

CHAPTER I

INTRODUCTION

1.1 Background of the Study

All company that has been established has same vision in common, which is no other than its growth and development. To attain growth and development, there are several marketing elements including marketing mix, strategy to overcome obstacles, and analysis should be done. Marketing plays a crucial part as it allows businesses to maintain long-lasting and present relationship with their audience.

To keep a business sustainable, company must maintain its quality in providing what the customers need through its service and product. The existence of internet allows data and information forward achievable in a blink of an eye regardless of the location. Simple mistakes done by companies can be very fatal when it is brought up to the internet. This has indeed made companies become more cautious with their actions when serving the customers.

Globalization has caused every aspect in world to move faster than how they have been. The speed increase in data and information spreading and the convenience in getting knowledge has incredibly improved. The more people know, the more options they have. Same thing applied when choosing for products or services to go for. When one has a number of options to choose, they will go for deeper details such as the speculations, brand backgrounds, and previous customers reviews to aid them. According to (Pranata et al., 2021) customer purchase decision is a concept in buying behaviour in which customers decide to act or do something.

In this case, make a purchase or use a particular product or service. Most customers, both individual customers and organizations, goes through almost the same mental process of deciding what products and brands to be purchased. Customer purchasing decisions are made if the product or service aligns with what the customers demanded.

According to (Kotler et al., 2016) brand awareness is the ability of consumers to identify brands under different conditions, which is reflected in brand recognition or recall performance.

(al Rasyid, 2017) defined service quality as how the customers' value the gap between expectation and reality from a service experience performed by service provider. Service will be rated good if the experience meets what the customer expected and on the other hand, service will be rated bad if the expectation surpasses the experience. Therefore, the service quality is defined by a company's ability in fulfilling and meeting customers' expectations.

PT. Asian Bearindo Gemilang (ABG), located in Jalan Krakatau Ujung No. 52 Medan, is one of the Asian Bearindo Groups, one of the leading bearing suppliers in Indonesia. PT. Asian Bearindo is an official distributor of INA-FAG bearings in Medan, Indonesia, focusing on providing the quality products and the best service to the market. Beside INA-FAG, PT. Asian Bearindo Gemilang also provide various bearing brands and types from Europe, USA, Japan, and China. PT. Asian Bearindo Gemilang objective is to exceed customer's expectations in a timely manner, by providing quality products and by constantly improving the services provided.

Bearings are mechanical parts used to minimize the friction caused by working parts in machines. They are also commonly used to ensure the working components and shafts in machines, rotate accordingly to their positions and functions. These mechanical parts are nearly found in everything that has moving parts like automobiles, airplanes, electric generators, and even household appliances such as air conditioners, refrigerators, and etc.

Table 1.1 The number of vehicles in Sumatera Utara Province

Year	Passenger Cars	Bus Cars	Freight Cars	Motorbikes	Total
2017	16198	659	10327	278799	305983
2018	26697	734	13740	322191	363362
2019	52732	1074	22215	442777	518798

Source: *Badan Pusat Statistik Provinsi Sumatera Utara (2021)*

According to the data from *Badan Pusat Statistik Provinsi Sumatera Utara (2021)*, the number of operating vehicles increases from year to year.

Several articles made by automotive pages (moogspart.eu and mcb.ae) suggested that a bearing lifespan is approximated at 80,000 to 100,000 miles which can be more or less depending on how the vehicles are operated. An article by Kompas Otomotif in 2021 says that bearing can last 2 to 3 years if the vehicle is operated nicely. Bearings used by off-road vehicle activities need to be changed within a year.

PT. ABG has always seen this opportunity for its growth and development. The increase in vehicle usage in Medan city indicated that there are more bearings being used. The more bearings operated daily will bring more sales opportunity to PT. ABG.

Table 1.2 Number of registered customers and purchasing customers of PT. ABG from year 2018 to 2020

Year	Registered Customers (a)	Customers who purchased in following year (b)	Percentage (b) to (a)
2018	407	298	73.2%
2019	482	364	75.5%
2020	513	317	61.8%

Source: PT. Asian Bearindo Gemilang (2021)

Table 1.3 Sales growth percentage of PT. ABG from year 2018 to 2020

Year	Sales Growth Percentage from previous year	Expected Sales Growth	Achieved/ Unachieved
2018	15.5%	10%	Achieved
2019	12.6%	10%	Achieved
2020	-25.2%	10%	Unachieved

Source: PT. Asian Bearindo Gemilang (2021)

Despite having the opportunity of increased bearing usage, the observance of data provided by PT. ABG general manager shows that the company has not achieved the opportunity they sought. The number of customers who purchased in year 2020 dropped around 19% from year 2019. Besides the decrease in the number of purchasing customers, sales growth was also not achieved in year 2020.

