

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Nowadays, company expands their businesses to gain more profit. To gain more profit, the companies need to have more customers to buy the products. Those products need to have competitive advantage from the competitors, so the customers will buy from the company. But, what makes the customers want to buy the products. It can be the price or the quality. By having those excellences in the product, the company will get new customers. Besides getting new customers, the companies also can retain customers.

Business can be good depends on several factors and we can take marketing as one of the factor. Marketing is really important because it affect the sales of the company. Productive companies are required to have a good marketing to increase its sales. They always have new marketing method to keep increasing the sales of the product.

The companies can also expand the business to overseas to gain more profit. As local market is being explored, the companies can explore the international market. To explore international market, the companies need to adapt with it.

To be a good company, a company should have good brand image. Brand image is the customers' present perspective of a brand. Brand image related to how the brand is perceived by the customer (Surbhi, 2018). In brief, it is nothing but the consumers' point of view about the product.

A good brand image will offer a great impression on customers mind so that customers can create a purchasing. The customers will go

through several phases in creating the purchase decision where brand image has a significant part in purchase decision.

Bantex is a well-known brand of office equipment in Europe. They have their own factory and have licensed to distribute and manufacture their products under the brand name of Bantex to distributors located in more than 70 countries spread across six continents, including PT. Batara Indah that is located in Indonesia.

PT. Batara Indah was established since 1986 as a manufacturer and trading company in the field of office equipment. PT. Batara Indah is licensed to produce high quality office equipment under the Bantex brand. PT. Batara Indah also imports some raw material and products from Denmark. PT. Batara Indah import because the raw material is better than in Indonesia. But, some of the raw material in Indonesia is good so PT. Batara Indah use Indonesia one. PT. Batara Indah also exports the product to Singapore, Malaysia, Philippines and Australia. For the import and export things, the branch company name is PT. Perma Plasindo. This branch handles import in raw material and some products then the raw material and some products; then the raw material and some products will be assembled at PT. Batara Indah until they are distributed to the subsidiaries and export to overseas. This means PT. Batara Indah conducts international business.

They have made continuous improvements in product quality and distribution systems that enable them to provide better service to customers. PT. Batara Indah specializes in producing and distributing high quality office equipment. PT. Batara Indah sells office equipment with international brands and each product is a leader in its market. PT. Batara Indah distribute Bantex, Elba, Linex, APLI, Lyra, Xyron and some other leading brands for office equipment. PT. Batara Indah have been expanding and investing in efforts to provide the best level of service to their customers. PT. Batara Indah's headquarters and distribution center covering 25,000 square meters is located in Sentul

Industrial Estate. The operation of this distribution center will improve the service capability in ensuring customer satisfaction. PT. Batara Indah has a subsidiaries company in Medan, which is located at Sena Street 23C to 25A. PT. Batara Indah has 38 employees in Medan. In Medan, the subsidiaries company name is PT. Mestika Makmur Persada Jaya.

The monthly sales of product in PT. Mestika Makmur Persada Jaya are as follows:

Table 1.1 Sales of PT. Mestika Makmur Persada Jaya

Sales (in Billion Rupiah)				
2014	2015	2016	2017	2018
3.3	5.4	6.8	7.1	6.9

Source: PT. Mestika Makmur Persada Jaya (2019)

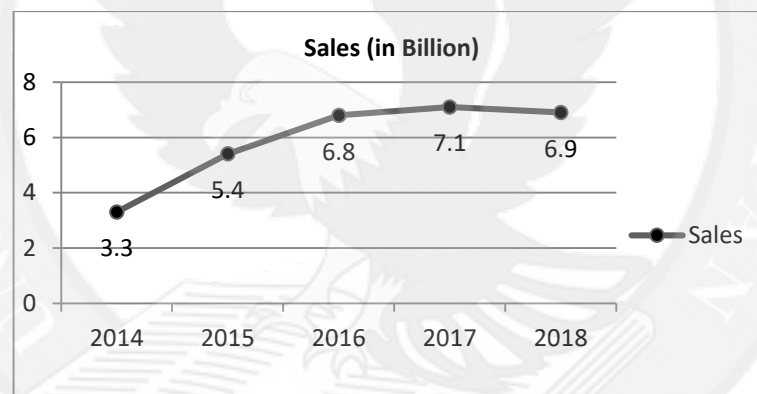


Figure 1.1 Sales over 5 years

Source: PT. Mestika Makmur Persada Jaya (2019)

As projected by both, the numbers in the table and the graph movement above, it can be concluded that the sales at PT. Mestika Makmur need improvement to breakthrough from their stagnant sales that has happened within the previous 5 years.

