

CHAPTER I

INTRODUCTION

1.1. Background of the Study

In this 21st century era, globalization has played a role in opening boundaries between countries, thus encouraging more interaction and integration between the world's economies, governments, and cultures. Globalization has given a broad consequence to economic growth. In fact, globalization has led to increased export activities and foreign investment, encouraging the development of the confectionery industry in Indonesia. As evidence, the Indonesian confectionery industry sector which contributes to the food and beverage industry grew by almost 8%, which exceeded the national Indonesian GDP growth of approximately 5% in 2018 (<https://indonesien.ahk.de/>, retrieved in 2022, August 08). According to data from Statista.com for the period of July 2022, the volume of revenue for sugar confectionery in Indonesia has continuously grown from 2014 to the present and is still projected to rise in the future (<https://www.statista.com/>, retrieved in 2022, August 08). The growth prospect of the confectionery industry in Indonesia as a result of globalization, at the same time, brings negative consequences, where multiple new enterprises engaged in the identical industry emerge. Not only that, existing mature corporations that have been growing for a long time also keep their phase by designing new competitive products to meet customer purchase intentions that are increasingly transforming with the times.

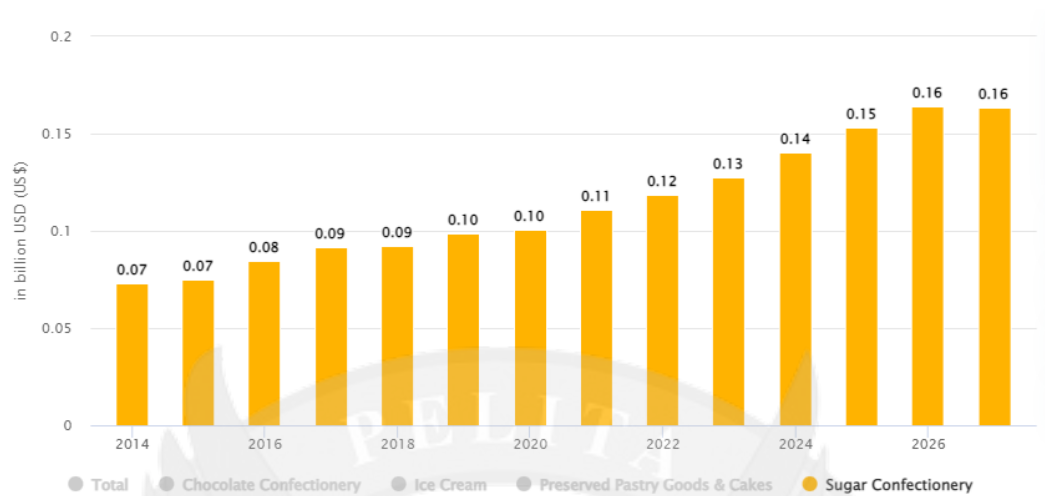


Figure 1.1 Revenue Growth in Sugar Confectionery (July 2022)

Source: <https://www.statista.com/>, retrieved in 2022, August 08

Due to the large number of enterprises operating in the same industry, competition in the business is inevitable and has reached a remarkably competitive stage. Business competition between comparable enterprises assembles the conception that the customer carries more authority than the company in terms of sales transactions. In the market, customers have relative control to determine their purchase intention in the product to be purchased as well as the place of purchase. In this regard, it is essential for an enterprise to analyze the customer behavior of its target market, especially the purchase intention in order to maintain the sustainability of the enterprise and maintain a competitive advantage over its competitors (<https://brisangroup.com/>, retrieved in 2022, August 08).

Every customer has different preferences and desires. Therefore, numerous factors will affect an individual's purchase intention towards a product. According to Kotler and Keller (2012), as cited in Rahayu (2019), purchase intention is defined as a behavior or attitude of consumers who have a desire to purchase or make a

choice of a product, which is based on experience in choosing or determining, as well as using and consuming or even aspiring a product offered by the seller. In this study, product quality, promotion, brand image and trust are variables that will be analyzed as an influence on customer purchase intention.