As the usage of bearings is essential, the decrease in purchasing customers and sales growth that took place in 2020 indicated that there is a problem in PT. ABG customer purchase decision which can be indicated through the purchasing decision and post purchase behaviour. There are several things that may affect these 2 indicators and according to the observance done, the writer concluded that the brand awareness and service quality are the reason of the declining customer purchase decision.

The brand awareness of PT. ABG is declining for the reason of the ongoing Covid-19 pandemic which started in late 2019. PT. ABG started its business in 2011 by doing face to face marketing (traditional marketing). Salesmen are sent to every part of Sumatera Utara to market and spread the awareness of the products distributed, customers package bundling, and promotions by PT. ABG. The ongoing pandemic has affected a lot of aspects including how PT. ABG market and spread awareness of its product and company. Local government applied several new rules and regulations which are Large Scale Social Restriction or known as *PSBB* in year 2020 and Restriction towards Social Activities, known as *PPKM* in year 2021 to aid the pandemic recovery. Salesmen of PT. ABG has been restricted to do face to face marketing. Since then, the only strategy the salesmen do is by maintaining the relationship between the existing customers. Awareness of PT. ABG has been limited for those newly established companies and traditional workshops.

Table 1.4 Competitors of PT. Asian Bearindo Gemilang

Company name	Product offered by company	Utilization of social media as their marketing platform
CDR 39 Bearings	Bearings	Yes
PT. Kogelahr Indonusa	Bearings	Yes
Aneka Bearing Sukses	Bearings	Yes
Jitu Bearing	Bearings	Yes
Central Bearing	Bearings	No

Source: Prepared by Writer (2021)

Considering the happening Covid-19 pandemic, the usage of social media is very essential to increase the awareness of company. PT. ABG tend to be slower in adapting social media to become one of its marketing platforms. In comparison

of the social media owned by all the bearing suppliers in Medan, PT. ABG has significantly lower interactions by the customers. In Facebook, PT. ABG has 177 likes and 184 followers while on the other hand, CDR Bearings has 391 likes and 538 followers, and PT. Kogelaha Indonesia has 1,348 likes and 1,356 followers. On Instagram, PT. ABG has 109 followers, Kogelaha has more than 400 followers, and CDR Bearings has more than 700 followers.

Covid-19 pandemic which is currently happening has brought a lot of benefits toward e-commerce. A big part of the market has shifted their purchasing pattern from going to offline stores to surfing online stores available in the marketplace. as government restricts public social activities. Despite offering free delivery and free bearing consultation services, the awareness towards PT. ABG has been much affected as they do not provide e-commerce for customers who want to do purchase and consultation virtually.

Through the data given above, the writer is convinced that the slow adaptation to social media and face to face marketing restriction which affected the brand awareness of PT. ABG may be the trigger to the customer decision purchase problem the company is facing at the moment.

Another major problem faced by PT. ABG is its service quality. Since the company does not keep track of their customers complaint. The writer interviewed an administrator, 2 customer services and 2 salesmen of PT. ABG regarding the complaints they have received in year 2020 to 2021 to know what is exactly going on around company. The complaints they have been getting so far is regarding the purchasing service which is slower compared to most of the companies. There were

also complaints about being sent the wrong products, price differentiation by different customer service, and pre-ordered products not arriving in time.

Purchasing service mentioned above is about the process where customers come directly to the store. Unlike most of the companies where customer will get their product directly upon paying, PT. ABG has this procedure where goods need to be manually checked by supervisor and checkers before it is given to the customer, regardless of how big or small the amount is. This procedure exists because PT. ABG does not implement Radio Frequency Identification (RFID) system where in and out goods can be directly scanned. Since there is only 2 supervisors and they have jobs other than checking the goods, delays always happen in this part of customer service.

To place an order in PT. ABG, customers can choose to either call company's fax number or by chatting the customer service through Whatsapp. Mondays and every start of a new month are always busy days since PT. ABG only opens until Saturday. Customers who call the fax in these days will experience delays. Some worse cases, customers call are not received by company since the maximum calls the customer service could handle at the same time is 7.

