

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Initially, the world was considered as a united community in which ethnicity and languages have never known for its distinction. As time went on, multiple people partitioned themselves into groups, which creates multicultural differences not only in ethnicity and languages but also culture (Nnamdi & Chika, 2015). Diversity was the result of the effect from this multicultural divergence. Nevertheless, it is inevitable that globalization will changes in the world, and when it happens, at the same time, it coverts every perspective in life, including political, economic and business activities (Katerina, 2014). When the scope of every aspects are gradually expanding, in a certain period, people began to struggle for survival, to change their strategies and go out from the borders. This act is known as **Globalization**. Globalization as quoted from (Kolb, 2019) is the word used to describe the growing interdependence of the world's economies, cultures, and populations. One of the most prominent side effect of globalization that it allows nations and geographical regions to focus on their economic strengths (Stobierski, 2021). Especially in business actions, the increasing unity of the world economic, as Aneta (2019) study found in the following:

“Limited market, competitive pressure, demand for cheaper resources and the dynamics of the postmodern era, forcing business leaders to change their focus from traditional targets to alternative measures for successful business and the entrance on global markets, with the purpose of making competitive advantage.”

Therefrom, the globalization existence itself attempts to increase activities on a global scale, and was prompted by technical breakthroughs, as well as socioeconomic, political, and environmental developments, which have made global communications easier and allowed global corporation to indulge more advantages, including increased the global cooperation.

Myriad of businesses either new venture or local small businesses are struggling to conduct a business nationally while the globalization approach has soared in business activities. Businesses were mostly localized and served more stable markets fifty years ago. However as current market situation advances in communication and transportation, it also effected on more intense competition in the domestic market as well as the economic growth (David, 1969; Hitt, 2000). The emphasis on customer needs and increasing competition resolve in the current marketplace required most companies to seek strategically important resources in host countries. Apparently, most existing companies has started to expand their business, especially to an international base in order to expose products and services to a broader audience. Because these companies understand that broader market audiences are able to increase the circle of the customer base and convert more customers to improve sales and profit (9East, 2009). Thus, more enterprises begin to search for new territories to reduce dependence on a solitary market and to extend the life of a current product line or services offered (Entrepreneur, 2016)

Expanding business is the goal for every existing company however, the process of entering to the international market has never been easy. Since the world has becoming more globalized, the voice of having cultural rights has increases, causing the companies that conduct business internationally will struggle with other dimensions of culture. From a management point of view, it is extremely important for every enterprise to realize the importance of the cross-cultural, as the current markets are worldwide (Tian & Dan, 2012). But occasionally, despite all the differences of the globalization and cultures' convergence, managers in companies neglect the significance of the cultural invisible barriers divergence while doing business activities in a foreign market. If globalization is an inevitable process, then cross-cultural will also be inevitable (Tian & Borges 2011). Due to the world is becoming more homogenous, the gap between the national markets with cultural differences are loosen. In other words, to successfully win in the global market and conduct business abroad, every scale of enterprises should adopt the cross-cultural practices (Katsioloude, n.d., para 4).

In order for the companies to successfully attract customer attention to their business activities, the necessity to study the values and customs of different cultures are pivotal which might allow companies to develop effective marketing strategies, for that the term of the study is known as the **Cross-cultural Marketing**. Cross-cultural marketing in international markets are mostly convinced by cultural factors and was considered as

important element of to produce successful localized advertising that would reflect the cultural values and norms of intended audience. Retnowati (2015) noted that culture is the window through which consumers make sense of marketing communication. Each culture reflects on the value and belief to people that may implicitly effect their buying behavior. Sometimes, it is obvious how culture influences the preference of the consumer since their buying principally relies upon cultural elements that includes consumers' thinking style, likes, dislike, language, customs, tools, feelings, and attitudes. In addition, cultural prohibitions against consuming products such as alcohol or meat, or make it easy to understand some buying patterns. Companies will not simply encounter loss when it failed to implement the cross-cultural marketing abroad, even worse, companies will suffer from bankruptcy. An important lesson from cross-cultural marketing is that in order to market across cultures, the companies should understand both cultures that targeted audience values, correspondingly with the brand equity that will be delivered to the customers. As the validness matters, the present customers are more sagacious and onerous to be tricked by futile efforts.

