

The Effect of Product Quality on Purchasing Decisions and Their Implications on the Relationship Equity of the Automotive Sector

Dudung Juhana

Sekolah Tinggi Ilmu Ekonomi Pasundan, Bandung
E-mail : dudung@stiepas.ac.id

ABSTRACT

This research was conducted to empirically examine the effect of product quality on purchasing decisions and their implications for relationship equity in the Automotive sector in the city of Bandung. The research method uses a quantitative approach and uses consumer surveys. Sample respondents were 108 people using simple random sampling technique — data analysis with SPSS for Windows tools. The results of the study show that there is a significant effect of product quality on relationship equity, whether mediated by purchasing decisions or not mediated by purchasing decisions. The results of this study indicate that the impact of product quality on relationship equity is well mediated by purchasing decisions of 44.1%, while the influence of product quality on relationship equity is 29.3%. The results of the study show that with excellent product quality, it will be able to improve purchasing decisions with the support of relationship equity.

Keywords: product quality, relationship equity, purchasing decision.

INTRODUCTION

The current economic conditions in Indonesia have not yet shown encouraging developments. The era of globalization that we will face brings significant changes to various aspects of life, especially in business life. With the opening of the global market, entrepreneurs are required to make improvements to their performance to meet the desired product quality in the market. In his life, humans cannot separate from various kinds of needs. Needs are the basic demands of humans, and humans need food, air, water, clothing, and shelter to survive (Kotler & Keller, 2013).

Diverse human desire continues to develop following changing times, one of which is the

need for automotive or motorized vehicles. Along with the economic progress of each, the demand for motorized vehicles is increasingly high. At present, the number of motor vehicles is frequently increasing with various brands and types. The tremendous growth of the automotive world occurred in Indonesia in 2017 both in the sale of cars and motorbikes. Predictions of experts in the automotive world who previously predicted that car sales in 2017 would increase, it turns out beyond expectations. As we all know that car sale that almost reaches 900,000 units are a number far enough from the initial prediction that predicts that sales will range at 1.2 million units.

The weakening of car sales in early 2017, made the Association of Indonesian Automotive

Industries (GAIKINDO) revise the sales target of 1.2 million units to 1 million to 1.1 million units. This year vehicle sales ranged from 1 million to 1.1 million units, from the previous year's sales target of 1.2 million units.

The sluggishness of the national automotive industry that is faced today is a classic problem that recurs from time to time. High inflation and bank interest rates make purchasing power decline, because most consumers buy it not in cash, but credit through banks. Another reason is that car entry costs are still high, resulting in the automotive industry even not efficient, making it difficult for Indonesia to compete with other countries in the world. Not only the current conditions, at the beginning of the stretch of the national automotive industry in the 90s had already occurred.

The sluggishness of the car sales market experienced by one of the holders of well-known brands and old car industry players in Indonesia, seen from wholesaler sales data published by GAIKINDO. On the condition of the Indonesian automotive industry where car sales were affected by a decline in global car sales because of the quality factor of the vehicle which tends to decrease it can see from the rise of claims and complaints due to several things in cars that are not functioning correctly.

Purchasing car products is caused by several factors, one of which is the declining trend in the quality of products sold so that consumer interest in these products decreases. This purchase decision is expected to meet consumer expectations, which can have an impact on increasing equity brand image. Relationship equity is a benefit obtained from the company in connection with the outcome which generated from the business processes produced. Research conducted by Hayasyha & Hilman (2015) confirms the positive influence of product quality on relationship quality. Some studies such as those undertaken by Qin, Zhao & Yi (2009); Hanaysha & Hilman (2015) and Walter et al., (2003) show that the outcome of the products produced is significantly related to

equality relationships obtained from positive images from customers. Relations between producers and customers strongly influenced by relationship quality (Ghani, 2012; Vesel & Zabkar, 2010). Of course, this situation indicates that the existence of positive relationship equity will benefit the company in the future. (Kurniawan & Sidharta, 2015)

The automotive industry is determined by the quality of the products produced, with the quality of the product, the customer will make purchases on the products offered. Research conducted by Lin & Lu, (2006) shows that one of the determinants of automotive instructional products is product quality. With the quality of the product will be able to contribute to automotive companies, which can, increase demand, expand market share and increase profitability, as well as value added (Zang, Doorn & Leeflang 2014).

Research conducted by Hajipour, Bavarsad & Zarei (2013) only discuss the effect of relationship equity on customer decisions for purchase intention. Then the study was undertaken by Zhang, Ko & Taylor (2011) only examines products and customer equity. Therefore to fill the previous research gap, it is necessary to know the relationship between product quality, purchasing decisions, and real estate equity.