Bearing is named after their size and is often a combination between several numbers and an alphabet. Minor difference between the codes will bring major difference to a bearing. Since PT. ABG is a very busy company and there is always connection errors in fax calling causing customers voice to not be clearly heard, this has always been a challenge to the customer service division as they always make mistakes in taking customers' phone call order.

Another problem that often happens in fax calling is the price differentiation. There are two kinds of invoice that PT. ABG gives to their customers. The invoice where tax is directly included to those who are not registered as credit customers, and the invoice where tax is excluded to those registered credit customers. 2 of the salesmen said that their customers always complain that they get different prices if the calls are not answered by the same person. When this issue is brought up to the 2 customers service interviewed, they stated that some customers do not mention who they are and expect everyone in the company to have their voice and phone number memorised (fax does not show the caller's phone number). This miscommunication happens a lot and it has made a lot of customers feel that they are not appreciated enough.

The last most mentioned problem is the pre-ordered goods not arrived in time. Products are expedited via cargos from the supplier. PT. ABG has no control over the cargo speed and they always give their customers an Estimated Time of Arrival (ETA) of 10 to 14 working days. If the goods are needed urgently, customers can pay flight cargo expedition cost and have their product shipped within 4 days. But in fact, goods that are to be shipped needs to be packaged first which takes up to 1 to 2 days. This information has not been well delivered to the customers and they always complain about the 2 days delay in receiving their pre-ordered products. The miscommunications that always happens frequently between the customer service and customer services indicated that there is a problem in service quality of PT. ABG.

Several most visible problems currently faced by the company includes customer purchase decision which is indicated from the indicators of alternative evaluation and purchasing decision, brand awareness which is indicated from the indicators of purchase and consumption and lastly service quality which is indicated from the indicators of reliability and responsiveness. This research is done with the purpose to know whether the decrease of customer purchase decision is influenced by the brand awareness and the service quality. The indicators and problem mentioned above will be discussed further in details in the next chapters.

Besides to know whether the independent variables used in this research have influence toward the dependant variable, this research is also very important as it tests the validity of the statement and theories of previous researchers which are used in this research. This research is also done in hope to determine which recommendations are the best to be taken and implemented by the company to achieve the target, growth, and development they sought through scientific result.

Due to the factors mentioned above, the writer is convinced that the brand awareness and service quality have effects toward the customer purchase decision. Given this opportunity, the writer is conducting the research in form of thesis entitled **“The Influence of Brand Awareness and Service Quality toward Customer Purchase Decision in PT. Asian Bearindo Gemilang.”**

1.2 Problem Limitation

Based on the research done by the writer, there is decline in customer purchase decision as dependent variable and brand awareness and service quality

as the independent variables at PT. Asian Bearindo Gemilang in Jalan Krakatau Ujung No. 52 Medan. The data retrieval process will be done by giving a survey to each selected customer that is closed to hand and based on their availability and convenient accessibility to get their immediate reactions to address this issue. The data analysis tool will be using multiple linear regressions utilizing SPSS.

1.3 Problem Formulation

Based on the background of the study, the writer is able to formulate the problems which are as follow:

1. Do the brand awareness and service quality simultaneously influence customer purchase decision in PT. Asian Bearindo Gemilang?
2. Does the brand awareness of PT. Asian Bearindo Gemilang customers affect the customer purchase decision?
3. Does the service provided by PT. Asian Bearindo Gemilang affect the customer purchase decision?

1.4 Objective of the Research

The purpose of this research is as follow:

1. To indicate whether the brand awareness and service quality of PT. Asian Bearindo Gemilang simultaneously affect the customer purchase decision.
2. To indicate whether the brand awareness of PT. Asian Bearindo Gemilang affects the customer purchase decision.

3. To indicate whether the service quality provided by PT. Asian Bearindo Gemilang affects the customer purchase decision.

1.5 Benefit of the Research

The benefits of this research are as follow:

1.5.1 Theoretical Benefit

The purpose of this research is to aid the previous theories and researches regarding the influence of brand awareness and service quality toward customer purchase decision. This research is also expected to give a benefit to the marketing management.

1.5.2 Practical Benefit

1. For the Company

This research will provide the company some information about how brand awareness and service quality can affect the declining customer purchase decision.

2. For the Customer

From this research, the customer will be provided information of how brand awareness and service quality will affect their purchasing decision.

3. For Researchers

From this research, the researchers will be provided information of the effect of brand awareness and service quality toward the customer purchase decision.