According to Kotler and Armstrong (2012), as cited in Maramis, Sepang, & Soegoto (2018), product quality refers to the ability of a product to perform its functions, which includes overall reliability, accuracy, durability, ease of operation and product repair, as well as other product attributes. Products that have good quality according to customers' needs will be a driving force to increase their purchase intention. In this regard, a company requires innovation on the product quality concept.

Moreover, in the world transformation, the business strategy also continues to transform, particularly in terms of marketing. A lot of enterprises in one industry have implemented different types of marketing strategies to allow the company to compete and survive in the market. Due to the economic crisis caused by the Covid-19 pandemic, many companies were unable to survive and yielded a company went bankrupt. Marketing has become a function that involves processes such as creating, communicating, and delivering value to maintain customer relationships so that companies can achieve objective goals and some benefits to individuals involved in the organization (Saleh & Said, 2019).

To attract consumers' purchase intention, promotion is the most considerably applied marketing strategy by companies. Promotion acts as a part of marketing to promote a product or service in a more attractive way with the result

that every customer will feel attracted and purchase the product or service from the company. According to Kotler and Keller (2017), as cited in Nurjaya et al (2021), promotion is defined as a form of communication performed by the enterprise to consumers or the target market to inform, persuade, and remind consumers directly or indirectly on a product or brand being offered.

Promotion will contribute to the sustainability of the company and the strategy to deal with competition in the market. A marketer must be able to define all the components of a promotion and decide which components are appropriate for the company since each company concentrates on a disparate industry. According to Kotler and Armstrong cited in (2004), as cited in Niazi et al (2021), promotional strategies can be carried out by several methods, such as advertising, personal selling, providing discount price, public relations, direct marketing and other sales promotion strategies. However, promotional strategies need to be utilized and adjusted to the company's financial plans to prevent any loss or demerits.

Furthermore, a strong brand image in society can create a competitive advantage along with enhancing the market share. Not only that, but a good image brand enables the product to acquire a better position in the market. It is because the products that maintain a prestigious brand image tend to be more easily accepted by customers. According to Keller (2013), as cited in Pramitha (2020), brand image has a meaning as the perception that customers hold of a brand, which is reflected in brand associations stored in the memory of customers.

On top of that, with the components in the form of good product quality, attractive promotions, and a good brand image of a product, it will generate confidence in consumers, known as trust. In the perspective of Mowen and Minor (2013), as cited in Gustianto, Putri, & Salis (2022), trust refers to the whole knowledge owned by consumers and all inferences made by consumers regarding attributes, objects, and benefits. In this association, consumer trust in the company also plays a role in generating consumer purchase intention. It is evidenced by the result of a survey conducted in 2021 that stated approximately 80% out of 1000 respondents believe trust is a determining aspect in their purchasing decisions (<https://hbr.org/>, retrieved in 2022, July 20).

PT. Union Confectionery is a confectionery producer company that serves as a pioneer in the Indonesian confectionery industry, especially in North Sumatra. This company has been established for over half a century, in 1955 to be precise. The main headquarter of PT. Union Confectionery is located at JL. Medan-Belawan KM. 10.5, Mabar, Kawasan Industri Medan, Medan 20242, Indonesia. The site covers an area of approximately 4.8 hectares, with more than 900 workers. In addition to the main headquarters, PT. Union Confectionery also has a processing factory in the Tangerang area under the name PT. Union Foods (<http://www.unionfoods.asia/about.html>, retrieved in 2022, July 20).



PT. UNION CONFECTIONERY

Figure 1.2 Logo of PT. Union Confectionery

Source: PT. Union Confectionery (2022)

Based on the data derived from PT. Union Confectionery, PT. Union Confectionery constantly prioritizes and pays attention to product quality as one of its business strategies. With the company philosophy in mind, "Quality is everybody's business", PT. Union Confectionery, which is dedicated to the highest standards at every level of the production process and service, has been awarded ISO 9001:2015 certification.



