

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Moving along with times, brands have become a significant element for every business aspects such as marketing, economists, product designer and the consumer-related department. Brand is also recognized as the core in creating value to a product and it is often said that branding means building a communication with the customers.

Nowadays, companies continue to implement different approaches in order to attract new potential customer, retain current loyal customers and distinguish the products or services from their competitors. Utilizing the company's brand is one of the most effective and efficient approach to influence the consumer purchasing behavior.

Brands are implemented into products to assist customers familiarize themselves with the products and to let them realize that the products are good and reliable. It can help to decrease the risk for the customers and save costs in the decision making process. Furthermore, the competitiveness value created from brand cannot be imitated by the competitors. Products may come and go, but brands can rally people.

According to Hollis (2018), a strong brand is deemed to be the most valuable asset for the company. It improves the likelihood of clients selecting ones product or service over their rivals, attracting more clients, at a reduced cost per sale, who are willing to pay a little more, and purchase it a little more frequently. The company might lose its customers to the other competitors if the company does not create a strong brand. As the main target of every business is the customer, the company needs to place their brand in the customer's mind through their service, product identity and quality. By then, the company can influence their customers purchasing behavior.

According to the website of Samsung (2019), Samsung was established in 1938 by Lee Byung-chul as a small trading company located in Taegu, Korea. Samsung is now one of the world's largest producers of electronic devices. Samsung is specialized in producing a broad range of home and industrial electronics such as semiconductors, appliances, electronic media devices, memory chips, as well as integrated systems. At present, Samsung has made its own iconic name in the technology world

Samsung is a global corporation that has headquarters across many nations in six of the seven continents. The parent organization of Samsung is SEC (Samsung Electronics Corporation) and it has numerous subsidiaries worldwide. Samsung Electronics currently operates six mobile phone factories in six nations including China, Brazil, Vietnam, India, Korea and Indonesia (Jin-young, 2015).

Based on the figure below, in the beginning of 2018, there are already 5.135 billion people using mobile phone worldwide. According to Millward report (2014), the smartphone users in Indonesia are just around 38.3 million in 2014. However, the new Global Digital suite of reports from We Are Social and Hootsuite reveals that in early 2018 there were 177.9 million mobile phone users in Indonesia.

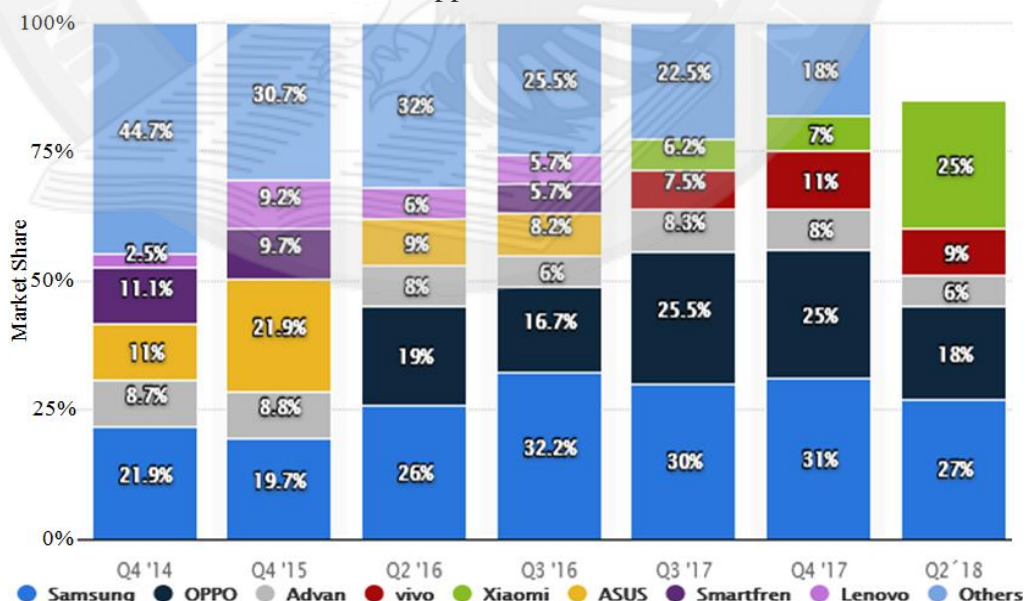


**Figure 1.1 Digital around the World**  
Source: Kemp (2018)



**Figure 1.2 Digital in Indonesia**  
Source: Sidik (2018)

Increasing numbers of Smartphone users also lead to the increasing number of Smartphone brands in Indonesia. According to Jeko (2018), the domestic telecommunications and information technology industry has grown significantly. In 2017, there were 23 electronics manufacturing services (EMS), 42 Smartphone brands which eleven of them are local brands. The 11 local brands include Advan, Aldo, Andromax, Axioo, Elevate, Evercross, Luna, Mito, Polytron, SPC, and Zyrex. This domestic mobile phone is considered to have strong branding position for the middle to lower and middle to upper class market share.



