

CHAPTER 1

INTRODUCTION

1.1 Background

These days, the population growth is quite rapid and variety of work activities of each person allow any such activity that must be done quickly. So that people can do the job faster, required means of support, such as transportation. Transportation is a useful tool to move goods or people in certain quantities, to a certain place, in a certain period (Tjiptono, 1997). The rapid development of the automotive industry in Indonesia make the level of competition becomes tight, especially in the automobile industry (Mix magazine, 2005). The car manufacturers continue to push the product. It is seen from the variety of brands and types of cars in Indonesia. As a result, consumers should be more selective in choosing products to be purchased. The number of products that have the same form, usability, and other features make the consumer difficult to differentiate products. Product innovation continues to be done by car manufacturers to attract the attention of consumers and of course that consumers are willing to buy the products produced by the manufacturers.

Between different types of cars, there is one kind of the most favored by consumers, namely Multi-Purpose Vehicle (MPV). According to Bambang (Republika, 2003) For the market in Indonesia MPV type car (Multi-Purpose Vehicle) is still a favorite, MPV car is not only capable of carrying passengers in large numbers, but also goods, because it is in accordance with Indonesian culture which have an average family in bulk and Indonesian people are still happy to carry the neighbors so that they would prefer a car that has large capacity (Republika, 2003).

MPV's decent advantage is the loading capacity that is capable to carry loads and more economical. Overall, Indonesian car market is currently dominated by multi-purpose vehicle. It controls almost 60% share of the national auto market. However, viewed from price type of family car is a vehicle that pretty much been the people to buy vehicles (<http://suplemen/default.asp/2005>). Total MPV for all segments in 2011 sales reached 348.670 or 45.53 percent gain, the second is the SUV market share with total sales of 85 289 units or 11.1 per cent, followed by commercial vehicles, 2-ton truck (CV2T, 4 and 6 wheels) with sales of 83.984 units of 10.9 percent, while the compact car or hatchback, 77.295 units of 10.1 percent, and sedan, (mostly taxis) sold 33.146 units or 4.3 percent according to KOMPAS.com acquired from members of the Association of Indonesian Automotive Industries (GAIKINDO, 2011).

Therefore, at this time the MPV of various brands are flooding the market of national car including Toyota , Honda, Suzuki, Daihatsu, Isuzu, Chevrolet, Mitsubishi, Nissan and others. MPV concept vehicle with the most favored by the people of Indonesia, which is reflected in sales of these vehicles are the largest market share in the national car market. Currently, Indonesia is classified as a country with high index of car ownership aspirations (Mix Magazine, 2005), so many companies competing in the race and grab the consumer by offering a variety of makes and types of vehicles. The brand kijang Innova is one brand of cars that consumers demand. Brand is important because it is believed that the brand becomes the identity of the product as opposed to a competitor.

Even though there are a lot of rivals, Toyota keeps enhancing their innovation of kijang Innova to compete in the market. More choices made many consumers able to decide what they want on a certain product, in this

case the product is a car that can captivate and make the consumer buys and loyal to the product. Intense competition among companies making producers have to think harder to maintain its market. In this research there are several aspects that can courage the consumer purchasing intention such as brand image, consumer perception and service quality and will be chosen as the variables to review the consumer purchasing intention on Toyota kijang Innova.

Moreover, the history is also the reason why people interested, who does not know Toyota Kijang. The vehicle that began in 1977 was born as a simple commercial vehicle. But now in the span of 38 years, Toyota Kijang has undergone a gradual evolution and has become the dream family car Indonesia, there are several generations of kijang, the first generation is Toyota kijang buaya in 1977, the second generation is Toyota kijang doyok in 1981, the third is Toyota kijang super in 1986, the fourth generation is Toyota kijang capsule in 1997, and then the fifth is Toyota kijang Innova. The fifth generation of kijang use advanced technology like VVT-I technology, diesel common rail, airbag and other technology. The history of the brand kijang has been captivating their consumers until now.

Brand image is a representation of the overall perception of the brand and is formed of information and past experience to the brand. The image of the brand associated with the beliefs and attitudes towards a brand preference. Consumers who have a positive image of a brand, would be more likely to make a purchase. Akaah (1988) conclude that consumers are more likely to purchase well-known brand products with positive brand image as a way to lower purchase risks. Brand is important because it is believed by the company that brand becomes the identity of the product as opposed to a competitor.

According to Chen (2001:183) association with the brand can be divided into three aspects. First, attributes association described the characteristics of the goods or services and these attributes can be divided into the product related and the non-product related. The product related represents the physical features and functions and features. The non-product related represents the price, packaging, user imagery and usage imagery. Second, benefits association described the consumer can get benefits from the using of goods. It can be divided to the functional benefits, experiential benefits and symbolic benefits. Third, attitudes association described the overall assessment of the consumers towards the brand as a result of a link on the attributes and benefits that would expect from the brand.

As we know that most people are aware of the brand of Toyota especially kijang Innova, let's take Indonesia as instance, we can see the fact that kijang Innova floods the entire city. People will doubt nothing in case if they want to purchase kijang Innova, the image of brand "Toyota" is powerful that it can push the consumer intention to purchase kijang Innova.

Another aspect when consumers selecting product, especially in buying a car, most of them have their own perceptions toward certain products, consumers perceive the product through several parts on the product. It can be the value, the quality of the product, price, durability of the product and other certain aspects. In case if a product has a decent brand image known by people, it will impact nicely on the perception of consumers. According to (Simamora, 2002) perception can be defined as a process by which a person selects, organizes, interpret stimuli in a picture that means a thorough. Perception means conscious recognition and interpretation of sensory information in order to understand, learn, know or motivate a particular action or reaction.