Based on the above problems, this study aims to determine the effect of car product quality on purchasing decisions and their implications for relationship equity. This research is expected to contribute to the development of product quality, purchasing decisions, and equality relationships, especially in the automotive industry.

METHOD

The research conducted at one of the dealers located in Bandung City. The object of this research based on consideration of the ease of obtaining data and information as empirical

evidence and the possibility to apply the results of the study. The duration of the research for 4 (four) months starts from August to November 2018. The population in this study is consumers consisting of 150 people.

Furthermore, the number of samples in this study determined by simple random sampling technique to carry out and to determine the number of samples to be studied using the Slovin method in this study were 108 respondents who were all consumers of one of the car dealers in the city of Bandung.

This study uses explanatory survey method. This research is also limited to the understanding of sample surveys aimed at testing hypotheses that have formulated previously. Survey research is usually carried out to take a generalization from in-depth observations, but the generalizations made can be more accurate if a representative sample used. The explanatory survey is a method that not only looks at the general description of the variables or relationships between variables but also influences a variable on the other variables.

The research variables used in this study consisted of 3 (three) variables, product quality variable (X), Purchase Decision variable (Y) and variable relationship equity (Z). The product quality variable refers to (Goetche & Davis, 2014), which consists of performance, features, perceived quality, serviceability, reliability, aesthetics, durability, and conformance. Purchasing decision variables refer to Kotler and Keler (2013), with dimensions of Positive Attitudes toward products, Brand interests, Decisions about product types, Brand decisions, and Decisions about sellers while relationship equity variables refer to Wang et al. (2004), who has been validated by Kurniawan & Sidharta with AVE of 0.67 and Cronbach's alpha of 0.87.

RESULTS and DISCUSSION

Respondents

By using probability sampling techniques, the number of samples was 108 people. The following is an explanation of the characteristics of the research respondents. It found that of the respondents studied who were male as many as 39.19% and women 60.81%. Respondents aged 20-25 years were 0%, aged 26-30 years 15.31%, age 31-35 years 8.56%, age 36-40 years as many as 22.97%, age 40-45 years as many as 36.04 %, and the age above 45 years is 18.02%. So the highest distribution is in the age group of 40-45 years as many as 36.04%, while the lowest distribution is in the age group above 31-35 years, which is as much as 8.56%.

Data Quality Test

Before further analysis is carried out, it is necessary first to test the validity and reliability of the data obtained. The test results using internal consistency criteria with $r > 0.3$ and reliability with Cronbach alpha > 0.7 . For instrument validity ranges from 0.312 - 0.896, reliability ranges from 0.974-0.974.

Research result

After testing data quality, the next step is to analyze the hierarchical regression model approach. The calculation results in table 1 show that the hypothesis proposed in this study proved to have a significant effect. There is a substantial effect of product quality on relationship equity, whether mediated by purchasing decisions or not mediated by purchasing decisions. The results of this study indicate that the impact of product quality on relationship equity is well mediated by purchasing decisions of 44.1%. While the influence of product quality on relationship equity is 29.3%. The calculation results show that purchasing decisions can increase relationship equity. The results of this study address the results of research conducted by Hajipour, Bavarsad & Zarei (2013) and Zhang, Ko & Taylor (2011). Based on the results of research and data processing, product quality has an average value of 3.16 and a total overall score of 1,744.with the criteria Good Enough. Product Quality is an essential element, because, with the Quality of Products, the company can meet the needs and desires of consumers.

Table 1.
 Results of calculations and hypothesis testing

| Variabel | Adjusted R Squares | P value | F Value | Decision |
|--|--------------------|---------|---------|----------|
| Product -> Purchase -> Relationship Equity | 0.441 | 0.000 | 41.367 | Accept |
| Product -> Relationship Equity | 0,293 | 0.000 | 43.874 | Accept |

In general, the dimensions of Product Quality are good enough, but there are still weak aspects, namely aspects. Consumers are satisfied with the quality of products with an average value of 2.52 and the second lowest average value, namely in the statement: a market with an average value of 2.59

The facts in the field show that there are still respondents who still feel less satisfied with the quality of the products offered. It indicated by the even many complaints that have arisen over the products sold, and consumers think that the durability of the car is not as long as it feels stronger and longer so that many complaints appear even in the first year of use.

The buying decision has an average value of 3.28, and the overall total score is 1,635 with the criteria Good Enough. Purchase decisions are consumer decisions regarding preferences for brands that are in a collection of choices. Based on the results of data processing, buying decisions are in a reasonably good category as well as relationship equity.

The facts in the field show that in general, not all car products offered can attract consumers' interest because of the many complaints that arise because besides, not all showrooms are ready stock. Of the Terios car products so many consumers want to buy but still have to wait long enough because of items that are a pivot or not prepared stock.