Figure 1.3 ISO 9001:2015 Certificate of PT. Union Confectionery
Source: PT. Union Confectionery (2022)

ISO 9001:2015 implies a quality management standard issued by the International Organization for Standardization or also called as ISO. It comprises the requirements that have to be fulfilled by a company in establishing a quality management system. By referring to this standard, it allows the company to evaluate whether the products (goods/services) and processes undertaken by the company are able to consistently satisfy the desires or requirements of the customer. The implementation of the ISO 9001:2015 quality management system also confirms the consistency of the quality of products and services produced in

accordance with company or customer requirements and prevents product or service quality failures throughout the production process. (<https://mie.binus.ac.id/>, retrieved in 2022, July 21). In this regard, the existence of this certification contributes to being part of the business strategy, which enables to encourage consumer trust in the quality of confectionery products produced by PT. Union Confectionery.

In maintaining the product quality, PT. Union Confectionery has set the material/product quality standards which are divided into product weight standards on Table 1.1 and product quality standards on Table 1.2. The quality standard for candy raw materials applied by PT. Union Confectionery is connected with moisture content testing with moisture balance. On the other hand, the quality standard for finished products stipulated by the company is related to weight standards (31-33 g), shape, color, and taste. With these standards, the finished goods will have a uniform and consistent quality (Yora, 2017).

Table 1.1
Product Weight Standard PT. Union Confectionery

| Product Types | Product Brand | Unit Weight (gr) |
|----------------------|------------------------|-------------------------|
| Soft Candy | Lazery Stick | 3,0 |
| | Lazery Yogurt | 2,5 |
| | Lazery Fruitti | 2,5 |
| | Lazery Mint | 2,5 |
| | Chikory | 2,3 |
| Hard Candy | Collin's Butter Nut | 3,2 |
| | Collin's Mint | 3,2 |
| | Collin's Quality Sweet | 3,2 |
| | Union Mini Drop | 1,8 |
| | Cokobana | 4,0 |

| | | |
|-------------------|------------|-----|
| Bubble Gum | Koby | 4,2 |
| | Long Bar | 4,8 |
| | Space Ball | 2,6 |
| | Super Max | 2,6 |
| | Babaloon | 2,3 |
| | Dinos-X | 5,3 |
| Depositing Candy | Hanimon | 2,5 |
| Tablet Type Candy | Ringgo | 1,4 |
| | Ringgo Zoo | 1,4 |

Source: PT. Union Confectionery

Table 1.2
Product Quality Standard PT. Union Confectionery

| No | Parameter | Specification |
|----|---|---|
| 1 | State (shape, taste, smell) | Normal |
| 2 | Water content (%) | Max 3,5 |
| 3 | Total Ash (%) | Max 2,0 |
| 4 | Reducing sugar-counted as inverse sugar (%) | Max 22 |
| 5 | Sucrose (%) | Min 40 |
| 6 | Artificial sweeteners | (Not mentioned) |
| 7 | Food Colour | That is permitted by the Ministry of Health |
| 8 | Metal contaminants (mg/kg candy) | |
| | pB | Max 1,0 |
| | Cu | Max 5 |
| | Zn | Max 40 |
| | Sn | Max 40 |
| | Hg | Max 0,03 |
| | US | Max 0,1 |
| 9 | Microorganism contamination | |
| | ALT (colonies/gram) | Max 500 |
| | Ecoli (colonies/10 grams) | Negative |
| | Salmonella Sp | Negative |
| | Mold and yeast (colonies/10 grams) | Max 500 |
| | Stapylococcus aureus (colonies/gram) | Negative |

Source: PT. Union Confectionery

According to the data obtained in the company, PT. Union Confectionery offers a greatly diverse product line since the company is constantly innovating the latest product variants. At the moment, the product lines of PT. Union Confectionery are divided into soft candy, hard candy, bubble gum, depositing candy, and tablet-type candy. Each of the product categories has also been classified into some different brands. Out of these various brands and types of products, PT. Union Confectionery has a product with a leading brand with a good image from a bubble gum type product line called Long Bar.



