CHAPTER 1
INTRODUCTION

1.1   Background

In this day and age the mode of transportation is very important for everyone, So many product choices that the consumer is so spoiled at the moment so confused to decide which items he will buy. While the company is currently faced with a difficult problem, namely the problem of competition. The choice of the company to still exist is only by improving the quality of the product or service. Today's society is very critical in choosing transportation products, at this time everyone is very jaded in choosing a product so that the consumer's decision to buy a product is determined by the quality of the product.

Transportation is a facility in the form of a vehicle that is used to help all human activities from one place to another. The variety of human activities that force us to travel from one place to another, for example, such as work, study, business, etc. makes us always need transportation to meet everyone's needs. The automotive industry in Indonesia had begun almost historically the empirical dynamics of the industry a century ago in 1927. The automotive business had begun since General Motors established an assembly plant in Tanjung Priok in 1927, the second in Asia after Yokohama Japan. The reason they chose Jakarta over Singapore was because of policy incentives.

See economic growth in Indonesia is at 5% every year That is a distinct advantage for the automotive industry sector so that the market of the Indonesian Automotive is very large, The automotive industry is one of the mainstays in national industry policy which also gives great value to the domestic market when the economic slowdown in Indonesia is happening. can be seen in the 2016 Quarterly only the Indonesian automotive industry recorded a non-oil and gas Regional Budget Contribution of 10.47%.

Companies are reluctant to obey the demands of the government about the quality of a product to be produced they prefer to maintain a good brand image

rather than producing a better product. Here brands have variations that make it different from other car products, this is what distinguishes one product from another product, even though the product is similar. Various efforts made by the company in maintaining the Brand Image they have include technological innovation superiority that the product has, competitive pricing and targeted promotion. The better the brand image of the product that the company is selling, it will have an impact on consumer purchasing decisions.

Seeing the automotive potential that is growing rapidly in Indonesia, many automotive companies are trying to meet the demands of consumers in buying / ordering new cars. This can be seen from the graph below which shows graphs of new car sales to consumer demand in Indonesia.

Table 1.1 Total wholesales Quantity of car 2010-2018

Year	Total car sales / unit
2010	174,074
2011	225,739
2012	250,830
2013	296,005
2014	328,500
2015	282,344
2016	267,302
2017	283,760
2018	291,912

Source : otomotif.kompas.com

Statistical Table 1.1 Shows sales in the wholesale market of the four-wheeled automotive industry, reaping positive results of 2.87 percent in the first quarter of 2018. While last year it only reached 283,760 units. Purchasing decisions by consumers are decisions that involve social factors on lifestyle, product variations and brand loyalty. Consumers use brand loyalty as an indicator of quality as well to buy certain brands compared to other brands in one product category to

get the benefits of these products. This is why a brand can influence the level of product purchase by consumers through brand image.

The automotive industry is very competitive in form, color, technological sophistication and brand. Car brands in the automotive market in Indonesia today originating from Germany, are very much in demand by consumers in Indonesia such as Audi, Lexus, Mercedez-Benz and BMW which are also much in demand by people in Indonesia. Each brand, product offered by its own services for its customers, in the form of after-sales service, service, spare parts, and until the pricing is quite competitive with the type and market segment.

Table 1.2 BMW sales data for 2008-2016

Tren Data Penjualan Mobil BMW di Indonesia, 2008 – 2016

Deskripsi	2008	2009	2010	2011	2012	2013	2014	2015	2016*
Penjualan BMW (Unit)									
Pertumbuhan (Y on Y)				Untuk Melihat Data, Silahkan Lakukan Pemesanan					

Sumber: DataIndustri Research, diolah dari BMW Indonesia dan Gaikindo (Gabungan Industri Kendaraan Bermotor Indonesia)
*Januari - Agustus 2016
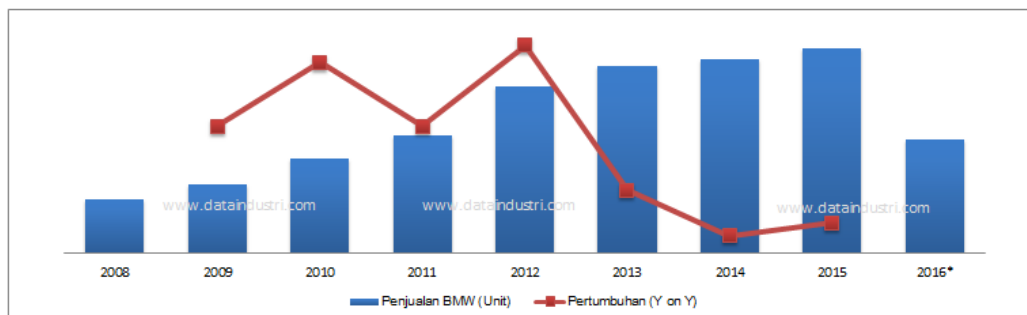
Source : Data Industri Research, from Gaikindo

Table 1.2 shows that sales of BMW cars in Indonesia from 2008-2016 experienced the highest increase in sales in 2015, in 2016 it decreased slightly, but did not cause a decline in sales of BMW cars in Indonesia.

