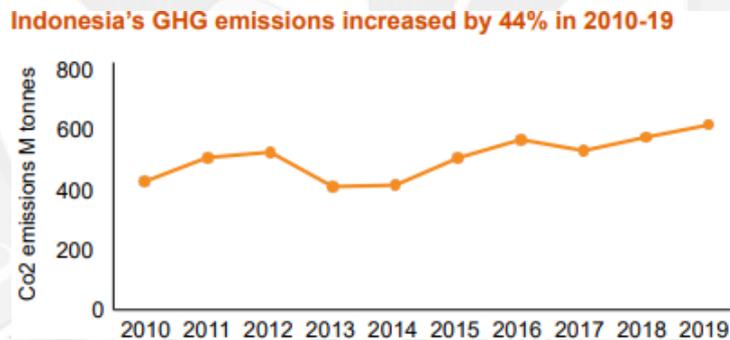


# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

In today's rapidly moving society and economy, the evolution of lifestyle and business appear to be more advanced and sophisticated. However, the significant increase in consumption has caused widespread pollution of the air, water, and land, putting an increasing strain on scarce resources and the entire ecosystem (Lobachevska & Daub, 2021). In Indonesia, climate change appears to be worsening, as indicated by the increasing percentage of Indonesia's GHG emissions gained from the OBG ESG Report (2021) shown below.



**Figure 1.1 Indonesia's Greenhouse Gases Emissions 2010-2019**  
Source: OBG ESG Report (2021).

Acknowledging the issue, businesses are encouraged to pay closer attention to environmental conditions and avoid aggravating the situation. Not only in terms of environmental issues, but businesses have also increased their awareness and investments in education, healthcare, training, and rural development (Poddar et al., 2019). Therefore, companies, especially in Indonesia, are expected to

implement business strategies including the practice of Corporate Social Responsibility (CSR). It assists businesses in managing their environmental sustainability with their surroundings. (Chemi et al., 2019). Corporate social responsibility (CSR) is one of the responsibilities that the community expects organizations to fulfill (Makanyeza et al., 2018). CSR in businesses is expected to help society grow in terms of happiness and prosperity. Nevertheless, the business itself also experiences the benefits as CSR assists in differentiating themselves by generating a competitive advantage (Peloza & Shang, 2011, as cited in Imran et al., 2020), which would generate value for both the company and its customers.

With the coronavirus pandemic and the climate change crisis, larger questions about the roles of the state and international institutions, as well as their future relationships with corporations, have emerged (Green, 2021). This raises concerns about the future roles of corporations and thus CSR, as the ways in which it will evolve and the potential effects on societies around the world, especially in Indonesia. Sustainable and ethical consumption is gaining traction, partly triggered by the idea of sustainable marketing and CSR communication (Ethical Consumer, 2019). Some might be due to customers becoming more aware of today's global challenges. Ethical responsibilities are the voluntary activities of an organization aimed at encouraging and achieving social goals that go beyond the law (Al-Haddad, et al., 2022).

In accordance with the right of society, Indonesia is one of the first countries to enact legislation requiring businesses to practice Corporate Social Responsibility (CSR). In contrast to other countries' voluntary approach to CSR,

Indonesia's legislation makes CSR a mandate for businesses (Zainal, 2019). Corporate social responsibility is tightly regulated in Indonesia, as specified by Law No.25 of 2007. Law No.40 of 2007 governs Limited Liability Companies and Law No.19 of 2003 governs State Owned Corporations (Fajar, 2018).

In the wake of performing the CSR activities, it is found that companies that are socially responsive have a higher perceived brand image and social acceptance (Kim, 2019). This simply occur because of customers who has developed trust to the company. Companies that command consumer trust can adapt to changing market turbulence while remaining effective and sustainable (Mulaessa & Wang, 2017). Nevertheless, several factors can influence a person's desire to purchase a product. Purchase intentions are influenced by several factors but mostly, we need to be aware that the internet has made it easier for customers to find product-related information (Imran Ali et al., 2020).