Figure 1.4 Long Bar Bubble Gum Products

Source: <http://www.unionfoods.asia/about.html>, retrieved in 2022, July 21

Long Bar serves as the brand that will be utilized as the specific research object in this study. The reason is that Long Bar is one of the legendary bubble gum product brands that have been produced for a long time and has the largest sales of the entire products manufactured by PT. Union Confectionery according to the data obtained from the company, which will be explained below in Table 1.3. Besides, Long Bar product distribution covers the city of Medan, which is the area to conduct this research. In fact, the Long Bar products are marketed to international markets,

such as Malaysia, India, South Korea, and New Zealand, as well as countries in Africa and the Middle East.

As mentioned in advance, Long Bar was selected to be the research object out of the numerous product brands produced by PT. Union Confectionery with the reason that the Long Bar brand has the highest sales, which can be seen from Table 1.3 regarding the sales of the five highest product brands from PT. Union Confectionery in the last two years (2020 to 2021). The data in the table exhibits the top five product brands that have successfully contributed greatly to the sales of PT. Union Confectionery consists of as follows respectively: Long Bar, Union, Lazery, Collin's, and Dinos-X. Of the five brands, the Long Bar product brand is the highest sales contributor to the company, which managed to achieve total sales of almost Rp. 95 billion in 2020. Long Bar also continues to be the leading brand with the highest sales of more than Rp. 83 billion in 2021. In this regard, since Long Bar acts as the brand with the highest sales, it signifies that Long Bar owns the most satisfactory brand image in comparison with other brands from PT. Union Confectionery.

Table 1.3
Sales of the Top Five Product Brands from PT. Union Confectionery
Year 2020-2021

| Brand Name | Year | |
|------------|----------------|----------------|
| | 2020 | 2021 |
| Long Bar | 94,787,366,229 | 83,280,651,688 |
| Union | 72,443,896,888 | 75,935,133,814 |
| Lazery | 51,783,393,643 | 59,656,880,320 |
| Collin's | 30,189,222,483 | 28,781,561,429 |
| Dinos-X | 11,986,950,575 | 12,188,977,089 |

Source: PT. Union Confectionery, Years 2020 to 2021

Moreover, the Long Bar brand becomes the research object because Long Bar applies plenty of promotions to enhance the sales as well as maintain sustainability in the face of intense market competition. PT. Union Confectionery realizes that in this digital age, consumers, whether the consumers that will become their prospective target market or their loyal customers, must utilize social media every day for a long time. The countermeasure to compensate for this phenomenon is to increase their digital presence on social media. Based on the information gathered from the Long Bar brand Instagram account, namely @longbar.id, this brand carries out various activities as a form of promotion. The promotional tactics include providing sales promotions, holding a giveaway event, and product bundles, as well as creating Special Edition packaging for certain event-specific products (Gift Candy Eid al-Fitr, Chinese New Year Gift Candy Collection, Limited Edition Christmas Candy Collection, etc.). However, the company has a problem related to its promotion, where there is a lack of awareness from the audience on the company's confectionery brands and products on the @longbar.id account. It is evidenced by the lowest number of followers compared to other product brands from PT. Union Confectionery, as the data revealed in Table 1.4.

Table 1.4
The number of followers on Instagram accounts for PT. Union Confectionery
on 22 July 2022

| Brand Account Name | Follower Numbers |
|---------------------------|-------------------------|
| @longbar.id | 1.538 |
| @collins.butternut | 15.400 |
| @chewylazery.id | 28.300 |

Source: Prepared by the writer (2022)

