

CHAPTER 1

INTRODUCTION

1.1 Object Overview

The car industry in Indonesia has been expanding very fast. Every car manufacturer in Indonesia are launching their newest model or some additional updates on their current model annually, this situation is a linear condition due to the high demand of new car, the competition of every car manufacturer has been very tight making every competitor must give their best effort on competing on each segment. The numbers of sales on private vehicle especially cars are increasing massively linear to the demand on Indonesian market on purchasing new car. The increasing economic background and the change of social economy supports this factor. There is an increasing amount of car in Indonesia significantly from 2013-2016; it will be shown in the table 1.1 below,

Table 1.1 Total amount of car in Indonesia from 2013-2016

Year	Total Amount
2013	11.484.514
2014	12.599.038
2015	13.480.973
2016	14.580.666

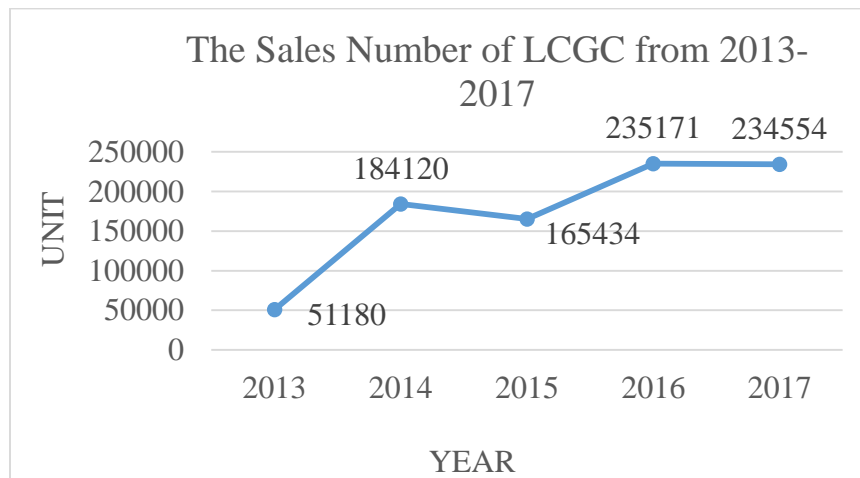
Source: Badan Pusat Statistik (2016)

Private car is one of the very developing transportation choices in Indonesia, many car manufacturers cause the increase of car amounts on the roads every year. Some manufacturers that exist here came from Japan, Korea, China, German, France, Italy, Sweden, Great Britain, America, India, and Malaysia.

The increasing amount of new cars is also caused by the existence of LCGC (low cost green car). In 2013 the government made a new order on state regulation number 41/2013 (PP No.41/2013) about the items that is tax chargeable as luxury goods, the state's regulation states that car with low energy consumption and reasonable price, the sales tax of luxury goods charged as 0 percent of the selling price. The 0 percent tax applied for vehicle with combusted engine with maximum cylinder capacity of 1.200cc and minimum fuel consumption of 20 kilometers per liter. PP No.14/2013 has been supported by the industrial ministry regulation of No.3 33/M-IND/2013 about the development of four-wheeled vehicle production with low energy consumption and

reasonable price on July 1st, 2013, (www.kemenperin.go.id). The presence of 0 percent tax policy caused many car manufacturers that compete on launching their newest LCGC line up such as Toyota Agya and Calya, Daihatsu Ayla and Sigra, Suzuki Karimun Wagon R, Honda Brio Satya, and Datsun GO Panca series.

The sales of Indonesian automotive industry have shown an interesting development of LCGCs, because the low pricing itself and the great fuel efficiency compared to the existing LMPVs (Low Multi Purpose Vehicle), many people are attracted to the LCGCs. The increasing Indonesian economic situation itself helps the car manufacturers to develop the LCGC models. Due to this situation car manufacturers now have a better chance on fulfilling their customer needs by looking at their consumer behavior, so their offered product can be accepted by their customers. Due to the big opportunity, many car manufacturers trying to develop better LCGCs with better quality.



