

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Nowadays, entrepreneurs are playing a significant role in both social and economic development. Experiences in developed countries indicate that their development is the result of efforts by entrepreneurs. The development of entrepreneurship leads to the creation of new businesses, the creation of wealth, creation of jobs, poverty reduction and eventually economic and social development (Davari, 2017). Many startups in Indonesia fail in their very early stages because of several reasons, such as team management problems, finance shortage, absence of entrepreneurial skills, lack of business knowledge and lack of innovation.

Businesses, particularly for startups, should have an entrepreneurial frame of mind in today's environment, that is fierce and ferocious, to be able to sustain their presence. As the result, such entrepreneurial approach would ensure that the changes occurring on the market before other competitors do and the competitive advantages procured from this would be made available to consumers. On this ground, it would seem that the entrepreneurial approach involves taking risks by concentrating on competition while at the same time promoting a customer-oriented perspective aspiring to a market leading position.

One of the important factors to succeed in the organizational structure of an entrepreneur is the capability to establish a strong brand. About delivering a novel advantage to the market, consolidating the impacts of this advantage through a strong brand would guarantee that the entire mechanism is performed effectively. The brand adds values to consumer to increase the rate of consumer's satisfaction while on the other hand ensure the repeat purchase from the consumer as well as surge consumer acquisition for the company.

People in our society are well aware of the meaning of the brand of a product rather than treated brand merely as mark, sign, or some sort of name to differentiate products. It makes sense that people prefer branded products, either for its luxury, quality, or even for its prices instead of unpopular or rarely heard brand. The brand builds many functions which create the value in mind of the customer and thus creates a unique association and memory link in the minds of the customer while purchasing a product.

The unique place in the minds of customer attracts and sometimes retains the customer on specific product or service. On the other hand, it creates demand for the product and service as it attracts and creates awareness about product or service itself to the customers. If a brand is effectively managed, it can establish a positive brand image while creates many customers and build strong customer relationship in order to maintain customer's loyalty and retention, vice versa.

Therefore, a brand is regarded as a precious asset for any enterprise because it can alter the customer's purchasing behavior. In today's business environment, many firms pay a huge investment on maintaining a good brand image and achieve a certain degree of brand or service distinction, since the market has become too much competitive due to hyper-competition in the market. As the result, the intensity of the brand conflict increases over time as well as forces companies to show various products to customers using distinct resources in this conflict of competition in order to develop strong brand image and raise the brand awareness among the customers.

Furthermore, while facing competition in a hyper-competitive market, every firm will be required to answer questions about the survivability of the company in the market. The answer may vary depending on the strategies of the company through price, product design, packaging, quality, a channel of distribution, and other means. Nevertheless, a good strategy will distinguish the brand of the business

from the brands of other competitors. The purpose of offering a promotional set for customers' benefit is to win the competition by generating new and meaningful value for the customer (Mwambusi, 2015).

In this research, the writer is aimed to find the relationship between brand and customer's purchase intention. The research will be limited to an enterprise namely PT. Sukses Jaya Aluminium Medan, a start-up business which was established in 2017. The enterprise engaged in Aluminum trading. The company is operated in Medan and covers marketing areas of North Sumatera, Aceh, Padang, and other neighbor areas. The company owns two brands, which are 'ALUMINEL' and 'SJA'. At the first, the company didn't sell any particular brand for the products (generic branding). Nevertheless, nearly one year later, the company changed the marketing strategy, which started to develop its brand in order to strengthen company's brand image to the extent where it can affect its customer's purchase intention.

The monthly sales in PT. Sukses Jaya Aluminium Medan for "ALUMINEL" brand are as follows:

Table 1.1 Sales of "ALUMINEL" at PT. Sukses Jaya Aluminium

Sales (IDR)					
2017		2018		2019	
January	-	January	272,377,700	January	324,642,985
February	-	February	436,670,600	February	185,613,817
March	-	March	410,047,350	March	276,486,841
April	27,610,400	April	348,094,800	April	-
May	41,055,600	May	265,811,170	May	-
June	51,828,060	June	312,925,350	June	-
July	50,242,600	July	372,216,130	July	-
August	70,297,050	August	406,328,900	August	-
September	67,721,400	September	452,485,250	September	-
October	60,102,500	October	411,094,750	October	-
November	328,413,500	November	254,360,700	November	-
December	302,568,350	December	438,837,650	December	-

Source: Prepared by the writer (PT. Sukses Jaya Aluminium, 2019)

From table 1.1, it is shown the sales of PT. Sukses Jaya Aluminium Medan since the establishment in 2017 until now. The company starts to

make sales on April 2017 and only sold generic brands products until October 2017. Started from November 2017, the company started to establish its own genuine brands, namely “ALUMINEL” and “SJA.” Nevertheless, the sales from November 2017 are exclusively stated the sales of “ALUMINEL” brand only, since this study will narrow the scope of study limited to “ALUMINEL” brand.