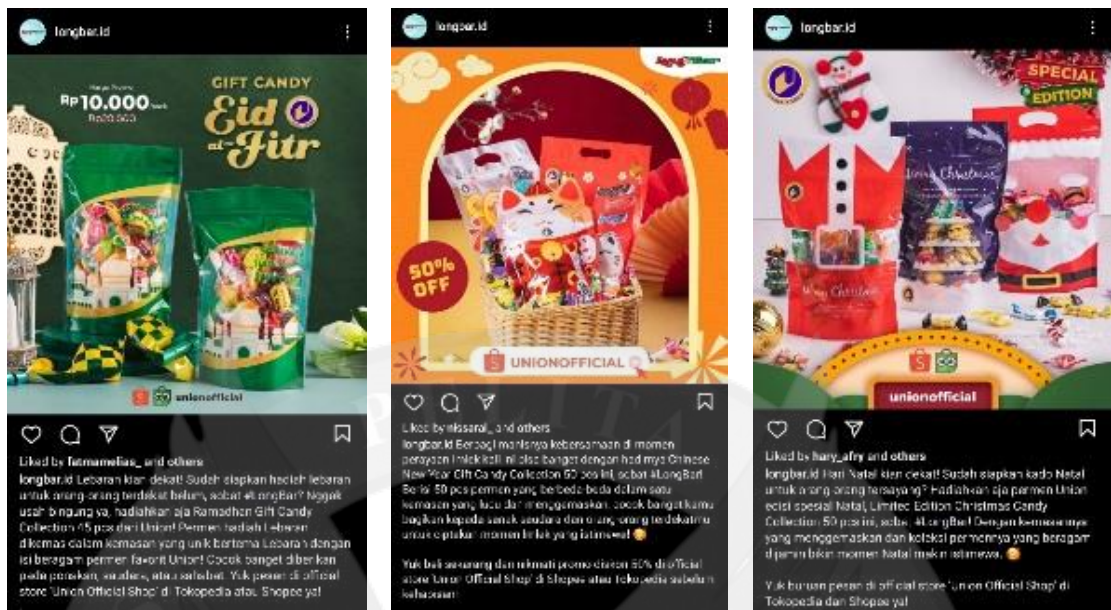


Figure 1.5 Limited Edition Packaging and Bundling of Long Bar Products

Source: @longbar.id (2022)



Figure 1.6 Sales Promotion of Long Bar

Source: @longbar.id (2022)



Figure 1.7 Giveaway Event of Long Bar

Source: @longbar.id (2022)

Moreover, another reason for choosing Long Bar as a research object is because Long Bar retains consumer trust well. It can be evidenced by the satisfactory assessment performance on the company's e-commerce (Shopee) account shown in Figure 1.8. Based on the data taken on e-commerce under the name Union Official Shop, the average consumer rating for the company's store as a whole is very high, reaching a rating of 4.9 out of 5 out of a total of 750 ratings given. When viewed specifically on the Long Bar product category, the rating results are still the same with a total of 70 reviews on three different products. The only difference is the Long Bar bubble gum product, the Blueberry flavor, which received a rating of 4.8 out of 5 out of a total of 12 reviews. Besides, consumer trust is also displayed from the fact that none of the negative comments or low ratings were given by the customers. Some of the customers even have the intention to repurchase the Long Bar bubble gum products.

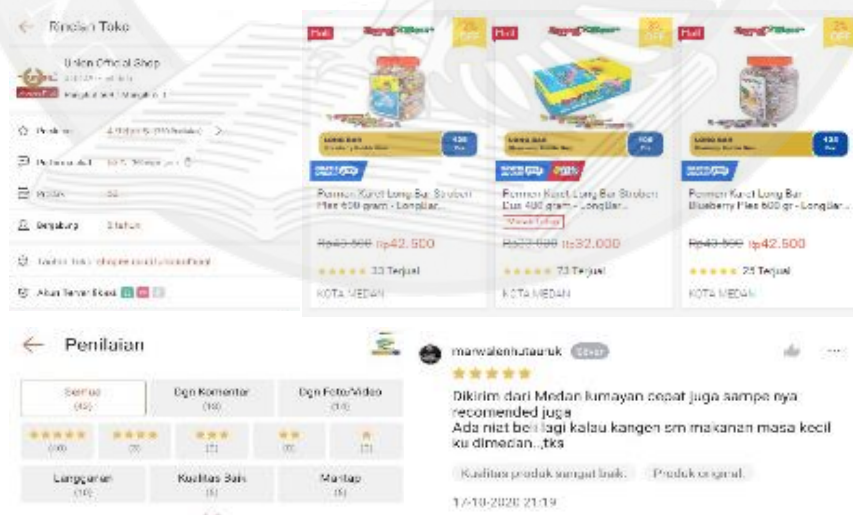


Figure 1.8 Union Official Shop Ratings in Shopee

Source: <https://shopee.co.id/>, retrieved in 2022, August 08

Furthermore, the other reason for selecting Long Bar as a research object is related to the challenge that is potentially encountered by Long Bar. Since the market competition is getting more intense due to the number of competing companies that are emerging today, the most potent challenge to be experienced is the unstable purchase intention of PT. Union Confectionery customers towards Long Bar products, which can be indicated by the fluctuation in sales shown in Table 1.5 below.