(Source : Gaikindo LCGC Cars Sales 2013-2017)

Figure 1.1

The sales number of LCGC from 2013-2017.

Until November 2017, there are 7 models of LCGC that is being offered in Indonesia. These cars are Toyota Agya, Toyota Calya, Daihatsu Ayla, Daihatsu Sigra, Suzuki Karimun Wagon R, Honda Brio Satya, Datsun GO Panca Series. The most expensive LCGC is Toyota Calya 1.2 G with automatic transmission with offered price as Rp.152.650.000 (<http://jogja.tribunnews.com/>, 2017).

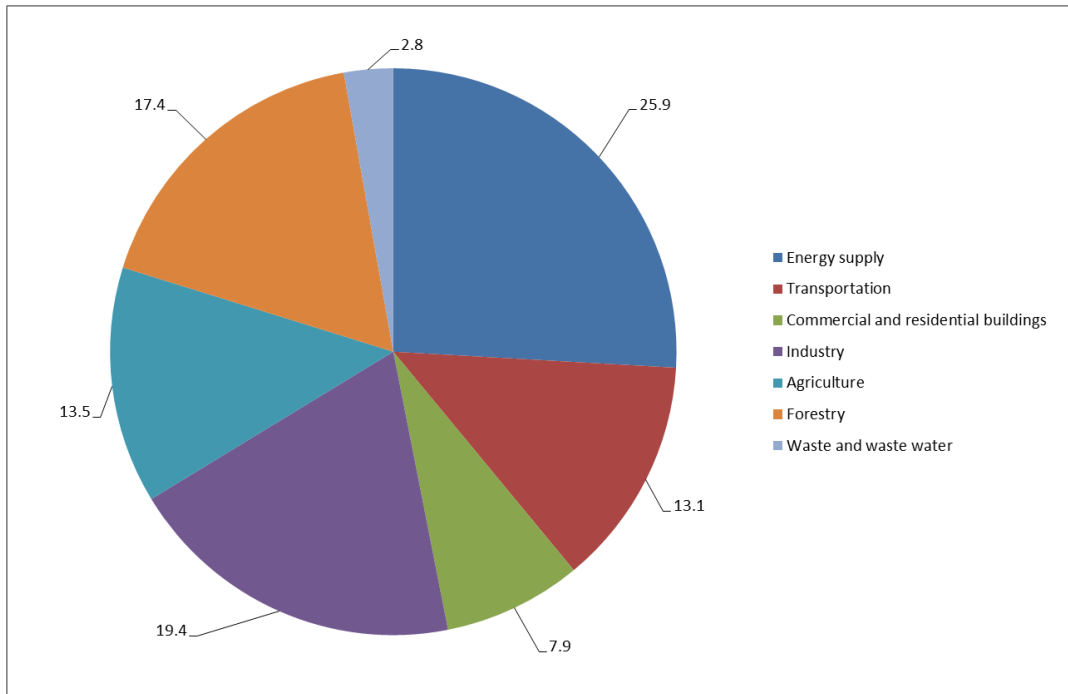
The significant increase number of sales can see the attraction to society itself from 2013 to 2014, which has grown more than 300% compared to their debut year by creating number of sales as 51.180 cars being sold. Ever since the LCGC has been launched in the middle of 2013, their sales keep increasing. The sales performance of LCGC itself has been a great move for the automotive market and starting to compete with the LMPV market such as the Toyota Avanza, Daihatsu Xenia, Suzuki Ertiga, and Honda Mobilio.

The development of LCGC in Indonesia is caused by the huge attraction to the existence of this kind of car, which has a great fuel consumption, low pricing, and low emission. Other than having the benefits of great consumption and low pricing, LCGC has attract wide range of society that is willing to purchase new car with low price range and with an easy process of leasing. Year by year the name of LCGC has now grown strongly and most of societies accept the existence of LCGC

1.2 Research Background

Recently, there are upcoming issues globally such as the problem of living environment such as environmental pollution, deforestation, and global warming. Many factors are being related with the industrial and technological development.