According to Lin & Lu (2006), automotive companies that do not create or are unable to

develop innovative quality products will face risks such as a decrease in sales, due to the emergence of more creative competitors, changes in consumers, the development of new technologies in the production quality process. Likewise, Moon, Miller & Kim (2010) suggest that companies are currently required to be able to continue to create high-quality product quality. Hu & Huang (2011) prove that product quality influences Relationship Equity through brand trust. Research conducted by Stock (2011) shows that product quality can improve brand satisfaction. Thus increasing relationship equality provides high benefits for automotive companies.

CONCLUSION

The overall picture of product quality can describe as good, and purchasing decisions are in the fairly good category, as well as relationship equality. The description shows that product quality, purchasing decisions, and relationship equity have gone well. There is a significant effect of product quality on relationship equity, whether mediated by purchasing decisions or not mediated by purchasing decisions. The results of this study indicate that the impact of product quality on relationship equity both mediated by purchasing decisions proved significant. However there are still some weaknesses in this study where testing is only done empirically with relatively few samples, it is necessary to test empirical models with explanatory assessors so that the results of the study can be more comprehensive.

The quality of existing products, in general, is quite good but still needs to be improved on the quality of existing products in the market so that complaints will be reduced and should be released before the market s conducted periodic testing that is able to truly recognize the quality of products so that consumers will be satisfied and the durability of the car will increasingly test and ready to answer market expectations. Purchasing decisions that are already good enough but still need to improve the quality and quality of product quality so that consumers can attract interest besides differentiation Product quality must be improved and the best Terios

products are always available in showrooms or ready stock so that interested customers no longer pivot and ultimately not buy because the process of procuring a car is longer. With these efforts, it is expected to increase relationship equity in automotive companies in the future.

REFERENCES

- Ghani, N. H. A. (2012). Relationship marketing in branding: The automobile authorized independent dealers in Malaysia. *International Journal of Business and Social Science*, 3(5), 144-154.
- Goetsch, D. L., dan Davis, S. (2013). *Quality Management for Organizational Excellence: Introduction to Total Quality*, Seventh Edition. New Jersey: Pearson Education, Inc.
- Hajipour, B., Bavarsad, B., & Zarei, S. E. (2013). Effect of Marketing Factors on Brand Relationship Equity and Affects the Customers' Purchase Intention. *Journal of Management Research*, 5(1), 317-332.
- Hanaysha, J., & Hilman, H. (2015). Strategic Effects of Product Innovation, Service Quality, and Relationship Quality on Brand Equity. *Asian Social Science*, 11(10), 56-72.
- Hanaysha, J., & Hilman, H. (2015). Product innovation as a key success factor to build sustainable brand equity. *Management Science Letters*, 5(6), 567-576.
- Hu, K. C., & Huang, M. C. (2011). Effects of service quality, innovation and corporate image on customer's satisfaction and loyalty of air cargo terminal. *International Journal of Operations Research*, 8(4), 36-47.
- Kotler, P., & Keller, K. L. (2013). *Marketing Management* (14th ed. Horizon Edition). Englan : Pearson Education.
- Kurniawan, P., & Sidharta, I. (2016). SERVQUAL on brand image and relationship equity. *International Review of Management and Marketing*, 6(4), 866-871.
- Lin, L. H., & Lu, I. Y. (2006). Product quality as a determinant of product innovation: an empirical analysis of the global automotive industry. *Total Quality Management & Business Excellence*, 17(2), 141-147.
- Qin, S., Zhao, L., & Yi, X. (2009). Impacts of customer service on relationship quality: an empirical study in China. *Managing Service Quality: An International Journal*, 19(4), 391-409.
- Stock, R. M. (2011). How does product program innovativeness affect customer satisfaction? A comparison of goods and services. *Journal of the Academy of Marketing Science*, 39(6), 813-827.
- Vesel, P., & Zabkar, V. (2010). Comprehension of relationship quality in the retail environment. *Managing Service Quality: An International Journal*, 20(3), 213-235.
- Vesel, P., & Zabkar, V. (2010). Relationship quality evaluation in retailers' relationships with consumers. *European Journal of Marketing*, 44(9/10), 1334-1365.
- Walter, A., Müller, T. A., Helfert, G., & Ritter, T. (2003). Functions of industrial supplier relationships and their impact on relationship quality. *Industrial marketing management*, 32(2), 159-169.
- Zhang, S. S., van Doorn, J., & Leeflang, P. S. (2014). Does the importance of value, brand and relationship equity for customer loyalty differ between Eastern and Western cultures?. *International business review*, 23(1), 284-292.

- Zhang, H., Ko, E., & Taylor, C. R. (2011). Advertising appeals strategy: Moderating effect on the relationship between innovation and customer equity drivers in China. *International marketing* (pp. 111-136). Emerald Group Publishing Limited.