Table 1.5
Sales Data of Long Bar Bubble Gum PT. Union Confectionery
Year 2017-2021

| Year | QTY (Units) | Difference (%) |
|------|-------------|----------------|
| 2017 | 677.208 | |
| 2018 | 556.089 | -17,89% |
| 2019 | 553.770 | -0,42% |
| 2020 | 613.420 | 10,77% |
| 2021 | 504.234 | -17,80% |

Source: PT. Union Confectionery, Years 2017 to 2021

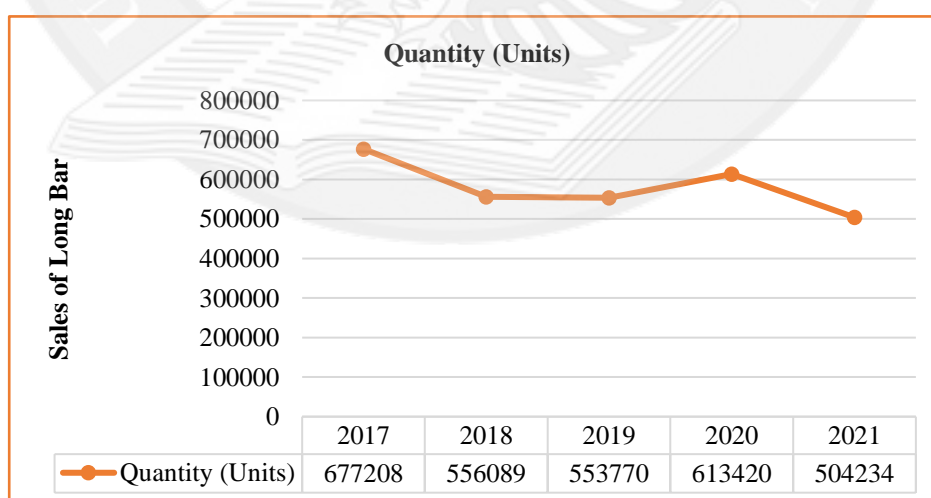


Figure 1.9 Sales Data of Long Bar Bubble Gum PT. Union Confectionery in Chart
Source: Prepared by the writer (2022)

Although the Long Bar bubble gum is able to survive in the midst of gradually fierce competition and become the brand product with the highest sales in the company PT. Union Confectionery, the percentage of its sales growth has fluctuated in the last few years, which is exhibited in Table 1.5. Based on the sales quantity data in the table, Long Bar bubble gum products experienced a decline in sales of -17.89% in 2018 and continued to fall in 2019 by almost 0.5% compared to the previous year. Furthermore, sales of Long Bar products experienced significant growth in 2020, which was more than 10%. However, the increase in sales in 2020 was also not sufficient to cover the downfall that occurred during 2018-2019. The problem was exacerbated by sales in 2021 which further declined sharply by -17.80%. The fluctuation in sales becomes an indication of the instability of the purchase intention of Long Bar customers.

As explained above, a person's purchase intention has a close relationship with factors of product quality, promotion, brand image, and consumer trust. In its business practice, PT. Union Confectionery consistently maintains the quality of each product according to the standards set, has a leading brand image among other brands, carries out promotions in various forms, and preserves a long-term consumer trust for the Long Bar brand. However, there is remain instability in purchase intention, specifically the Long Bar brand, which poses a challenge for the company. For this reason, the writer is interested in acknowledging whether the product quality, promotion, brand image, and consumer trust are aspects behind the instability of customer purchase intention in Long Bar bubble gum products. Therefore, the writer determined to conduct further research under the title “**The**

Influence of Product Quality, Promotion, and Brand Image toward Customer Purchase Intention through Consumer Trust for Long Bar Product from PT. Union Confectionery, Medan”.