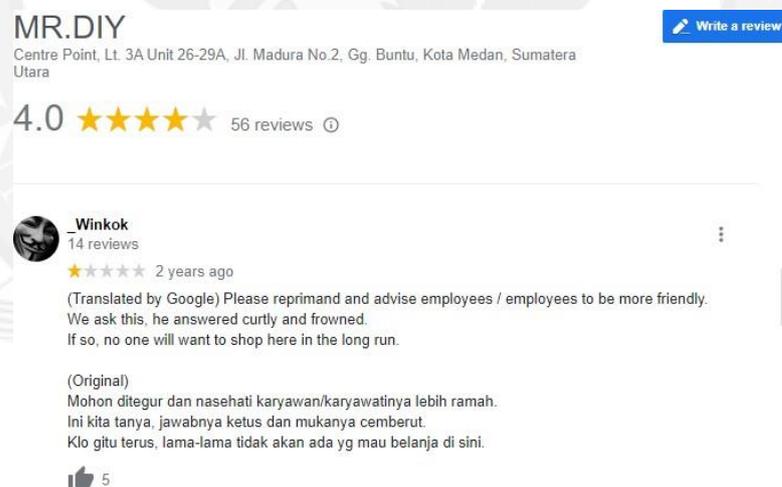
Furthermore, these strategies could be applied to a home improvement retailer brand in Medan named "MR. DIY" which is managed under the company of PT. Duta Intiguna Yasa. They provide home improvement products for do-it-yourself projects through offline stores. Specific description gained from their official website stated that in Indonesia, MR. DIY has 439 outlets spread across the country. As one of Indonesia's leading and largest home improvement stores, they have been accorded with the Brand of the Year regional award at the World Branding Awards 2021-2022 (The Star Online, 2021). However, the writer has found several awful reviews from the customers in one of their outlets at Centre Point Mall, Medan for the past 2 years.



**Figure 1.2 MR.DIY Google Review I**

Source: Google Review (2022).

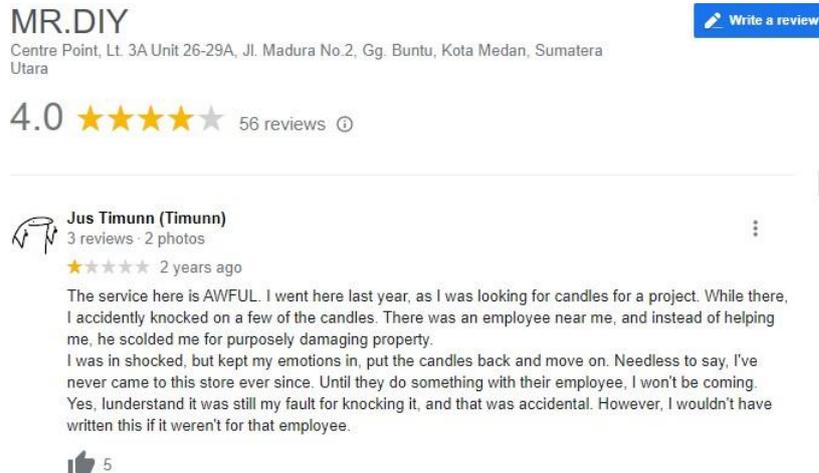
Based on the review shown above, it is stated that the customer felt burdened to ask something that is supposed to be the great responsibility of MR.DIY. This indicates the absence of empathy, competence, and benevolence which eventually leads to the lack of Corporate Trustworthiness of their company.



**Figure 1.3 MR.DIY Google Review II**

Source: Google Review (2022).

