CHAPTER I

INTRODUCTION

1.1.   BACKGROUND OF THE STUDY

International business is growth rapidly that influences consumers brand preference. Many companies have accessed to global market, they have to compete with many brands in the market either local and other international brands.

Brand shows overall picture of its product, service, and company. It becomes an indicator for consumers to have intention to purchase. Brand has sold or known in all parts of the world, also known as global brand, has to keep consistency to deliver its value in the international market. Beside maintaining the quality of products and services in many countries, its credibility on consumers' view must be considered. According to Fishbein and Ajzen (1975) as cited in Armitage and Christian (2017), theory of reasoned action is describing people have behavioral intention is the result of evaluation and belief. When people have an attitude towards a certain object, they have the intention to perform a behavior. Hence, a credible brand has to deliver promise that has been made and consumers perceived the brand has the power to show what has been promised.

According to Qi et al. (2013, p.1996), "The credibility of a brand is an important affecting-factor of consumer's purchasing intention". A credible brand influences consumers' behavior intended to buy a particular product. It triggers consumers to believe that through a credible brand, they can get what they needs and wants. Therefore, it is affecting consumers' behavior to have the intention to purchase a particular brand.

A research by Ulfa and Utami (2016) which had conducted about the influence of brand credibility on consumers' purchase intention for Air Asia airline in Aceh. They found that brand credibility had influence on consumers' purchase intention. They were explained that brand credibility had positive

relationship towards purchase intention. Their research gives intention to the writer to conduct further research of brand credibility.

FAG brand is specialized in ball bearing products that used to reduce precision between engine parts. It has been widely used for industries and automotives. It was first founded by Friedrich Fischer in 1883 who invented high precision steel ball. It has been a registered trademark since 1905 and has become part of Schaeffler Group since their acquisition in 2001.

Schaeffler Group are a company from Germany which are producing components and systems for engine, transmission, and chassis applications, and bearing products for industrials and automotives. They were established in 1946 by Dr. Wilhelm and Dr. Georg Schaeffler. Under their group, they have many brands of bearing products, such as FAG, INA, and Luk. They have more than 170 locations in the world, 75 production facilities, 17 research and development (Schaeffler AG, n.d.). Their strategies are to follow market trend, to create highest possible quality product, to achieve efficiency, and to strive delivery performance (Schaeffler AG, n.d.). They ensure a high-quality product and ensure standardized quality management in every plant. They use advanced technologies to increase efficiency and quality. They increase delivery performances through coordination, capacity adjustment, and optimized logistics to meet customers demand in the global market. To near the consumer's market, Schaeffler Group gives an opportunity for distributors to distribute the products to their own countries, such as from Indonesia distributor, PT. Central Bearindo International.

PT. Central Bearindo International are an authorized distributor of FAG brand in Indonesia. They were established in 1994. They have become an authorized distributor of FAG brand since 2002. They are also distributing many well-known brands of bearing such as INA, Nachi, Luk, and many brands of conveyor belt and power transmission product. Their head office are located in Jakarta. Now, they have branch office in Medan,

Pekanbaru, Surabaya, and warehouse in many cities. They have served consumers from industries, automotive, and contractors. Now, they are planning to expand to other town to near with the consumers.

PT. Central Bearindo International in Medan Branch were established in 2008. They are located at Gunung Krakatau Street, Komplek Krakatau Multi Center Blok D-3. They are led by branch manager, Mr. Bunti. They have around 30 employees. Their annual sales as follows:

Table 1.1 : Sales of FAG Brand 2014-2018

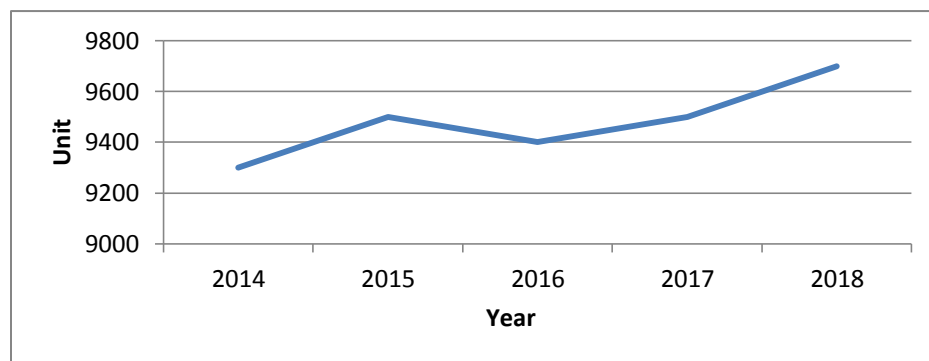| Year	Number of Sales (Pieces)	Growth of Sales
2014	9300	-
2015	9500	2,15 %
2016	9400	-1,05 %
2017	9500	1,06 %
2018	9700	2,10 %