Table 1.3 Luxury Car Sales Data

Merek	Tahun	Jan	Feb	Mar	Apr	Mei	Jun	Jul	Agust	Sep	Total
M.Benz	2016	274	299	448	341	299	274	203	348	543	3.029
	2015	227	162	291	236	566	395	277	357	489	3.000
BMW	2016	150	226	200	200	215	138	101	260	255	1.745
	2015	180	226	225	130	200	250	205	240	320	1.976
Lexus	2016	33	92	87	136	58	121	142	172	73	914
	2015	8	57	53	22	47	25	40	25	24	301
VolksWagen	2016	58	36	40	73	66	43	29	75	54	474
	2015	60	53	50	51	41	40	22	36	45	398
Mini	2016	25	23	30	31	23	24	15	55	50	276
	2015	9	13	59	47	43	44	30	40	40	325
Audi	2016	9	5	7	4	10	7	3	10	15	70
	2015	19	18	17	17	16	10	8	22	24	151
Landrover	2016	3	6	5	4	1	5	1	2	7	34
	2015	16	25	18	11	15	10	9	7	12	123
Peugeot	2016	2	3	4	5	2	3	3	2	4	28
	2015	8	5	3	7	0	3	1	1	5	33
Chrysler	2016	25	22	19	27	27	0	0	0	0	120
	2015	28	45	21	52	43	32	30	14	257	522
Jaguar	2016	0	0	0	1	1	1	1	1	3	8
	2015	3	0	2	1	2	4	3	2	5	22
Infiniti	2016	1	0	0	0	0	0	0	0	0	1
	2015	0	0	2	0	0	1	0	2	1	6

Source : sains.kompas.com

From wholesales data from the Indonesian Automotive Industries Association (Gaikindo), during January-September 2016, car brands targeting the middle and upper classes were led by Mercedes Benz, with a total of 3,029 units. If collected from eleven premium brands, with a total of 6,699 units in the nine months, Mercy controlled 45.22 percent market share, very dominant. Another good news, Mercy also increased 0.97 percent compared to the same period last year. Then in the second position, filled Mercy's country counterpart, BMW, with sales reaching 1,745 units, or gaining 26.05 percent of the ration. But unfortunately BMW's performance so far this year is still lower than 2015, where it slumped 11.69 percent. Then Lexus, Toyota's premium brand, placed third, with 914 units in nine months. Interestingly, this year's Lexus gained extraordinary achievements in the country, compared to 2015. The surge experienced touched the figure of 203.65 percent, from last year which only sold 398 units. If Lexus gets good news, it is not with its partner Infiniti, Nissan's existing premium brand is ranked at 11th, selling only one unit in 2016, while in 2015 there were six units.

With some differences obtained from the 2 tables above from BMW sales and luxury cars sales data , BMW is a popular car in Indonesia and makes

consumers interested in buying BMW but there are so many competitors in selling popular brands example M-Benz, do people still loyal with BMW brands or not. Surveys about the impact of brand image on customer loyalty have always been matter of topics in management retail.

BMW Group Indonesia states that consumers who buy BMWs in the premium car segment are no longer dominated by the baby bommer generation but have penetrated the millennial generation. In addition, premium vehicles can now also be owned by consumers with a wider range of economic capabilities.

According to Jodie O'tania as Vice President of Corporate Communications at BMW Group Indonesia said, for the demographics, most of BMW's customers are business people. "The age range of our customers BMW in Indonesia is quite unique. Many of our customers are quite young ie under the age of 40 years". However, he acknowledged that despite releasing products with bold colors that are identical to millennial tastes, sales data showed that the best-selling BMW series including the BMW 3 Series, BMW X1 and BMW 5 Series, had standard colors namely black and white. "Products with a bolder color are more suitable to be applied to vehicles whose positioning is indeed for people who dare to be different or have their own lifestyle".

1.2 Research Problem

1. Does the social factor affect buyer loyalty to the BMW brand?
2. Does the brand image affect customer loyalty of BMW ?
3. Does the variety seeking behavior can affect brand loyalty of BMW ?
4. Does the age can effect affect buyer loyalty to the BMW brand ?

1.3 Research purposes

Based on the research problem , the research purposes are:

1. To analyze the effect of social factor can affect buyer loyalty to the BMW brand
2. To analyze the effect of brand image can affect customer loyalty of BMW

3.   To analyze the effects of variety seeking behavior can affect brand loyalty of BMW

4.   To analyze the effects of Age can affect brand loyalty of BMW

1.4   Significant of the study

As we know the BMW brand is a premium car brand originating from Europe BMW is a dream car for men in Indonesia car that is created very impressive has a luxurious interior and very large power so that buyers of the car brand are even average will be loyal to the brand because the car that was created and the service provided is very satisfying.

1.5   Writing Systematic

The systematic writing of this thesis consists of 5 chapters which are interrelated with one another which chapters will be mentioned below:

Chapter 1 Introduction

In Chapter 1 it contains the background of a research, identification of a problem, the purpose of the research, is significant study and systematic writing.

Chapter 2 literature review

In the literature review contains literature that explains about previous research, the basics of the theory explained by experts, in research models and hypotheses

Chapter 3 Research MethodsContains

In Chapter 3 it is about the design of our research variables Identification and operational definitions of measurement variables of the types and sources of data we obtain tools and methods for collecting our data population and sample techniques for sampling data and analyzing data.

Chapter 4 data analysis and discussion of data

In this chapter, we will describe several descriptions of hypothetical submission test data and the results of the discussion.

Chapter 5 Conclusions and Suggestions

In this last chapter we will describe the conclusions derived from the analysis of data from the previous chapter and suggestions for future researchers.