Other than giving a positive impact, the development of industry and technology may also caused a long term negative impact to the living environment and global warming (Pratama 2014). Figure 1.2 below shown the factors of global warming from economical sector.



(Source : www.climatehotmap.org)

Figure 1.2 Global Warming Emmission from Economical Sector

Figure above shows about the factors of global warming from economical sector. Energy supply sector has the biggest percentage as 25,9%. Next followed by industrial sector as 19,4%, forestry sector as 17,4%, agricultural sector as 13,5%, transportation sector as 13,1%, commercial buildings and housing as 7,9%. Last factor is waste and water which has the smallest percentage as 2,8%.

The emergence of various threats to the living environment, made the company needed to apply a concept of new business with better concern of living environment or known as green marketing. Prakash (2002) explains that green marketing is a strategy to promote their products that claims to be eco friendly when it comes to attributes, systems, policies, and the process itself of the company that produces and sells. There are five reasons for a company to develop green marketing: (1) Adapting to the environmental pressure, (2) earning competitive advantage, (3) increasing the company's image, (4) seeking oppportunity on new market or chance, and (5) increasing product image (Chen, 2009). Green marketing combines various activities including modifying the product, change on production process, change on packaging, and also modifying the advertising itself (Polonsky,1994).

Currently, not many companies have applied the green marketing due to the upcoming problems. According to Polonsky (1994), explains that the potential problems on applying the green marketing are: (1) the company must be sure that the green marketing that they use will not mislead the consumers and industry, and will not break the rule or law that is applied on environmental marketing, (2) when it comes to modifying process, their product must fulfil the demand and consumer perception, otherwise their product is no better than the existing product due to the misperception of the consumer, and (3) the government regulation that is designed to to give a chance on consumers to make a better decision, or to motivates them on being more responsible to the living environment.

The application of green marketing concept in business will be considered on giving positive impact and also able to persuade consumer buying decision. Pujari et al., (2003) said that green marketing that is being done by a company will give a positive impact to the company itself, which are: increase of sales, giving a better feedback from the customers, closer to their customers, better competitive advantage, and enhance the company image. The statement above is the opposite of what Mangonko (2011) says, states that the value of green marketing will not be the consideration of consumers or customers on purchasing a product.

Developing the green marketing mix, is related with 4P (product, price, promotion, and place) unless its an additional components that is well related to the meaning of green marketing itself and other supporting factors. According to Suhud (2002) in green marketing there is an external green P's that are paying customers, providers politicians, pressure groups problems, prediction, and partners. Also there is internal green P's which are products, promotions, price, place, providing information, process, and politicians.

Green marketing is now has been applied on many business sectors so they can get attention from the consumers, one of the business sector that applies the green marketing on advertising their product is automotive industry. The phenomenon of green marketing that is being applied by the automotive industry is by launching a car with low emission and low fuel consumption with reasonable price that is known as LCGC (low cost green car) and it came with a reasonable specification and small engine capacity to support the program itself.

According to Kompasiana.com implementing the Green Supply Chain Management able to improve the operational process by using a solution that concerns on environment :

1. Improving Agility: GSCM helps on reducing risks and speed up on innovations;
2. Improving on adaptation: GSCM analysis often give an innovative process and continous improvement;
3. Promoting harmony: GSCM involves a negotiation obligation with the suppliers and customers,

which results a better harmony on business process.

