

# CHAPTER I

## INTRODUCTION

### 1.1 BACKGROUND OF STUDY

Nowadays, brand image is known to be an important and crucial element for a company because it is known as the current perspective from the customer toward a certain brand. A brand image contains the general impression in customer's mind which comes from numerous of sources. Brand image is automatically formed as the brand getting old and it is not purposely created by the customer. The brand image can be consisting of the product's uniqueness, the convenience level and the function of the product, and mostly the product's general value. Brand image can also be considered as the content of the brand. Therefore, when there are people purchasing a product it means that they also purchase the image of the product. Moreover, when customers purchase a product, for sure they will provide some feedback for the product and these feedbacks will slowly become the brand image of the certain products. If the products are able to exceed and pass through the customer's expectation, it will create a positive brand image and enhance the value of the brand. On the other hand, if the products are failed to meet the customer expectation, it will create a negative brand image which will reduce the brand value.

International Brand Image holds a very important role for an organization because it can highly influences the satisfaction of many people which can become their potential customer. It is absolutely crucial for company to maintain the brand image of their company which can be done by increasing their customer satisfaction and gain the customer's loyalty toward the brand. This kind of situation can be achieved by offer more attention toward the quality of their product and also provide a good services to the customer. About the customer loyalty, it is refer to the tendency of the customer to favour one brand compare to other brand

where it can be their products or services. Furthermore, customer loyalty will encourage customer to spend their greater share of wallet to the brand and shop consistently. Moreover, some of them will attract more customers for the certain brand where it automatically becomes competitive advantages for that brand especially in competitive environment.

The writer believes that there are relation between these two variables because if one brand always gives the best products and services for their customer and satisfied them, for sure the customer will not buy the same product of other brand even though it is cheaper. To be more precise, if a product is assumed to have great value, consumers will care less about the price whether it is expensive or not. Basically, the customer will think that what they buy is the quality that satisfied them. Brand image is positively influences customer satisfaction which leads to customer loyalty (Gaol, 2015). There are also statements that can prove the relation between brand image and customer loyalty

“Larry Alton (2016) you could argue that no relationship is stronger than the connection between brand image and customer perception. If you want to enhance your relationship with customers and drive lasting loyalty, you must pay attention to the brand image you’re creating.”

There are also other statement According to IGI Global (2018, p.337) in the book entitled “Digital Marketing and Consumer Engagement: Concepts, Methodologies, Tools and Applications,” stated that strong brand image also lead towards more satisfaction and continuous satisfaction and consequently towards consumer loyalty. Therefore, brand image does influence the customer loyalty. The cost of products is not important anymore when customers are loyal to the brand.

Meanwhile in Indonesia, it is well known that Indonesia is currently one of the countries that have the larger population in the world that claimed the rank 4 which the population is approximately

268,759,929. Indonesia has a population that is equivalent with 3.49% of total world population (Worldometer, 2019). It is a quite large amount of population that Medan have approximately 2 million of citizen from the Indonesia population. From this large amount of population, all people of course need to work to feed themselves and their family which mean that they need daily transportation to help them go to work easily.

At the same time, the pillar of Indonesia manufacturing sector is the automobile industry where the car sales for each year is approximately 1 million unit of card will be sold (Indonesia Investment, 2019). However, this statement means that the sales is not from only one brand but it is the total of many different brand such as Toyota, Honda, Suzuki, Nissan, Mitsubishi and so on.

This entire automobile brand has a very intense competition especially in term of gaining customer. However, among this automobile brands that the writer mentioned, the writer had chosen to do research on the famous and international brand which in this case is Suzuki brand. To be more precise the writer will conduct research on one of the Suzuki dealer which is located in Jl. Haji Adam Malik Medan No.103-A, Medan. Suzuki car has a famous brand image in term of its fuel efficient as well as affordable price compare to other brands. The reason why the writer chooses to do research at Suzuki is because there are slightly decreasing in sales which the data are provided by Mr. Johnny that claims the position of branch manager in Suzuki Adam Malik Medan. The data of sales will be shown as following

Table 1.1 Total Units of Car Sold at Suzuki Jl. Adam Malik Medan

Years	Unit Sold	Percentage
2016	1164	
2017	991	15%
2018	723	37%

Source: PT. Trans Sumatera Agung(2019)

The branch manager also mentioned that the decreasing in sales could be caused by the lack of brand image that Suzuki has compared to

other famous brand such as Toyota, Honda or Mitsubishi. According to CNN Indonesia (2018), only one of Suzuki's cars is on the top ten most bought car in Indonesia in the year 2018.