Source : Prepared by the Writer (2019)

Figure 1.1: Graph of Brand FAG Brand Sales 2014-2018
Source : Prepared by the Writer (2019)

The annual number of sales of FAG brand in PT. Central Bearindo International – Medan Branch is increasing each year, except in 2016. In 2014, the number of sales is 9,300. In 2015, the growth of sales increases to 2.15% with the number of sales 9,500. Then, number of sales is decreasing to 9,400 in 2016 which is affecting the growth of sales decreases to 1,05%. The number of sales in 2017 is increasing to 9,500. It affects the growth of sales to 1,06% which has recovered from the decreasing sales in the previous year. In 2018, it increases to 2,10% with the number of sales is 9,700. Overall, the sales performance is good

but fluctuating during those five years. In addition, there is some change of government rules and regulation about foreign product and slow business development that impact to sales in 2016.

From the explanation above, the writer is aimed to conduct research to investigate brand credibility also contibutes the inconsistent purchase intention through the title "**The Influence of Brand Credibility on Consumer's Purchase Intention at PT. Central Bearindo International – Medan Branch**".

1.2 PROBLEM LIMITATION

The fluctuating of the sales of FAG brand can be caused by many factors either external and internal factor. External faxtor is caused by government regulation and economic conditio, otherwise internal factor is caused by service and product quality itself. A credible brand is the result from people judgemnet which will influence the decision to purchase. This research is focused on brand credibillity to measure purchase intention of FAG brand at PT.Central Bearindo International in Medan Branch. The brand credibility as the independent variable and the purchase intention as the dependent variable. The indicators of brand credibility are trustworthiness, expertise, and likability (Keller, 2013). The indicators of purchase intention are transactional interest, preferential interest, referential interest and explorative interest (Ferdinand, 2002 as cited in Negara et al., 2018). Questionnaire is distributed to the respondents in industries, automotives and electrical contractors. This research is covered only respondents who have ever purchased brand FAG at Medan Branch, and respondents are located in Medan.

1.3 PROBLEM FORMULATION

Based on the background of the study, this research is formulating three research questions which are:

a. How credible is the FAG brand at PT.Central Bearindo International – Medan Branch?

b. How do consumers intent to purchase at PT.Central Bearindo International – Medan Branch?

c. Does brand credibility has influence on consumers' purchase intention at PT. Central Bearindo International – Medan Branch?

1.4   OBJECTIVE OF THE RESEARCH

After problem formulation is formulated, it needs aim to answer rsearch question. Hence, the objectives of the research are :

a. To identify FAG brand credibillity at PT. Central Bearindo International – Medan Branch

b. To describe the consumer' purchase intention at PT. Central Bearindo International – Medan Branch

c. To investigate whether brand credibility has influence on consumers' purchase intention at PT. Central Bearindo International - Medan Branch

1.5   BENEFIT OF THE RESEARCH

The benefit of the research consists of theoritical benefit and practical benefit.

1.5.1 Theoretical Benefit

The findings from this research are expected to contribute development in academic area, especially in enhancing the theories about brand credibility and purchase intention.

1.5.2 Practical Benefit

There are pratical benefits that firms, writers, and researchers can get from this research which are:

a. For the writers, this research gives knowledge and further explanation on how brand credibility influences consumers' purchase intention.

a. For the firms, this research will help to build a credible brand and to show the importance of brand credibility in order to influence purchase intention.

c. For the other researchers, this research can use as a guideline to conduct further research about the influence of brand credibility on conusmers' purchase intention.

1.6 SYSTEMS OF WRITING

Chapter I : Introduction

This chapter mentions about background of the study, problem limitataion, problem formulation, objective of the research and benefit of the research

Chapter II : Literature Review and Hypothesis Development

This chapter consists of theoretical background, previous research, hypothesis development, research model and framework of thinking

Chapter III : Research Methodology

This chapter mentions about research design, population and sample, data collection method, operational variable definition and variable measurement, and data analaysis method

Chapter IV : Data Analysis and Discussion

This chapter consists of research object, data analysis, and discussion. It describes about the object of the research and analyzes data to be more understandable

Chapter V : Conclusion

This chapter mentions about conclusion, implication and recommendation