In 2013, the government through the ministry of industry gave the supports for the production of fuel saving motored vehicle with affordable price. People are more familiar with this car as the low cost green car or LCGC. The purpose of this LCGC in Indonesia is for who wants to buy new car with low price range and still having the multifunctional aspects of being a car. For about five years, this product has become the choice of vehicle for the community. According to the ministry of industry's director of maritime industry, transportation equipment and defense equipment, Putu Juli Ardika, the presence of LCGC is quite successful in Indonesia. (Viva, 2018)

The LCGC segment is indeed a special attraction for the people of Indonesia to have four-wheeled vehicles at affordable price range. (Tribunjogja, 2018). In Indonesia, there are several brands that provides LCGC as seen on table 1.2 below,

Table 1.2 Brand of LCGC in Indonesia

Brand	Type	Year	Price	Feature
Toyota	Agya	2013	Rp 99,900,000 – Rp 120,750,000	1,000 cc engine, Manual and Automatic Transmission, Dual SRS Airbags, Power windows, electric mirrors, Central door locking, Alloy rims,
		2014	Rp 103,450,000 – Rp 124,350,000	
		2015	Rp 122,500,000 – Rp 133,900,000	
		2016	Rp 132,000,000 – Rp 155,000,000	
	Calya	2016	Rp 132,450,000 – Rp 150,000,000	Adding 1,200 cc engine, ABS, ISOfix, immobilizer, LCD Entertainment

				Central door locking, Alloy rims, Immobilizer, ISOfix
Daihatsu	Ayla	2013	Rp 75,000,000 – Rp 100,000,000	1,000 cc engine, Manual and Automatic transmission, Dual SRS Airbags, Power windows, electric mirrors, Central door locking, Alloy rims,
		2014	Rp 76,000,000 – Rp 106,400,000	
		2015	Rp 80,000,000 – Rp 119,00,000	
		2016	Rp 85,000,000 – Rp 123,000,000	
	Sigra	2016	Rp 123,600,000 – Rp 164,950,000	Adding 1,200 cc engine, ABS, ISOfix, immobilizer, LCD Entertainment
Honda	Brio Satya	2013	Rp 106.000.000 – Rp 117.600.000	1.200 cc engine, manual transmission only, audio and entertainment, power window, central lock, alloy wheels, immobilizer
		2014	Rp 106.600.000 – Rp 146.000.000	1.200 cc engine, manual and automatic transmission, audio and entertainment, power window, central lock, alloy wheels, immobilizer
		2015	Rp 114.900.000 – Rp 157.600.000	
		2016	Rp 120.000.000 – Rp 160.000.000	
Suzuki	Karimun Wagon-R	2013	Rp 77.000.000 – Rp 99.900.000	
		2014	Rp 77.000.000 – Rp 105.000.000	
		2015	Rp 103.000.000 – Rp 133.000.000	
		2016	Rp 103.000.000 – Rp 133.000.000	
Datsun	Go	2013	-	Not launched yet
		2014	Rp 96.500.000 – Rp 102.950.000	1.200 cc engine, manual transmission only, power window, single airbag, entertainment system, immobilizer, 5 seaters or 7 seaters
		2015	Rp 85.000.000 – Rp 102.900.000	
		2016	Rp 114.000.000 – Rp 126.000.000	

Source: Cintamobil (2015); Viva (2014); Otogrid (2013); Viva (2016); Autotekno (2015); Autoreviewmobil (2013)

From the first year of LCGC in Indonesia which is in 2013 until 2014, the amount of LCGC in Indonesia have significantly increased on each brands and models of the company. Since 2015 until now, there are slight decrease on some products such as Daihatsu Ayla, Toyota Agya, Datsun Go, Suzuki Karimun Wagon-R, Toyota Calya and Daihatsu Sibra, shown on table 1.3 below.

