

An Influence of Product Quality and Price on Consumer Purchase Interest a Low Cost Green Cars

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ABSTRACT

The Ministry of Industry issued Regulation No.33/M-IND/PER/7/2013 concerning LCGC Production Development In September 2013, and has experienced impressive growth in Indonesia's automotive sector since 2013. LCGC stands for Low Cost Green Mobil. The main objective of this research is to analyze what drives people to buy LCGC Astra Toyota Agya and is measured by three dependent variables (product quality and price). This study will use multiple linear regression analysis to analyze consumer buying interest to buy LCGC Astra Toyota Agya. There were 86 respondents who took/received brochures from the Showroom at the Toyota Auto 2000 Dealer Jalan Medan-Binjai. The results of this study indicate that product quality and price simultaneously have a significant effect on consumer buying interest, product quality and price partially have a significant effect on consumer buying interest in LCGC Astra Toyota Agya at Toyota Auto 2000 Dealer Jalan Medan-Binjai. LCGC Astra Toyota Agya must increase the advertising of the Agya and the best-in-class car; such as adding a side-beam impact for safety and a great new color. So that it will increase buying interest and strengthen the competitiveness of other LCGC products.

Keywords : *Product Quality, Price of Consumer Buying Interest*

INTRODUCTION

For most Indonesian consumers, the price of a car is still relatively high. Only those with significant incomes can afford this kind of product. Seeing this fact, automotive manufacturers develop cheap cars to target low-income consumers. Since September 2013, manufacturers, including Toyota, Daihatsu, Honda, and Datsun, have produced and launched low-*Cost Green Cars*(LCGC)(Teresa, 2013). Since then, Toyota's Agya and Daihatsu's Ayla have led the market for this car category in Indonesia. They took market share from their competitors, including the Brio Satya (Honda), Go+ Panca and Go Panca (Datsun), and Wagon R (Suzuki). LCGC stands for Low-Cost Green Car. It means 'cheap, eco-friendly car.' LCGC incentives car manufacturers, both local and foreign brand holders, to produce cheap and environmentally friendly cars.

According to Sanjaya & Indriani (2014), customers who buy LCGC are motivated by lower prices, environmental friendliness, improved self-image, following social norms, social pressures, and interest in new technologies. Indeed, customers who buy green cars are generally motivated for the same reasons(Ozaki & Sevastyanova, 2011)and to support environmental policy(Coad, de Haan, & Woersdorfer, 2019). Only a few previous studies have focused on exploring the factors that influence the purchase intention of LCGC. Tandia & Iriani (2018)chose environmental awareness, product innovation, and perceived quality as predictor variables. Firmansyah (2016) uses product knowledge and perceived quality. Furthermore, Indrawati & Suparna (2015)choose product knowledge and perceived price.

In this study, the authors include product quality and price as independent variables. For most Indonesian consumers, the price of a car is still relatively high. Only those with significant

incomes can afford this kind of product. Seeing this fact, automotive manufacturers develop cheap cars to target low-income consumers. Since September 2013, manufacturers, including Toyota, Daihatsu, Honda, and Datsun, have produced and launched Low-Cost Green Cars (LCGC)(Teresa, 2013). Since then, Toyota's Agya and Daihatsu's Ayla have led the market for this car category in Indonesia. They took market share from their competitors, including the Brio Satya (Honda), Go+ Panca and Go Panca (Datsun), and Wagon R (Suzuki). and purchase intention as the dependent variable.

Based on field observations using, interest in Agya's car is starting to decrease because consumers do not recommend it to their friends or colleagues, which has an impact on not maximizing Agya's car sales, and also, consumers tell complaints about the shortcomings that exist in Agya's cars to others, which has an impact on the decline in image Agya car in the eyes of consumers. This study aims to analyze and determine the quality of the product and price has a positive and significant effect on consumer buying interest.