Based on the description above, the writer is interested in doing the research to check whether the sales decrease are affected by brand image that can decrease the customer loyalty so that the writer will be taking the *skripsi* title as follow: **“The Influence of Brand Image towards Customer Loyalty at Suzuki Adam Malik Medan”**.

## 1.2 PROBLEM LIMITATION

In order to have more precise research, the scope of this topic's research will be given limit due to the limited capability and knowledge of the writer as well as the deadline of the *skripsi*. This study will focus on the research about the relation between brand image as the Variable X and the customer loyalty as the Variable Y. In this research, the writer has chosen to conduct some survey and will provide some questionnaires for the customer of one of the international automobile brand which is Suzuki that are located at Jl. Haji Adam Malik Medan No.103-A, Medan. Moreover, due to the limitation of resources and time, the writer will only focus on some of the indicator that are affecting the Variable X and Y. Factors that are affecting brand image would be strength of brand association, favourability of brand association and uniqueness of brand association (Keller, 2013), while the factors that are affecting customer loyalty are share of wallet, net promoter score and repurchase ratio (Pascal, 2016)

## 1.3 PROBLEM FORMULATION

The reason of choosing the topic in this *skripsi* is to indicate the influences of the brand image toward the customer loyalty, the writer will conduct a research to find the suitable answer for the following question.

1. Does the Brand Image affect the Customer Loyalty at Suzuki Jl. Haji Adam Malik Medan No.103-A, Medan?

2. How big is the contribution of brand image towards customer loyalty at Suzuki Jl. Haji Adam Malik Medan No.103-A, Medan?

#### **1.4 RESEARCH OBJECTIVE**

The primary goal regarding this research is to determine whether the brand image can influence the customer loyalty towards certain product or not. Moreover, the objective will also provide a better understanding about what brand image and customer loyalty are and of course the relationship between them. Furthermore, there will be some objectives that are important which will also be discussed at this paper which is to:

1. To identify whether or not the brand image affect the customer loyalty at Suzuki Jl. Haji Adam Malik Medan No.103-A, Medan.
2. To investigate how big the contribution of brand image towards customer loyalty at Suzuki Jl. Haji Adam Malik Medan No.103-A, Medan.

#### **1.5 BENEFIT OF RESEARCH**

The writer of this research believes that by conducting this research, it will help the society in the future especially to people who want to know about the relationship between the brand image and customer loyalty which will give benefit to many people. This research consists of two benefits which are the theoretical benefit and practical benefit.

##### **1.5.1 Theoretical Benefit**

Regarding the benefit of this research, the writer believes that after completing this research, in the future, it will become useful for other writers that want to conduct similar research with this paper where they can use the theory in this paper as an input for them to help with their researches and create more new information toward the society in the future.

### 1.5.2 Practical Benefit

For the practical benefit that can be gain from the research, the writer believes that this paper can become useful for Suzuki Adam Malik Medan where they need to consider the effect of brand image towards customer loyalty and will help them to gain an answer for their questions way more easier and faster by analysing this paper.

## 1.6 SYSTEMS OF WRITING

### Chapter I: Introduction

For the content of this chapter, it focuses on the introduction of the background regarding the relationship between the brand image and customer loyalty, the scope limitation of this research, research problems and objectives. Furthermore, the benefit of this research can also be found in this chapter.

### Chapter II: Literature Review and Hypothesis

This chapter provide a lot of theories that are related to the Brand Image (Variable X) and Customer Loyalty (Variable Y) of this Topic. Furthermore, the writer will mention research that had been done in this area and also provide hypothesis and framework of thinking for this research.

### Chapter III: Research Methodology

This chapter contains information that related to the research design and also the sample and population that are used in this research. Moreover, the data collection method will also be explained followed by the operational variable and variable measurement. Furthermore, the data analysis section can also be found in this chapter.



Chapter IV: Data Analysis and Discussion

This chapter mainly cover about the discussion of the research object and the data analysis. In addition, this chapter will discuss the result of data quality and hypothesis testing.

Chapter V: Conclusion

For the content of this chapter, it will contain the combined information which is conclusion of the whole discussion from each chapter in this research. Furthermore, some recommendation regarding the problem that are found in this research can also be found in this chapter