Table 1.3 Amount of LCGC Car in Indonesia

Brand	Year	Amount
Daihatsu Ayla	2013	19.141
	2014	40.775
	2015	35.084
	2016	36.989
	2017	29.323
	2018	26.952
Toyota Agya	2013	22.376
	2014	67,074
	2015	57.646
	2016	43.298
	2017	33.456
	2018	29.106
Honda Brio Satya	2013	4.958
	2014	24.932
	2015	31.820
	2016	33.027
	2017	32.783
	2018	46.900
Datsun Go	2013	-
	2014	20.520
	2015	29.358
	2016	24.968
	2017	9.565
	2018	8.045
Suzuki Karimun Wagon-R	2013	4.705
	2014	16.133
	2015	11.526
	2016	8.988
	2017	7.135
	2018	4.564
Toyota Calya	2016	36.768
	2017	82.590
	2018	63.970
Daihatsu Sibra	2016	26.289

	2017	50.198
	2018	50.907

Source: Cintamobil (2015); Autotekno (2014); Montirgw (2014)

Overall, car sales in the Low-Cost Green Car (LCGC) segment have continued to decline since it was first marketed. In May 2019, based on data from the Association of Indonesian Automotive Industries (Gaikindo) total sales only reached 18,271 units while in 2018 it had reached 21,982 units or down 16%. So far this year, LCGC sales have never touched 20,000 units.

According to Cnbcindonesia.com Marketing Director of PT Toyota-Astra Motor (TAM), Anton Jimmi Suwandy, explained that two factors were triggering the LCGC segment to experience a decrease in sales, including factors in online taxis and finance companies. There are two factors first, the use of Calya for online taxis is quite high (which then increases sales at the time) and secondly, the leasing ability to take (cars) is higher. In 2016-2017 the absorption capacity of leasing is stronger than the end of 2018, so 2018 the second semester is already quite declining. So the factor is online taxis, and leasing, and indeed the products are not new, and the segments that were not bought previously have already been bought.

According to Detik.com, Administration Director of PT Toyota Motor Manufacturing Indonesia (TMMIN), Bob Azam, explains that to achieve firm competitiveness they need to improve their logistic and supply chain ability, maintenance, and inspection.

A low cost green car is now under the states regulation No.41/2013, together with the low carbon emission, electric car, and hybrid biodiesel. The terms of being an LCGC are low energy consumption, 1.000cc – 1.200cc engine capacity, minimum fuel consumption is 22KM/L for the 1.000cc engine and 20KM/L for the 1.200cc engine, fullfilled the EURO2 emmision standard, maximum on the road price as Rp.100.000.000, minimum manufacturing factory investation 50.000.000 USD, body parts, engine parts, transmission parts, and many other parts must be locally mad (made in Indonesia), the minimum local component must be 40% on the first year, 60% on the third year, and 80% on the fifth year, affordable price, using additional local brand, and also the model and logo itself must represent Indonesia.

LCGC have some advantages such as: low price range, great fuel efficiency, eco friendly, and a small body styling that helps on manufering. There are some disadvantages from LCGC and

mostly is about the power range itself due to the small engine capacity that must not be over 1.200cc. Most LCGC is having a very low curb weight, this will caused the unstable driving experience, and unlike many other cars, safety features standard is not a must in this segment.

Even though the LCGC program able to made a great number of sales, the LCGC program itself has been accused by many people that this program caused a worse traffic situation and also wastes the funding of fuel subsidy that came from the government.

Based on the results of the interview conducted on December 18, 2018 to Mr. Wahyu Priono as Marketing Manager of Indomobil Nissan-Datsun, there are some complaints such as:

1. Difficulties on finding the aftermarket products for LCGC
2. Some customers are experiencing engine trouble during long distance traveling.
3. LCGC owners are complaining that the resale value is low.
4. LCGC owners are complaining about the complicated engine maintenance.
5. LCGC owners are complaining about the bad driving experience with very low comfort.
6. LCGC owners are complaining about the low built quality

This thing has shown that there are some complaints that the LCGC product itself did not meet their expectation.