Aside from the importance to implement the cross-cultural marketing that companies should perform when enterprises expect to expand their business activities in globally, on the other hand, another factor that strongly correlated with marketing and advocated the success of the cross-cultural marketing performance abroad is **Brand Equity**. Knowing

the fact that strong brand reputation is a cognitive representation of the brand that gives powerful affect for the customer experiences with the brand. Son & Kijboonchoo (2016) report shows the value of a brand in the mind of the customer plays a vital role in making the purchase decisions. Company's brand that are able to capture the imagination of consumer will have increased in value or equity. This assumption is visualized from a case that customers would prefer to consume from certain brand because of its authenticity, heritage and associations. Apparently, compared with weak brands, strong brands have the capacity to assist their companies acquire better financial and marketing outcomes (Ailawadi, Lehmann, & Neslin, 2003; François & MacLachlan, 1995). Judging by the rewarding effect of brand equity, numerous companies begin to increase their brand equity performance by spending more on advertisement, such as delivering cultural message to strike an emotional chord with the consumer (Frankle, 2001). To create a strong brand abroad, it is critical for cross-cultural marketers to know the cross-cultural differences in brand equity evaluation (Chen et al 2018), in which this study primarily aimed at.

In short, a company should be aware of a powerful cross-cultural marketing and strong brand equity performance in order to convince the customer preference to buy certain products being marketed abroad. The research then goes on to more in-depth investigation to one of the major Indonesian's company that involved in the food industry which is PT Indofood Sukses Makmur Tbk, and the study will cover primarily one of the

icon products that contributed to the success of PT Indofood which is Indomie. According to Statista, market analysis in Indonesia says that the net sales of Indomie in Indonesia market keeps increasing every year and by the end of 2020, the net sales of Indomie reached to its highest income.

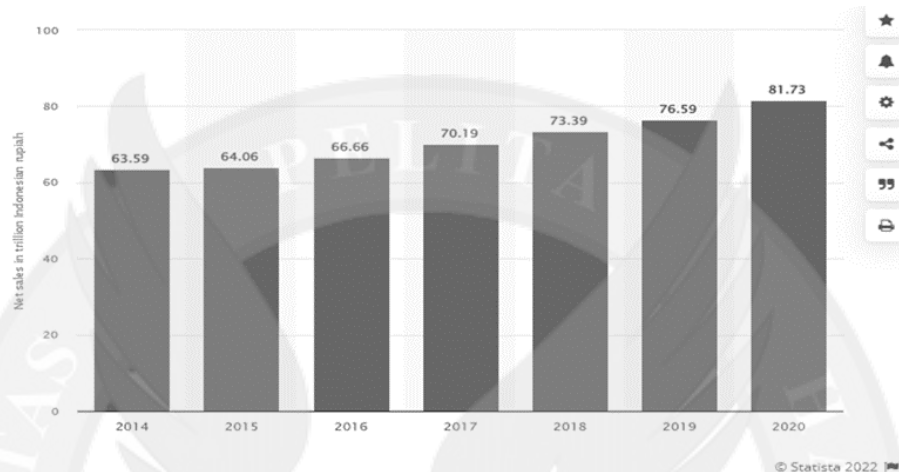


Figure 1.1 Net sales of PT Indofood Sukses Makmur Tbk

Source: *Statista (2022)*

From the Figure 1.1, data obtained of the bar chart showed the revenue sales of each year always rising. This is due to domestic sales continue to dominate the company's total instant noodle sales. Especially in the first quarter of 2017, Indofood sold 70 trillion Indonesian rupiah worth of instant noodles. At the end of fiscal year 2020, Indofood's net sales amounted to approximately 81.7 trillion Indonesian rupiah. This was an increase of about five trillion rupiah from the previous fiscal year which indicates foreign demand is rising. Due to the inflating sales of the instant noodle, Indomie was nominated as the best brand in 2021 as reported by *Databoks*.