**Figure 1.3 Market Shares of Smartphone Shipments in Indonesia (2014 – 2018)**  
Source: Statista (2018)

The figure shows the smartphone market share between 2014 and 2018 in Indonesia. In the fourth quarter of 2017, an approximately 7.8 million smartphones were shipped in Indonesia, of which 31% were shipped by Samsung alone. It can be seen that Samsung's market share keeps fluctuating from 2014 to 2018. The peak of Samsung market share is in 3<sup>rd</sup> quarter of 2016 which is 32.2% and in the 2<sup>nd</sup> quarter of 2018, it decrease to 27% due to the new brands enter the market. However, Samsung mobile phone still dominates most of the market share during the 5-year period. It proves that Samsung that has a good brand, despite of higher price, can win over the market share in Indonesia.

These figures emphasize the importance of brand in affecting the customer purchasing behavior. This study aims for the writing of *skripsi* entitled **“The Impact of Brand towards Customer Purchasing Behavior on Mobile Phone at PT Samsung Electronics Indonesia, Medan.”**

## **1.2 Problem Limitation**

The writer chose to restrict the factors in the problems of this study to make this study more effective and efficient. Therefore, the writer limited the research only for the problem regarding to the impact of brand towards customer purchasing behavior on mobile phone at PT Samsung Electronics Indonesia, Medan. This research will focus on the customers who are selected by using convenience sampling technique at Samsung Experience Store which is located at Centre Point (*Jalan Jawa no. 1, Medan*) from 5<sup>th</sup> April to 10<sup>th</sup> April during working hours.

The writer decided to research on brand because it is something that stay inside the customer's mind and will differ one company from another. This research will concentrate in particular on the brand aspects that includes brand identity, brand loyalty, brand awareness and brand design. While the customer purchasing behavior aspects which involve the customer purchasing process and factors affecting the customer buying behavior.

### **1.3 Problem Formulation**

The importance of brand has made companies race to win a place in customer's mind which will affect their customer purchasing behavior. Based on the observation on Indonesian smart phone market that is done by the writer, there are several key problems that will be studied in this research:

1. Does brand impact on customer purchasing behavior on mobile phone at PT Samsung Electronics Indonesia, Medan?
2. What are the brand components that affect the customer purchasing behavior?

### **1.4 Objective of the Research**

The objectives of this study that the writer will pursue are as follow:

1. To evaluate the relationship between brand and customer purchasing behavior on mobile phone at PT Samsung Electronics Indonesia, Medan.
2. To identify the brand components that influences the customer buying behavior.

### **1.5 Benefits of the Research**

There are two types of benefits from conducting the research regarding the impact of brand towards the customer purchasing behavior on mobile phone at PT Samsung Electronics Indonesia on Medan, which are:

#### **1.5.1 Theoretical Benefit**

The theoretical benefit of this study is to give understanding regarding the theory and to prove whether brand can influence the customer purchasing behavior. Moreover, this paper is also expected to give an intellectual contribution to the community and also as a reference for the parties that will conduct a further research on similar issue.

### **1.5.2 Practical Benefit**

#### **a. For the writer**

This study benefits the writer as a means of practicing and developing the writer's abilities on the field of research. Furthermore, this research also served as a means of evaluation in the academic field for the purposes of developing and increasing the quality of education and the application of theories which the writer have obtained along the time of studies in university.

#### **b. For the Company**

The findings of this research can be used by PT Samsung Electronics Indonesia and could be a consideration source for making future decisions about their branding strategies. This study might also serve as guideline for the company in the similar industries.

#### **c. For the Society**

The findings of this research could serve as a reference for other researchers. This paper is also expected to increase the understanding of the society especially the phone user regarding the factors that influence their purchasing behavior. Therefore, the people can determine on which aspect they should focus themselves when choosing the brand of a product. Besides that, other international company can understand the importance of brand and start investing in making a good brand.

## **1.6 Systems of Writing**

The systems of writing covers the entire contents in this research, which is arranged in the form of chapter by chapter to simplify the understanding of this research and to achieve the purposes of this research. The system of writing will be as follow:

### **Chapter I – Introduction**

This chapter elaborates on background of the study that enclosed the reason why the writer chooses to research the topic of “The Impact of Brand towards Customer Purchasing Behavior on Mobile Phone at PT Samsung Electronics Indonesia, Medan”, problem limitation, problem formulation, objectives of the research, and research benefits which includes theoretical and practical benefit, as well as the systems of writing.

### **Chapter II – Literature Review and Hypothesis Development**

In this chapter, the writer discusses on theoretical background, previous research, hypothesis development, design research model, and framework of thinking.

### **Chapter III – Research Methodology**

In this chapter, the writer elaborates on research design whether quantitative or qualitative, population and sample used in this research, the data collection method, operational variable definition and variable measurement, as well as data analysis method.

### **Chapter IV – Data Analysis and Discussion**

This chapter consists of brief summary about the “research object”, data analysis includes descriptive statistic, data quality testing result, hypothesis testing result, as well as the discussion.

### **Chapter V – Conclusion**

In this chapter, the writer elaborates on conclusion, implication, and recommendation for the company and other party in the future.