According to Koster and Mojet (2007) concluded that consumers' perceptions are not fixed and may change. Further, consumers' perceptions are very dynamic, and there are differences between what consumers' perceive and their behavior. However, Dillon and Reif (2004) concluded that consumer attitudes and perceptions influence on purchasing intentions. Consumer perceptions can also breakdown as how the consumers perceive the quality of the product, whether the material of the car, or the performance quality of the car deserve to purchase or not. Jin and Yong (2005) proved that perceived quality is a critical factor for consumer decision making by comparing the quality with regard pricing within a category while Davis et al. (2003) focused perceived quality directly related to the reputation of the firm that manufactures the product.

The perception of consumer can be taken from the price of the product itself, how the consumers perceive it, consumers will not intend to purchase the car if they perceive it as overpriced car, or the perceived value of a product can impact to the purchasing intention too. Consumers define the terms "value" as a judgement of preference by consumers, for instance like the product features, the performance or the services and other attributes of the product (Woodruff, Robert, 1997).

The third aspect is service quality. Service quality is an expected level of excellence and control of excellence to meet customer desires (Tjiptono, 2007). Service quality is affected by two things: the services perceived (perceived service) and services expected (expected service). Furthermore according to (Tjiptono, 2007) says that, if the service received or perceived (perceived service) in line with expectations, the quality of service perceived good and satisfactory, but if it exceeds customer expectations then become an ideal service quality. When a consumer

intends to purchase a car, they mostly want to know what kind of services that are given to them, as they have expected about it, maybe like the delivery service of the car whether the showroom will deliver the car on time, perhaps it can be the insurance or guarantee that is offered by the manufacturers and it can be the bonus from the manufacturers if they purchase the car for example, free charge of periodical services. As we know that Toyota will guarantee their customers a great service and bonus for the customers if they purchase kijang Innova, they will get a lot additional items like cover seat, tint window and the others.

All of those three aspects above are the main factors that can give effect to consumers purchasing intention. According to Kotler *et al.* (1999: 156) purchasing intention appears after their presence of alternatives evaluation process and in the evaluation process, someone will make a series of choices about the products to be purchased on the basis of the brand as well as intention. So before they are going to decide to purchase they should examine whether the product can attract them or not, then after that the consumers will have intention to purchase the product. Kotler and Keller (2003:186) the consumer may also form an intention to buy the most preferred brand. In this case, we can assume that brand image, consumer perception and service quality play big role to give effects to consumers purchasing intention.

A product with a well-known brand image will attract the customer intention to purchase the product. Before they are going to purchase a product, they will perceive many aspect of one product, based on its quality whether the quality is worth to buy, and the perceived price whether the product quality deserves the price despite it is considered expensive or cheap. And service quality can influence the intention of a

consumer, thus that they know that they will get satisfied by the services that are offered by manufacturer. The willingness of a customer to buy a certain product or a certain service is known as purchase intention, purchasing intention of a consumer can come from their expectation on a product. A consumer expects benefits from a product before they want to go far to purchase the product.

Toyota, as one of the largest car manufacturers, they always produce a car that will always be purchased by people. Most people are obviously aware with the brand, and they recognize that a car produced by Toyota is decent. Kijang Innova is one their production and made as a middle class MPV car and it has decent performance and with advanced technology that attract the consumer intention to purchase, and Toyota does not stop, they keep offering interesting product to their customers by making all new kijang Innova and with various types of the car. They keep making innovation and Kijang Innova has been dominating in Indonesia market, flooding the entire city with their units.

1.2 Problem Statement

According to the background described, the problems can be formulated as follows:

- I. Does brand image have positive effect towards purchasing intention on Toyota kijang Innova in Surabaya?
- II. Does consumer perception have positive effect towards purchasing intention on Toyota kijang Innova in Surabaya?
- III. Does service quality have positive effect towards purchasing intention on Toyota kijang Innova in Surabaya?

1.3 Objective of the Research

This research aims to:

- I. Identify and analyze the positive effects of brand image towards the consumer purchasing intention on Toyota kijang Innova in Surabaya.
- II. Identify and analyze the positive effects of consumer perception towards the consumer purchasing intention on Toyota kijang Innova in Surabaya
- III. Identify and analyze the positive effects of service quality towards the consumer purchasing intention on Toyota kijang Innova in Surabaya

1.4 Scope of the Research

This research will explain to the readers the effects of brand image, consumer perception, and service quality towards consumer purchasing intention on Toyota kijang Innova in Surabaya. It will involve Kijang Innova and the other variables such as brand image, consumer perception, service quality and show that they are correlated to each other. In this case, the effects of brand image, consumer perception, and service quality towards consumer purchasing intention will be discussed in detail. Those variables here are the components which will affect the purchasing intention of consumers. This study also will involve the people who use Kijang Innova as their vehicle.

1.5 Advantage of the Research

The result of this research will generate some advantages such as:

1.5.1 Academic Advantage

The result of this research can be used as the reference to the one who does the similar study research or continual study especially about the effects of brand image, consumer perception, and service quality towards consumer purchasing intention of Toyota kijang Innova.

1.5.2 Practical Advantage

This result of this research can give information for the company or institution who want to identify about the consumer purchasing intention of Toyota Kijang Innova by understanding the effects of brand image, consumer perception, and service quality towards consumer's purchasing intention of Toyota Kijang Innova.