LITERATURE REVIEW

Perceived Quality and Purchase Intention

Perceived quality is defined as "a consumer's assessment of the overall superiority or superiority of the product"(Tsiotsou, 2016). Doing research in China, Chi, Yeh, & Yang (2019) tested the perceived impact of the product on loyalty and purchase intention and concluded that there was a significant effect on one another. Another study links perceived quality with purchase intention and brand profitability(Aberdeen, et al., 2016; Yaseen & Tahira, 2011) and maintain the same findings. Besides that, Firmansyah (2016) and Tandia & Iriani (2018) selected perceived quality to predict purchase intention of LCGC and documented that there is a significant impact of perceived quality on purchase intention of this green vehicle.

Workload.

Price Perception and Purchase Intention

Price is an 'input' in the consumer buying decision process and this input will affect the 'process' (such as perception, motivation, and intention) and lead to the 'output' (such as purchase, repurchase, and loyalty).(Schiffman & Wisenblit, 2015). In this case, the price will affect the price perceived by consumers. A car, although it may be claimed to be cheap or affordable by marketers, refers to a large sum of money. To buy or even have the intention of buying, people will consider their income and overall financial situation. In many cases, there will be a negative impact of income on purchase intention(Wong & Mo, 2013). In addition, the level of perception of a price can differ from one person to another. In this study, perceived price or perceived price is related to brand purchase intention.

METHODS

The type of research that the author uses in this research approach is an associative approach which aims to determine the effect or relationship of an independent variable on the dependent or dependent variable so that it can be seen the magnitude of the influence and the close relationship. (Manullang and Pakpahan, 2014). This research was conducted in the Showroom at the Toyota Auto 2000 Dealer Medan-Binjai Street.

This study uses two independent variables and one dependent variable: product quality and price as independent variables and buying interest as the dependent variable. Researchers used previous research to discuss variable associations and made research hypotheses. Questionnaires were used to obtain primary data and determine the characteristics of respondents who became the research data source. There were 86 respondents who took/received/brochures from the Showroom at the Toyota Auto 2000 Dealer Jalan Medan–Binjai. The data obtained were analyzed using the SPSS program.

RESULTS AND DISCUSSION

Results

Multiple Regression Result

The results of multiple regression in the study are shown in the table below.

Table 3. F test Result
ANOVA^b

| Model | | Sum of Square | df | Mean Square | F | Sig. |
|-------|------------|---------------|----|-------------|---------|-------|
| 1 | Regression | 1634,294 | 3 | 544,765 | 132,717 | ,000a |
| | Residual | 233.968 | 57 | 4.105 | | |
| | Total | 1868,262 | 60 | | | |

a. Dependent variable: Consumer buying interest

b. Predictors: (Constant), Price, Product quality

Table 4. t test Result
Coefficients

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-----------------|-----------------------------|------------|---------------------------|-------|-------|
| | B | Std. Error | Beta | | |
| (Constant) | 2,443 | 2.025 | | 1,206 | 0.233 |
| Product quality | 0.454 | 0.104 | 0.386 | 4,352 | 0.000 |
| Price | 0.330 | 0.097 | 0.324 | 3,401 | 0.001 |

a. Dependent variable: Consumer buying interest

Table 5. Coefficient of Determination
Model Summary^b

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------|----------|-------------------|----------------------------|
| 1 | ,935a | ,875 | ,868 | 2.02601 |

a. Predictors: (Constant), Price, Product quality

b. Dependent Variable: Consumer buying interest

The F test in this study resulted in an F-count of 132.717, with a significance level of 0.000. By referring to the provision that the sig value is less than 0.05 ($\alpha = 0.05$), the F test of this study meets the requirements. It can be concluded that all the independent variables in this study collectively have a significant effect on the consumer buying interest variable. The results

of the t-test in this study showed the lowest value of 3.401 with sig. 0.001 and the highest value of 4.352 with sig. 0.000. With reference to the provisions of sig. <0.05, it can be concluded that all hypotheses are accepted.

