

CHAPTER I

INTRODUCTION

1.1. Background of the Study

The emergence of Covid-19 pandemic that spread throughout the world in 2019 has had serious impact in various life aspects. The virus's ability to spread at a fast speed triggered the governments to take drastic measurements. There were a lot of regulations and restrictions made including travel restrictions, lockdown, work from home, the need to implement health policies, and more. These adjustments on day-to-day activities were compulsory in order to survive. This has hindered the operations of businesses in various industries. Many of them were struggling financially where they had to either lay off employees or shut down completely. Due to this, the numbers of people who are unemployed was growing. Their economic activities and purchasing power are weakened.

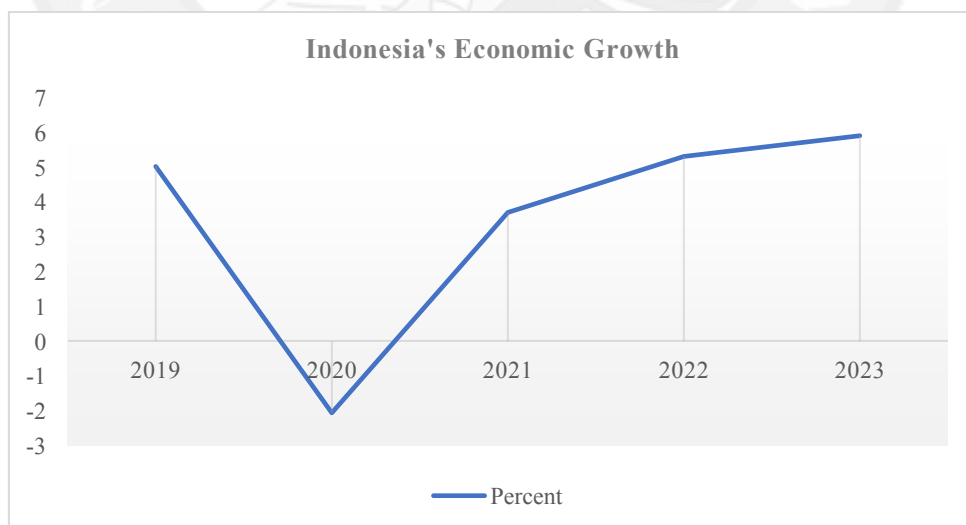


Figure 1. 1 Indonesia's Economic Growth from Year 2019-2023

Source: Pusat Data Ekonomi dan Bisnis Indonesia. (n.d.).

<https://databoks.katadata.co.id/datapublish/2022/05/03/pemerintah-targetkan-ekonomi-indonesia-tumbuh-53-hingga-59-pada-2023>

Indonesia was significantly impacted as well. This can be seen in figure 1.1 where during 2019-2020, the growth was drastically decreasing to the point that it was minus in percentage. This was the first time in twenty years that Indonesia is experiencing economic contraction. The sectors that were hit hardest are tourism, airlines, automotives manufacturers, and small and medium enterprises (SMEs). To this matter, the Indonesian government responded by allocating big amount of money to stimulate the economy. This has helped with the economic recovery. Beside the response, another major contribution was from the vaccine invention. Mass vaccinations have helped to keep the virus in control and thus reducing the negative impacts. Regulations and restrictions were also gradually eased. This enables businesses to be back on track and create the multiplier effect which then helps to contribute to the economy.

According to the article published in Portal Informasi Indonesia (2023), the biggest contribution to the national economic growth is driven by manufacturing sectors. They were growing positively and consistently in the first quarter of 2023. Manufacturing sectors are divided into multiple sub-sectors such as food and beverages, metal goods, pharmaceutical, machinery and equipment, and more. Transportation equipment sectors comes second after food and beverages sectors as the dominators that hold the most percentage of growth contribution which account to 17.3%.

In this modern era, transportation has become a crucial necessity in people's daily life. It has grown in a rapid manner as they are needed to assist people in carrying out their activities. In addition, there was regulation regarding the 0% tax

relaxation on automotive purchases. This has significantly boosted the automotive industry and increased the number of vehicles in Indonesia as shown on table 1.1. This has also emerged the competitiveness in the related industries. Competitiveness in the market forces companies to constantly do innovation in order to stay relevant in the market and offer products with added value that can compete with competitors.