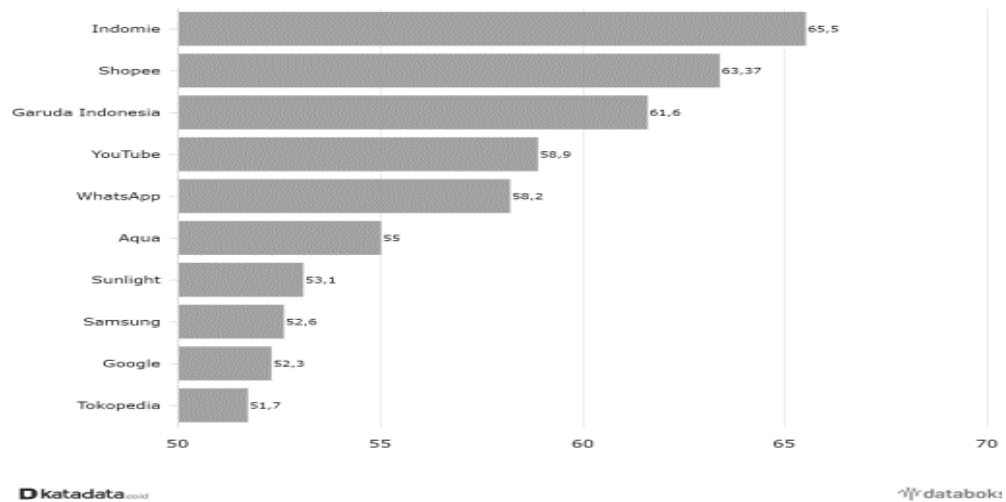


Figure 1.2 Indomie as the Best Brand in Indonesia 2021

Source: *Databoks (2021)*

Taken the data from figure 1.2, it can be seen that Indomie was ranked at first position being the best brand in Indonesia 2021, with the total consumers voted for 65.5 % that prefer Indomie as the instant noodle brand. There might be several implicit factors that cause Indomie to increase highly due to the pandemic of Covid-19, in which citizens mostly collect all the daily necessity goods as a supply in the situation of pandemic and Indomie as one of the most desirable goods during pandemic. Based on the data mentioned above, it can be seen that researchers are interested in Indomie's branding growth and the product's point of view of customer in purchasing Indomie aside from other brand. To narrow down the scope of this research, the researchers decided to conduct investigation on analysis of Indomie's cross-cultural marketing techniques and the brand equity toward customers' preference in purchasing the instant noodle brand, Indomie. In addition, the research will analyze even further on how the customer preference able to affect the purchase decision in the end. This research will examine how Indomie as a brand is able to attract customer preference by conducting a diverse marketing technique and expand their brand equity. The main target

of this research is respondents who live in Medan and consume Indomie instant noodle. The study that is being conducted was related to the major that I have taken which is Contemporary Marketing and as a result of final paper the author would like to fully investigate the **“Analysis of Cross-Cultural Marketing Techniques and Brand Equity towards Purchasing Decision through Customer Preference Indomie in Medan”** thoroughly to conduct this paper as my final thesis report.

1.2 Problem Limitation

Based on the research being provided, the extent to which the research area will be explored is limited to condition, such as:

- The study will focus on analysis of Indomie’s cross-cultural marketing techniques (as the first independent variable) toward customers’ preference (as the first dependent variable) in purchasing Indomie (as the second dependent variable) and determine at how Indomie as a brand (as the second independent variable) is able to attract customer preference by conducting a diverse marketing technique and expand their brand equity.
- This study also attempt to test the validity of the theory by focuses on the population of Medan people that consume instant noodle, especially those who consumes Indomie as their preference.
- As PT Indofood has multiple instant noodle brand and each brand provides different data, this study will cover primarily one of the icon

products that contributed to the success of PT Indofood which is Indomie.

1.3 Problem Formulation

Following the previous description of the research background that is provided, the problem formulation from the research can be developed and explained as follows:

- Does Cross-cultural Marketing have significant effect towards customers' preference for Indomie in Medan?
- Does Brand Equity have significant effect towards customers' preference for Indomie in Medan?
- Does Customer Preference influence the purchasing decision for Indomie in Medan?