Multiple regression results from this study can be written in the multiple regression equation $Y = 2.443 + 0.454X_1 + 0.330X_2$ (see table 4). The result of each variable is product quality with sig. of 0.000, the price with sig. of 0.001. The regression equation of this study explains the constant (α) of 2.443, meaning that if the product quality and price are zero, the consumer's buying interest is positive.

Discussion

This research was conducted to test the effect of product quality and price on consumer buying interest by taking the location in the Showroom at the Toyota Auto 2000 Dealer Medan-Binjai street. Based on the results of the analysis using multiple regression obtained the fact that the effect of product quality and price on consumer buying interest. In addition, product quality and price variables are also able to influence decisions in a positive direction.

The first finding of this research is that product quality has a positive and significant effect on consumer buying interest. Toyota Agya became the LCGC with the highest sales since this type of car was launched. Toyota and Daihatsu compete not only in the LCGC category, but also in other categories. Although the public is aware that for some Toyota vehicles, the products are manufactured by Daihatsu, Toyota products still have a good perception in the minds of the public in terms of quality. The findings of the Daihatsu Agya case are significant with existing research (Aberdeen, et al., 2016; Chi, Yeh, & Yang, 2009; Yaseen & Tahira, 2011). Consumers will consider several risks when they want to buy a car because a car is one of the expensive assets and most consumers view that a car must last a long time. Therefore, they face uncertainty if buying a non-conforming car which results in poor performance, embarrassment, poor self-image and insecurity, which causes them to lose financial risk, physical risk, social risk and performance risk.

Perception of quality is a priority when buying a car and this study finds out why the LCGC Astra Toyota is the most sold LCGC compared to other LCGC products; it's because of the quality. Consumers perceive quality and they choose LCGC Astra Toyota Agya. The second finding in this study is price is proven to have an effect on consumer buying interest. This finding supports previous research (Chiang & Jang, 2017; Munnukka, 2018; Setiawan & Achyar, 2013; Tih & Lee, 2013; Wang & Chen, 2016). In the market, the price of Toyota products is higher than the price of Daihatsu products, including for LCGC. Indeed, Toyota still leads the automotive market for several categories. Participants seemed to believe that higher Toyota prices would result in value for money.

This study found the perception of low-level attributes is that perceived price can affect perceived quality and value which also has a significant influence on purchase intention but if it is a luxury product then price does not have a significant effect on purchase intention. Therefore, sometimes price takes priority after quality, although to buy some products or services people look for quality not price. This effect is because all income levels based on the identity of the respondents agree that the price has a significant effect because the price can be reached by them and in accordance with their expectations of the price they perceive from them. Because there

are many types of LCGC Astra Toyota Agya products that are suitable for all income levels even with installments from consumer income.

CONCLUSION

Three constructive findings can be concluded from the overall results of this study, namely as follows: (1) product quality and price simultaneously significantly affect consumer buying interest in LCGC Astra Toyota Agya. (2) product quality significantly affects consumer buying interest in LCGC Astra Toyota Agya. (3) price significantly affects consumer buying interest in LCGC Astra Toyota Agya. Therefore, some recommendations are (1) LCGC Astra Toyota Agya should promote and improve Agya advertisements and add additional features to the car, such as great colors so that it is easily recognized by most people, to increase sales of LCGC Astra Toyota.

Because through word of mouth, Toyota has a strong brand image through a product named and called 'Kijang.' (2) The price of LCGC Astra Toyota Agya is outside the term LCGC which means low-Cost *Green Car*. It should follow the LCGC regulations themselves. That way, the LCGC Astra Toyota Agya can be reached by all Indonesian people. "Let's Go Beyond" will mean a lot if the price is revised. (3) LCGC Astra Toyota Agya must improve the quality of even the best cars in its class. Like adding more safety and performance features. So that it will increase buying interest and strengthen the competitiveness of other LCGC products. (4) For further research, it is suggested to further researchers add more variables or interventions to make better results for their effect on consumers' purchase intentions.

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