Because of the pre-set targets, PT. Mestika Makmur Persada Jaya must find solutions to increase the sales, in which one of the ways is to enhance the brand image. This company is selling Bantex

product which is a well-known brand of office equipment in Europe; it is then their goal to make the brand itself well-known in Medan.

PT. Mestika Makmur Persada Jaya has been gaining and retaining customers which makes purchase decision is important. In this paper, the writer is going to find out about the correlation of brand image and purchase decision at PT. Mestika Makmur Persada Jaya.

There is a need to research the relationship between brand image and purchase decision at PT. Mestika Makmur Persada Jaya which could give some insight to the strategy. Thus, the title of this research is **“The Effect of Brand Image on Purchase Decision at PT. Mestika Makmur Persada Jaya, Medan”**.

1.2 Problem Limitation

Due to the time and cost constraints, the writer would like to limit the research to brand image as the independent variable and its relation to purchase decision as the dependent variable at PT. Mestika Makmur Persada Jaya which is located in Medan. The writer will focus on Bantex products. This research is going to be conducted within the customers of PT. Mestika Makmur Persada Jaya on the period of February 2019 to April 2019.

The writer conducts the research based on the brand image theory and the purchase decision theories. From brand image theories, the indicators are: corporate image; product image; and user image, whereas in purchase decision theories, indicators includes are stability of a product; habit of buying a product; repeat purchase; and giving recommendations.

1.3 Problem Formulation

Based on the explanation on the previous sub chapters, the writer is interested to do research on brand image and its effect on purchase decision by asking the following research questions:

1. How good is the brand image at PT. Mestika Makmur Persada Jaya, Medan?
2. How good is the customers' purchase decision at PT. Mestika Makmur Persada Jaya, Medan?
3. Does brand image affect customers' purchase decision at PT. Mestika Makmur Persada Jaya, Medan?

1.4 Objective of the Research

The following is the research objectives of this paper:

1. To evaluate the brand image of PT. Mestika Makmur Persada Jaya, Medan.
2. To investigate the purchase decision of customers at PT. Mestika Makmur Persada Jaya, Medan.
3. To identify whether brand image has effect on customers' purchase decision at PT. Mestika Makmur Persada Jaya, Medan.

1.5 Benefits of the Research

1.5.1 Theoretical Benefit

The result of the research would contribute and expand knowledge in academic area, especially on brand image and its relation to purchase decision.

1.5.2 Practical Benefit

- a. For the writer, the research will expand or add knowledge about brand image and purchase decision in real-life settings.
- b. For the company, the research will give recommendations for the company to enhance its brand image and customers' purchase decision.
- c. For other researchers, the research will be references for studies on similar area.

1.6 System of Writing

The following is the systems of writing in this paper:

Chapter I Introduction

This chapter elaborates about the background of study, problem limitation, problem formulation, objective of the research, benefit of the research including theoretical and practical benefit, and systems of writing.

Chapter II Literature Review and Hypothesis Development

This chapter explains about theoretical background, previous research, hypothesis development, research model and framework of thinking.

Chapter III Research Methodology

This chapter explains about research design, population and sample, data collection method, operational variable definition and variable measurement, and data analysis method.

Chapter IV Data Analysis and Discussion

This chapter explains about general view of “research object”, data analysis, descriptive statistic, result of data quality testing, result of hypothesis testing, and discussion.

Chapter V Conclusion

This chapter explains about conclusion, implication, and recommendation.