As the company started to market its own brand, it can be seen from the table 1.1 above that the company is having extremely increase in sales. On November 2017, the company experience more than 500% of sales increase compared to the previous month. The main reason of this significant increase is mainly because the number of products sold is increased. Nevertheless, since then, there has not been a significant change in the sales because the number of products offered is relatively remaining the same.

However, there is still fluctuation in the sales, although the change is not as extreme as the change discussed before. Therefore, the writer is interested to look for the factors that affect the company’s sales and according to the writer one of the key factors is customers’ purchase intention.

Since the company is a start-up company that is still strives to survive, especially in a hyper-competitive market, the company needs something that can boost its sales. Hence, the company is trying to compete using the branding strategy, aiming for both customer acquisition and retention.

Therefore, in line with the background of the study mentioned above, the writer is encouraged to undertake a research study and seeks to investigate more thoroughly the impact of brand equity on purchase intention, which will be written in a paper format with a title:

“The Impact of Brand Equity towards Customers’ Purchase Intention at PT. Sukses Jaya Aluminium Medan.

1.2 Problem Limitation

Due to limitation of time and cost, the study is limited to the extent of company's own brand – ALUMINEL- and its stakeholders, particularly customers within the areas that the company covers. This study is going to be conducted from the period of 11st February 2019 to 31st March 2019. Furthermore, the impact of brand equity will act as the independent variable, whose indicators are brand loyalty, brand awareness, brand imaginary, and brand association (Aaker, 1991 as cited in Pelsmacker et al., 2017). While on the other hand, purchase intention serves as the dependent variable, which the indicators are appropriate price, quality consistency, supply reliability and continuity, and customer service (Brassington & Pettit, 2015).

1.3 Problem Formulation

Brand holds a great value of asset for a company. Customers choose brands and trust them with expectation to meet their desire or needs. Avoiding uncertainty or quality related issue is one of the examples. Therefore, branding is closely related to customer's psychology or in other terms is called customer's behavior. Thus, there is no doubt that customer's trust and loyalty is very fundamental for a business. As a good brand builds a favorable brand-customer relationship, it also decreases the competitor's chances of aggression (Mwambusi, 2015).

In Aluminum industry, the competition is very tough as consumers prefer a more well-known brand, thus firms need to understand how substantially the brand equity influences the consumer's intention to make a repeat purchase. According to Akhtar et al. (2016), the four main components of brand equity are: brand awareness, brand association, perceived quality and brand loyalty. So, it is important issue to recognizing and evaluates each of brand equity components in order to understand the impact of brand equity toward customer buying behavior.

Based on problem stated, the research will focus on answering these questions by the end of the research:

- a. How is the brand equity at PT. Sukses Jaya Aluminium Medan?
- b. How is customers' purchase intention at PT. Sukses Jaya Aluminium Medan?
- c. Does brand equity have any impact toward customers' purchase intention at PT. Sukses Jaya Aluminium Medan?

1.4 Objective of Research

The purposes of this study are:

- a. To describe customer's brand equity at PT. Sukses Jaya Aluminium Medan.
- b. To explain customer's purchase intention at PT. Sukses Jaya Aluminium Medan.
- c. To investigate whether brand equity has impact toward customer's purchase intention at PT. Sukses Jaya Aluminium Medan.

1.5 Benefits of the Research

As for benefits of this research as follows:

1.5.1 Theoretical Benefits

The findings of this research will contribute to enhance theories about marketing, especially on brand equity and customer's purchase intention.

1.5.2 Practical Benefits

- A. For the writer, the research will expand and add knowledge about brand equity and customer's purchase intention in real-life setting.
- B. For the company, the research will provide recommendation for the company regarding to their marketing strategies, in particular, branding and deeper understanding to customer's purchase intention.
- C. For other researchers, the research will be a reference for other researches on similar area.

1.6 System of Writing

In writing this report, the systematic of writing is arranged based on chapter by chapter, which is described as follows:

Chapter I: Introduction

This chapter will elaborate on the background of the study, which defines writer's motivation behind topic 'the impact of brand equity on purchase intention at PT. Sukses Jaya Aluminium Medan,' scope of this research and problem that is identified in this topic. In addition, this chapter will also discuss about objective of the research, benefits of the researches, including theoretical and practical benefits, and lastly system of writing for this research.

Chapter II: Literature Review and Hypothesis Development

This segment discusses about appropriate theories and scientific literature related to brand equity and purchase intention, including definitions, types, and indicator for both terms. Furthermore, the writer also cites relevant previous research done in particular topics and develops this research's hypothesis and framework of thinking.

Chapter III: Research Methodology

This section contains research design and explains both the population and the sampling technique used in the studies. The technique of data collection will be described in detail accompanied by the concept of operational variable with indicators for each variable and variable measurement method. The last segment focuses on the technique of data analysis.

Chapter IV: Data Analysis and Discussion

This chapter will primarily discuss about the general view of PT. Sukses Jaya Aluminium Medan and the data analysis gathered using data analysis method stated in previous

chapter. Furthermore, this section will also include a detailed discussion of data quality outcomes and hypotheses testing.

Chapter V: Conclusion

This chapter contains conclusion, implication, and recommendation regarding to the research results.