1.2. Problem Limitation

Since the existing problems are extensive, the writer limits the problems that will be researched to overcome the limitations of time and cost. The problem limitation is intended with the reason that the writer can have a detailed concentration on each factor that will be explained as well as to assure that the readers can obtain the understanding and solution as expected. In this study, the company that the writer is going to conduct the research on PT. Union Confectionery, Medan with the product brand called Long Bar as the object.

The writer will focus only on research concerning the variables such as product quality, promotion, brand image, and consumer trust along with the influence on customer purchase intention as the dependent variable. The data that will be utilized to investigate the research model is assembled in the form of a questionnaire that has been prepared in advance according to the object of research. The sample criteria that meet the requirements to become respondents in this research include all people (customers) in Medan, regardless of any gender with the age between 18 – 60 years old, who know any Long Bar bubble gum products from PT. Union Confectionery, and recognize the promotion of bubble gum products through its Instagram Account (@longbar.id).

1.3. Problem Formulation

Based on the company background and the focuses that have been investigated, the writer has developed the questions to be answered through this research, such as:

- a. Does the product quality have a significant influence on consumer trust for Long Bar Product from PT. Union Confectionery, Medan?
- b. Does the promotion have a significant influence on consumer trust for Long Bar Product from PT. Union Confectionery, Medan?
- c. Does the brand image have a significant influence on consumer trust for Long Bar Product from PT. Union Confectionery, Medan?
- d. Does the product quality have a significant influence on customer purchase intention for Long Bar Product from PT. Union Confectionery, Medan?
- e. Does the promotion have a significant influence on customer purchase intention for Long Bar Product from PT. Union Confectionery, Medan?
- f. Does the brand image have a significant influence on customer purchase intention for Long Bar Product from PT. Union Confectionery, Medan?
- g. Does the consumer trust have a significant influence on customer purchase intention for Long Bar Product from PT. Union Confectionery, Medan?

1.4. Objective of the Research

Based on the background and problem formulation, the objectives of this research include:

- a. To analyze the influence of product quality on consumer trust for Long Bar Product from PT. Union Confectionery, Medan.
- b. To investigate the influence of promotion on consumer trust for Long Bar Product from PT. Union Confectionery, Medan.
- c. To examine the influence of brand image on consumer trust for Long Bar Product from PT. Union Confectionery, Medan.
- d. To determine the influence of product quality on customer purchase intention for Long Bar Product from PT. Union Confectionery, Medan.
- e. To analyze the influence of promotion on customer purchase intention for Long Bar Product from PT. Union Confectionery, Medan.
- f. To investigate the influence of brand image on customer purchase intention for Long Bar Product from PT. Union Confectionery, Medan.
- g. To examine the influence of consumer trust on customer purchase intention for Long Bar Product from PT. Union Confectionery, Medan.

1.5. Benefit of the Research

The results of research related to "The Influence of Product Quality, Promotion, Brand Image, and Consumer Trust on Customer Purchase Intention for Long Bar Product from PT. Union Confectionery, Medan" are expected to provide benefits which are divided into two types:

1.5.1. Theoretical Benefit

The theoretical benefit of the research carried out by the writer in this study is to demonstrate whether Product Quality, Promotion, Brand Image, and Consumer

Trust have a significant influence on Customer Purchase Intention in a company, primarily in the confectionery industry or not. Moreover, this study is conducted to obtain more understanding regarding the theories related to variables examined in the research, such as Product Quality, Promotion, Brand Image, Consumer Trust, and Customer Purchase Intention, as well as the potential relationship among those variables. The writer also strives to give a contribution by the research conducted in a way of updating the current existing theories.

1.5.2. Practical Benefit

The practical benefits achieved from conducting this research are:

- a. For the writer, this research can provide more recent knowledge and a clear understanding of product quality, promotion, brand image, and consumer trust along with customer purchase intention.
- b. For the company, the study results are expected to be beneficial as guidance and enable to assist the company in analyzing the influence of product quality, promotion, brand image, and consumer trust on customer purchase intention.
- c. For other researchers, especially those majoring in marketing management, the results of this study can be used as a reference or consideration to carry out new study related to similar topics, which is connected to product quality, promotion, brand image, and consumer trust as well as customer purchase intention.