buying decisions of Honda Beat motorcycle.
- To analyze the influence of price toward buying decisions of Honda Beat motorcycle.
- To analyze the influence of advertising toward buying decisions of Honda Beat motorcycles.

### **1.4 Contributions of the Research**

The contributions expected from this research are as follows:

1. For the Author

Research is an excellent opportunity to apply theory to the case field of marketing for the real world of practice and to develop ideas about consumer buying decision, especially the strategic of marketing for increasing with the amount of purchase. And also it is to deepen, understand, and apply the knowledge that has been gained at the bench compiler lectures mainly in the field of marketing management author field. And compare them with actual conditions on the field.

2. For the company

The results for this study can be used as an input which useful for companies

to know the variables that have not been in accordance with the wishes and needs of consumers.

### 3. For the next researcher

This research hopefully can become a completion to graduate from Andalas University and provide reading material and reference for all students who want to study everything related to market. The results for this study can be used as reference material for readers and can provide information for another research, which related to market.

## **1.5 Scope of The Research**

Based on the problem statement, this research will be limited to explain and analyze the influence of product quality, price and advertising toward buying decision of the consumer in CV.Hayati and also as additional dealers network of Hayati Padang (Ane Motor, Anugerah Niaga, Hayati Lubeg, Pancaran Motor, Sabena Motor) in Padang, Sumatera Barat.

## **1.6 Outline of Research**

This thesis is prepared using the following systematic:

### **CHAPTER I INTRODUCTION**

Contains background and formulation of the problem, the objectives to be achieved, the benefits of the research, and writing systematic thesis is used.

### **CHAPTER II LITERATURE REVIEW**

Contains theories include previous research, understanding about the Influence of Product Quality, Price and Advertising toward Buying Decision in

reference supporting and related issues presented, review past research and the research hypothesis.

### CHAPTER III RESEARCH METHODOLOGY

The chapter raised about frame of mind, population, samples, and sampling, the operational definition of variables, sources and types of data and techniques of data collection, and data analysis techniques used.

### CHAPTER IV RESULTS AND DISCUSSION

This chapter contains an overview about the object of study, history establishment of the company and the process of data analysis and discussion.

### CHAPTER V CONCLUSION, IMPLICATIONS, LIMITATIONS AND RECOMMENDATIONS OF RESEARCH

On this chapter will explain about conclusion of research, suggestion of research, limitation of the research, implication of research and recommendation for further research.

### REFERENCES

### APPENDIX