1.4 Objectives of the Research

Based on the background provided, this report then mainly focused on Cross-cultural Marketing Techniques mediated by the brand equity toward Customers Preference issues and to provide information that entrepreneurs or even the foreign investors might necessarily need to know, as follows:

- To gain information about the effect of the cross-cultural marketing techniques towards the customer's preferences in for Indomie in Medan.

- To gain information about the significance of the brand equity affecting the customer's preference for Indomie in Medan.
- To extend more knowledge about the influence of the customers preference into purchasing Indomie.in Medan.

1.5 Benefits of the Research

In this study, researchers hope that the analysis that being carried out will contribute to general or theoretical perspectives with some logics and facts insights, as well as practical contribution, and thus this section focuses on the contributions of this dissertation such as:

1.5.1 Theoretical Contribution

Both theory and empirical findings contribute to understanding of the analysis that is being undertaken in the study. It is expected to provide broad knowledge about the cross-cultural marketing technique theory and mediated by the brand equity theory that are the stimulants of the customer preferences in purchasing a certain brand. At the same time, this research is also expected to provide more in-depth information of the findings in the study's topic that the previous research has failed to deliver. Therefore, this study is hoped to be a reliable reference for the future research into international marketing of nation's brands which is Indomie.

1.5.2 Practical Contribution

One of the practical contributions that is being anticipated in this study is the detailed insight provided by the case study, in which this study analyses on PT. Indofood Sukses Makmur Tbk as the company that produce Indomie. It is expected in the practical contribution that this study will assist as a reference for any multinational corporations to learn and further improve their cross-cultural marketing and branding strategies in order to expand their business activities in a foreign market, especially for any domestic business in Indonesia that aspire to broaden their market.

Another practical contribution is the framework for analyzing the adoption process of the cross-cultural marketing towards the customer preference in which, it will be mediated by the brand equity process. The contribution of this research is to understand, based on theoretical assumptions, how the cross-cultural marketing will be effective in pursuing customer preference and what contributes to the success of this marketing process. In addition, this study will show the reliance of both variables that may influence other variables. To this end, the due can be considered as a practical tool.

1.6 Systems of Writing

Most research has driven the research question from the prevailing issues by analyzing the outline of the research which serves as a framework of the study. In this case, the systems of this study consist of 5 chapters and each chapter outline the detailed explanation as follows:

- **CHAPTER 1- INTRODUCTION**

In this chapter, writers will discuss about the background of study of why choosing this topic as the interest, outline some of the problems that may occurred after the background study such as problem limitation and problem formulation. In the end of chapter 1, the writers will outline the objective of the research, and benefit of conducting the research that may fill the gap of the thesis problem and gaining more information about the topic as the research being conducted.

- **CHAPTER II- LITERATURE REVIEW**

In this chapter, writers will discuss about the theory of the topic that is discussed in the research such as summarizing the literature that is relevant to the research project, in which it contains the theoretical background of each existing variable, the relationship between both the independent and the dependent variables. This is to ensure the topic being chosen is related to the major of study that the writers taken. In the same chapter as well, a clear hypothesis development and statement of the study's hypothesis has been unveil. Writers will start to

paraphrase and summarize the relevant main point in order to start uncovering findings in the previous chapter.

- **CHAPTER III- RESEARCH METHODOLOGY**

In this chapter, writers will discuss about the outline the method that being employed to test study's hypothesis search design, population and sample, data collection method, operational variable definition and variable measurement and data analysis method. This chapter would also clearly define the outline of the techniques used to analyze the data that that have been collected, which data collection instruments most suitable used according to the objectives of the research and depending on the design of the study and the type of data collected.

- **CHAPTER IV- DATA ANALYSIS AND DISCUSSION**

In this chapter, writers will explain about object of research, data analysis and discussion in which it mainly covers the findings of the research. On the other hand, as this chapter is a discussion chapter, any supportive documents such as the respondents and employees survey or additional information can be assigned on this chapter as a result of the research finding. In addition, tables and charts can be used to support the presentation of results being conducted.

- **CHAPTER V- CONCLUSION**

In this chapter, writers will describe the conclusion of the research and limitation of the research to what extent do they add to the findings of previous studies and contribution to the literature. Finally, identify the conclusion and present recommendations for future research.