1.3 Problem Statement

According to previous research conducted by Yang (2013) stated that GSCM (green supply chain management) related towards firm competitiveness through green performance. In the research, stated that GSCM divided into two, which are internal green practice and external green collaboration. This research is adopting model from Yang (2013) because the model on the previous research is also used for the manufacturing industry as the object of the research.

By adopting the model in this research, hopefully that can have influence for the GSCM towards firm competitiveness through green performance and the object is in LCGC in Indonesia.

According to the background of the research. There might be several problems in term of the existence the LCGC Car in Indonesia, that have been mentioned in the research background mentioned that LCGC caused worse road traffic, waste on fuel subsidy, low built quality, and low

resale value, this thing can cause the company performance itself. If the company wanted to make the LCGC, they need to think about their customer needs combining with the company performance. The company also needed to think about how to sustain or stabilize their product by adapting the green supply chain management theory while other competitors are making better or cheaper product perhaps.

1.4 Research Question

Based on research background explains that the sales of LCGC in Indonesia are very competitive between each companies that impacts through performance. There are several questions regarding to those explanation as follows:

1. Does internal green practice have positive aspect through firm competitiveness on LCGC Company in Indonesia?
2. Does external green collaboration have positive aspect through firm competitiveness on LCGC Company in Indonesia?
3. Does green performance have positive aspect through firm competitiveness on LCGC Company in Indonesia?
4. How is the impact of internal green practice towards firm competitiveness through green performance on LCGC Company in Indonesia?
5. How is the impact of external green collaboration towards firm competitiveness through green performance on LCGC Company in Indonesia?

1.5 Research Purpose

There are several purposes in this research as follows:

1. To know whether internal green practice have positive aspect towards firm competitiveness on LCGC Company in Indonesia.
2. To know whether external green collaboration have positive aspect towards firm competitiveness on LCGC Company in Indonesia.
3. To know whether green performance have positive aspect towards firm competitiveness on the LCGC Company in Indonesia.
4. To know whether internal green practice have positive aspect towards firm competitiveness through green performance on the LCGC Company in Indonesia.

5. To know whether external green collaboration have positive aspect towards firm competitiveness through green performance on the LCGC Company in Indonesia.

1.6 Significant of Study

This research is expected to be useful for any parties who might want to use this research.

The purpose of this research are:

1.6.1 Academic Aspects

For researcher, this research can provide the opportunity to apply the theories that have been learned in classrooms which will increases the knowledge and experience. The result of this research will be able to give the useful information to develop more knowledge in the field that related with the research model.

1.6.2 Business Aspects

For company, this research is expected to give contribution of ideas and references that might be useful to know the competitive advantage of company and provides better product and solutions in terms of knowing which competitive advantage and increasing of firm performance that can be used for the company.

1.6.3 General Aspects

The results of this study are expected to be a reference for further research or similar research.

1.7 Scope of Study

This study provides a restriction to maintain consistency purposes of this study, so that the problems encountered are not widespread and more focused discussion.

1.7.1 Location and Object of Study

1. The location of the study is conducted in Indonesia.
2. The object of this research is LCGC Cars in Indonesia.

1.7.2 Time and Period

The period of this study is during November 2018 – March 2019.

1.8 Systematic of Writing

CHAPTER I INTRODUCTION

This chapter is describing the review of the research object, research background, problem statement, research objective, and scope of research

CHAPTER II LITERATURE REVIEW

This chapter contains a description of literature review, theories related to research and solution of the problem, theoretical framework and scope of the study.

CHAPTER III RESEARCH METHODOLOGY

This chapter contains the type of research used, the operationalization of variables and measurement scales, phases of the research, population and sample, data collection validity, and reliability test, and data analysis techniques.

CHAPTER IV RESEARCH ANALYSIS AND RESULT

This chapter describes the characteristic respondent, result of research and discussion about the result of research itself.

CHAPTER V CONCLUSION AND SUGGESTION

In this chapter will be described on the conclusions of the results of the study, and also given good suggestions for LCGC Car Company in Indonesia for current or for further research.