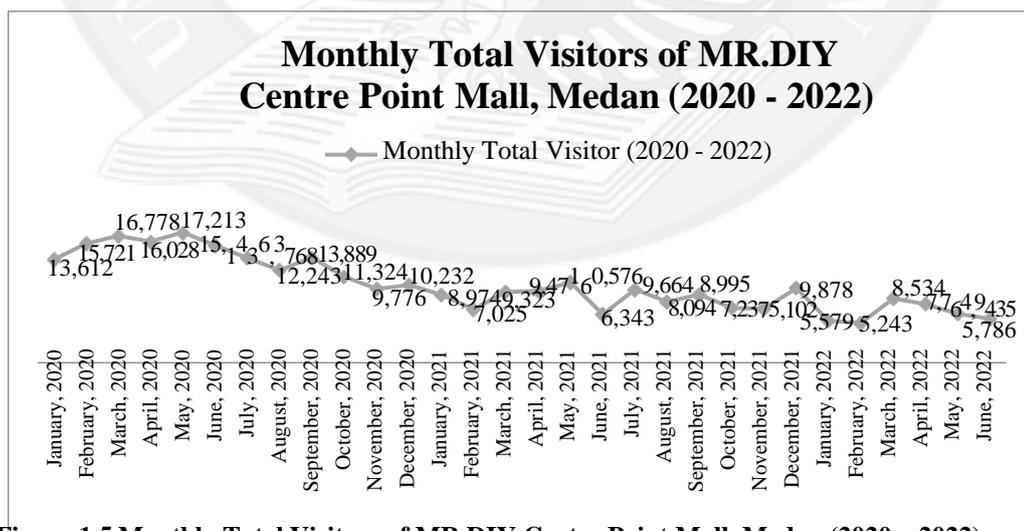
According to the review given above, the customer recognizes the lack of ethical performance among the workers, indicating that MR.DIY might be lacking in the practice of Ethical Corporate Social Responsibility.



**Figure 1.4 MR.DIY Google Review III**  
Source: Google Review (2022).

It is noted in the review above that the worker scolded the customer for an accidental circumstance. Hence, the worker has clearly violated the rules and regulations of their company. Overall, this might signify that MR.DIY has to strengthen their awareness of Legal Corporate Social Responsibility.

Moreover, it has been found that there were fluctuations in the number of visitors for these past few years. Here is the data of MR.DIY Centre Point Mall, Medan number of visitor monthly for the past two years.



**Figure 1.5 Monthly Total Visitors of MR.DIY Centre Point Mall, Medan (2020 – 2022)**  
Source: Prepared by The Writer (2022).

As seen on the graph above, the number of visitors of MR.DIY experienced significant fluctuation and decline for the past two years. Throughout 2021, the number of visitors fluctuates with the highest number of 10,576 visitors and lowest number of 6,343 visitors. However, when viewed as a whole, the number of MR.DIY visitors in 2021 is much fewer than 2020 because the average visitor throughout 2021 is already below 10,000 while in 2020 the average visitor is still above 10,000. This continues to get worse in 2022 because in February, the number of visitors reached the lowest point of 5,243 and the average visitors during the first half of 2022 was also lower than 2020 and 2021. It could be concluded that the number of visitors of MR.DIY Centre Point Mall has declined.

The decline in the number of visitors also indicates a decline in customer purchase intention for MR.DIY products. This is because if a buyer has no intention of buying at all, obviously they will not visit the store either. In contrast to the purchase decision, a person may come to the store without having a purchase decision, but if someone has absolutely no purchase intention, then undeniably they will not enter the store. Even if the customer is only strolling around the store, it practically means that they have the purchase intention. Hence, the primary goal of the study is to assess whether there are impacts of trust and CSR implementation on consumer purchase intention. The study will be performed under the title of **”The Impact of Corporate Trustworthiness, Ethical and Legal Corporate Social Responsibility towards Customer Purchase Intention at Home Improvement Retailer in Medan (Case Study on Customer of PT Duta Intiguna Yasa – MR.DIY, Centre Point Mall)”**.

