CHAPTER I
INTRODUCTION

1.1   Background of Study

Due to high competition and availability of substitute goods has pushed consumer into a situation where there level of loyalty is unstable as information and they have a lot of options to alter their choice about a particular product or service as level of substitute offerings is high.

In the markets, which products and services, increasingly overlap and adapt, a strong brand can be the only display characteristic that distinguishes a product or service offerings from competitors One major factor that influence customer loyalty is brand.

A brand is defined as a name, term, sign, and symbol or any combination of these that attempts to represent the uniqueness and benefits a company can provide to customers through a particular product of attributes, that serves to enhance customer loyalty. A brand enables customers to identify firm's offering and can differentiate them from those of competitors. Brand potentially plays many roles in affecting customer behavior. Many factors of brand impact purchasing pattern of customers and their loyalty like brand attributes personality, benefits and credibility. Service brands also serve the same purpose as it is explained above. These brands provide a good insight to customers in order to differentiate a specific firm from those of competitors.

Brand credibility is regarded as the origin of brand credibility and it is associated with the believability in distinctiveness of a particular brand (product/service). Consumer loyalty refers to the attachment and affiliation to buy a certain brand or product. Consumer loyalty also indicates how likely it is that the individual would purchase a product.

The fact that customers show loyalty to brand will be a good credibility for evaluating long-term relations of marketing decisions. One of the significant concepts in the area of marketing is loyalty to brand.

This concept plays an important role in making long-term profits for company, because loyal customers do not need extensive promotional efforts; they are gladly willing to pay more for gaining advantages and quality of their favorite brand. Furthermore, customer loyalty has a competitive aspect in brand market, too. Specifically, in industrial markets, customers who are loyal to brand can ensure a company's survival or lead it to destruction.

Customer loyalty refers to the attachment and affiliation to buy a certain brand or product. Customer loyalty also indicates how likely it is that the individual would purchase a product. Customer loyalty is all about the commitment of brands that enhances customer's willingness to re-purchase a specific product/service in spite of the potential marketing campaigns actuated by rivals to weaken the coalition between the brand and customers. If companies are willing to develop their presence in market, it is necessary for them to be aware of their brand's role in creating loyalty in customers. They should also examine what aspects of brand will strengthen this loyalty.

According to Koshima, et.al (2014:33), "Brand credibility is one of the most essential factors of creating and increasing customer loyalty. Brand credibility basically impact customer's satisfaction and then loyalty commitment".

PT. Pustaka Benua Medan is a company that sells stationery and office supplies such as pencils, pens, books, staples, papa erasers, markers, rulers and others. PT. Pustaka Benua Medan is located on Jalan Bandung No. 24/33 Pasar Baru Medan 20212. PT. Pustaka Benua Medan has problems which is related in the sale of stationery and office supplies there are various types of brands such as Kenko, Staedler, Chung Hwa, Kiky and other brands. This research is focused on coloring tools with the Giotto brand where the brand is a brand that was just marketed in February 2018. This Giotto brand coloring tool has the most complaints from customers. Based on interviews with sales manager who stated that there was a decrease in the number of customers from March to December 2018

who did not want to buy back the Giotto brand coloring tool and switch to other brands.

The following are presented data on the number of customers who purchased Giotto products from February to December 2018:

Table 1.1 The Customer Numbers

Month	Number of Customer
February	62
March	61
April	58
May	58
June	55
July	47
Augustus	43
September	41
October	37
November	39
December	36

Source: PT. Pustaka Benua, 2019

Based on table 1.1, it can be seen if the number of customers who purchase the Giotto brand coloring tool is decreasing which indicates problems with customer loyalty. This indicates a problem with customer loyalty to Giotto brand products. In addition to the decrease in the number of customers there are also several customer complaints that buy Giotto brand products from February to December 2018 which can be seen in the following table:

Table 1.2 Customer Complaint

Month	Number of Customer	Complaint
February	8	1. Less contrast color
March	12	2. Hard
April	13	3. Fragile
May	16	
June	19	
July	21	
Augustus	23	
September	25	
October	27	
November	22	
December	26	

Source: PT. Pustaka Benua, 2019

From table 1.2, it can be seen if customer complaints are increasing because the use of brand coloring tools is not good enough. Here are two

types of color pencils which are oil based and water based. The type of product coloring the Giotto brand consists of colorful markers, colored pencils, crayons and watercolors. Every month the company receives complaints from customers complaining about the brand credibility of Giotto's products when used. For example watercolor products that are too thick so that they are hardened and cannot be used, colorful markers that have only been used a number of times have dried and colored pencils that are less contrasted and crayons that are easily broken due to brittle.

Based on the description above, the writer chooses the title of "**The Impact of Brand Credibility on Customer Loyalty at PT. Pustaka Benua Medan**".

1.2   Problem Limitation

By considering the limitation of time, knowledge, and ability that the writer has, this final paper will focus on the Giotto brand credibility impact on the customer loyalty. In this research, the writer will use the indicators of brand credibility by Malik and Ahmad (2014:40) which are trustworthiness (reliability, and allocation), expertise (durability) and attractiveness (innovation and variety).

The writer will use the customer loyalty indicators by Malik and Ahmad (2014:41) which are positive WOM (Word of Mouth), switching behavior, complaining behavior and willingness to pay more.

1.3   Problem Formulation

In discussing one certain object, there are always some problems to implement a strategy in the company. The problem identification will be questions that conclude the problems that the writer will analyze and evaluate in the research in PT. Pustaka Benua Medan which are as follows:

1. Does brand credibility have impact on customer loyalty at PT. Pustaka Benua Medan?

1.4   Objective of Research

Specifically, this study mainly seeks to achieve the following objectives which synchron to the problem identifications which are:

1. To determine whether brand credibility have impact on customer loyalty at PT. Pustaka Benua Medan.

2. To determine how strong a relation of brand credibility on customer loyalty at PT. Pustaka Benua Medan.

3. To gain an insight about how to build a customer loyalty by improving brand credibility.

1.5   Benefit of Research

1.5.1   Theoretical Benefit

1. Writer

   This research hopefully can add and provide more understanding for the writer between theories and field.

2. Reader

   As a learning medium for research on the management that can improve student understanding about certain problem for a certain company. This research hopefully can add the reference, information, and theoretical education for other researchers and academic related to the topic.

1.5.2   Practical Benefit

1. Company

   This research hopefully will become the consideration for the company to become aware of the problems and the research can provide information about the impact of brand credibility on customer loyalty.

2. Future Researcher

   This research hopefully can add the reference, information, and theoretical education for other researchers and academic related to the topic.

1.6 Systems of Writings

CHAPTER I   INTRODUCTION

This chapter is an introduction chapter which consists of background of the study, problem limitation, problem formulation, objectives of the research, benefits of the research, and systems of writing.

CHAPTER II   LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

This chapter comprises of relevant theories and academic literatures related to brand credibility and customer loyalty. In addition, the writer also mentions prior research done in this area and develops the hypothesis as well as framework of thinking for this research.

CHAPTER III   RESEARCH METHODOLOGY

This chapter consists of research design, population and sample, data collection method, operational variable definition and variable measurement and data analysis methods.

CHAPTER IV   RESULT AND ANALYSIS

This chapter consists of general view of research object, data analysis, descriptive statistic, result of data quality testing, result of hypothesis testing, and discussion.

CHAPTER V   CONCLUSION AND RECOMMENDATIONS

The last chapter consists of conclusion and the implication of the research. Moreover, this chapter also provides recommendations related to the research problems.