## 1.2 Problem Limitation

Based on the background and analysis of the problems mentioned, the following issues will be examined in this research:

- a This study only focuses on four key variables: three independent variables which covers corporate trustworthiness, ethical CSR, and legal CSR with customer purchase intention as the dependent variable.
- b This study will only take place at MR. DIY located at Centre Point Mall, Jl. Jawa No.8, Medan, North Sumatra.
- c The respondents of this study is confined to MR. DIY customers in the mall Centre Point, Medan.
- d This study will use a questionnaire given to Medan customers who have visited, have made purchases, and utilized MR.DIY products that is in Centre Point Mall, in the last two years
- e According to Sekhon et al. (2018), indicators of corporate trustworthiness include competence, integrity, communication, shared values, and benevolence. Ali et al. (2020) stated that ethical CSR possess the indicators of strict ethical code of conduct, equality, environmental sustainability, and educational activities. Also stated by Ali et al. (2020), the variable of legal CSR covers the indicators, which consist of corporate rules and regulations, work culture, and principles by regulatory system. Meanwhile, the dependent variable of this research which is customer purchase intention, according to Hanjani and Widodo (2019) has the indicators of transactional, referential, preferential, and explorative.

### **1.3 Problem Formulation**

With the aim of determining the impact of Corporate Trustworthiness, Ethical and Legal Corporate Social Responsibility towards Customer Purchase Intention at PT Duta Intiguna Yasa (MR. DIY – Medan), here are the problems of formulation in which the writer has found during the research:

- a Does Corporate Trustworthiness have partial impact towards Customer Purchase Intention at PT Duta Intiguna Yasa (MR. DIY – Medan)?
- b Does Ethical Corporate Social Responsibility (CSR) have partial impact towards Customer Purchase Intention at PT Duta Intiguna Yasa (MR. DIY – Medan)?
- c Does Legal Corporate Social Responsibility (CSR) have partial impact towards Customer Purchase Intention at PT Duta Intiguna Yasa (MR. DIY – Medan)?
- d Does Corporate Trustworthiness, Ethical and Legal Corporate Social Responsibility has simultaneous impact towards Customer Purchase Intention at PT Duta Intiguna Yasa (MR. DIY – Medan)?

### **1.4 Objective of the Research**

Based on the definition of the problem, the writer would want to achieve four objectives in this research, which are as follows:

- a To discover whether Corporate Trustworthiness has partial impact towards Customer Purchase Intention at PT Duta Intiguna Yasa (MR. DIY – Medan).

- b To examine whether Ethical Corporate Social Responsibility (CSR) has partial impact towards Customer Purchase Intention at PT Duta Intiguna Yasa (MR. DIY – Medan).
- c To investigate whether Legal Corporate Social Responsibility (CSR) has partial impact towards Customer Purchase Intention at PT Duta Intiguna Yasa (MR. DIY – Medan).
- d To research whether Corporate Trustworthiness, Ethical and Legal Corporate Social Responsibility has simultaneous impact towards Customer Purchase Intention at PT Duta Intiguna Yasa (MR. DIY – Medan).

## **1.5 Benefit of the Research**

The benefit of the research according to the objective and problems are found during the research that is conducted. These benefits can be separated into two kinds of benefit, which are follows:

### **1.5.1 Theoretical Benefit**

This research's theoretical benefit is projected to contribute to the growth of management theory as a literary research material and enrich scientific research at Universitas Pelita Harapan Medan Campus for Undergraduate Management Studies Program, particularly about the theory of CSR. This study is expected to contribute insight, science, or knowledge in theory where empirical data can be utilized as reference material for knowledge, discussion material, and more research material for readers concerning CSR marketing difficulties.

### 1.5.2 Practical Benefit

The practical benefits that can be obtained from this research are:

a For Writer

To acquire a deeper understanding of the impact of corporate trustworthiness, ethical and legal CSR towards customer purchase intention on the customer of MR. DIY Medan. Furthermore, the writer feels that each idea and finding from this study can be applied in any business situations.

b For Company

The findings of the research can be used as feedback for the company to improve the company's appeal, a stronger brand image, and more loyal customers are all projected to improve. With the optimization of CSR, it can significantly improve MR. DIY's brand image, popularity, and customer loyalty also assisting the company to obtain even more revenue and recognition.

c For Other Researchers

This study can be used as a resource and inspiration for other scholars who desire to conduct similar research. This study has the potential to become one of their sources or references for future research on corporate trustworthiness, ethical, and legal CSR towards customer purchase intention.