Table 1. 1
Number of Vehicles in Indonesia from Year 2019 to 2021

Year	Number of Vehicles (Unit)				Total
	Car	Bus	Truck	Motorcycles	
2019	15592419	231569	5021888	112771136	133617012
2020	15797746	233261	5083405	115023039	136137451
2021	16413348	237566	5299361	120042298	141992573

Source: Badan Pusat Statistik. (n.d.).

<https://www.bps.go.id/indicator/17/57/1/jumlah-kendaraan-bermotor.html>

One of the important components in automotive that most people don't notice is bearing. Bearing is a mechanical component that limits the relative motion of two or more components in order for a machine to be moved in the desired direction. This component is mounted on the axles and other rotating places. The main purpose of it is to maintain the equipment's performance and prevent damages. Besides vehicles, they could also be found in aircrafts, machines, mechanical items, and home appliances like air conditioners, vacuum cleaners, mixers, fridges, and many more.

PT Asian Bearindo Gemilang is a bearing distributor company located in Jalan Krakatau No.52 Medan, North Sumatra. PT Asian Bearindo Gemilang is one of the branches from Asian Bearindo Group, a leading bearing specialist in Indonesia. PT Asian Bearindo Gemilang supply bearings that are made from China, Europe, Japan, and USA. To meet the needs of its industrial and automotive clients,

PT Asian Bearindo Gemilang has also increased the scope of its product offering. The enlarged product lines now include greases, chains, sprockets, pulleys, conveyors, seals, o-rings, and more. Besides, they are also a credible distributor where they are the authorized dealer for INA-FAG Bearings, Timken Bearings, ASB, FYH, Mitsuboshi Belts, Bando, Optibelt, D.I.D, TTO Oil Seals and TR pillow blocks.

Companies are founded primarily with the aim of generating profits and bringing positive impacts to the society. This aligns with one of PT Asian Bearindo Gemilang's objectives, which is to continuously expand, grow, and prosper. They also have the vision and mission where they strive to be a reliable and trustworthy company that can provide customers with diverse lines of bearings to meet their needs, including comprehensive information about the products as well as offering the greatest customer service and product quality. To achieve these objectives, companies will need to apply marketing strategies that involve analysis towards pricing, resources, competitors, customers, and more. Marketing plays a vital role for companies as it fosters ongoing communication and sustains relationships with customers. It enables companies to learn about their target markets and develop the most suitable products for them, choose the most efficient way to communicate product's information, and draw in potential customers.

Table 1. 2
Number of Vehicles in North Sumatra from Year 2019 to 2021

Year	Number of Vehicles (Unit)				Total
	Car	Bus	Truck	Motorcycles	
2019	31182	798	15186	354716	401882
2020	62296	1690	24755	463305	552046
2021	434205	5565	133263	1386384	1959417

Source: Statistik Sektoral Provinsi Sumatera Utara. Sumutprov. (2021).

<https://sumutprov.go.id/artikel/statistik-sektoral/statistik-sektoral-provinsi-sumatera-utara-2021>

The continuous growth of the automotive industry implies an increasing demand for components, such as bearings, to uphold and sustain the machinery. In North Sumatra itself, the number of vehicles has shown rapid increasement from year to year, as shown on table 1.2. This indicates a favorable prospect for PT Asian Bearindo Gemilang to expand its business. Furthermore, the replacement frequency of bearings typically ranges from every 1 to 3 years, contingent upon usage. In the context of vehicles, their longevity is subject to factors such as driver behavior, installation techniques, road conditions, and the state of rubber components, among others. Although there is the likelihood to grow and all industries are recovering from the pandemic, the General Manager reported that they have yet surpassed the pre-pandemic sales (table 1.3). Take into consideration that the increasing values were also affected by the increasing products prices. This suggests that there is a decline in customer purchases.

Table 1.3
PT. Asian Bearindo Gemilang's Sales Growth From 2018 (Jul) to 2023 (Aug)

Year	Numbers of Item Sold	Values	Growth percentage
2018 Jul - 2019 Aug	25406	IDR88.174.382.000	
2020 Jul - 2021 Aug	19781	IDR68.452.698.300	-22%
2021 Jul - 2022 Aug	22590	IDR78.134.594.300	14%
2022 Jul - 2023 Aug	24081	IDR83.409.587.400	7%

Source: Internal Sources (2023)

Schiffman and Kanuk (2008) in Fauzi (2021) characterized purchasing decision as a decision among two or more alternative choices. It is the process where customers decide whether or not to purchase a product from the wide range of options available. Kotler and Keller (2012) in Kuswanto (2021) stated that there are several stages that customers go through before making a purchase decision.

The stages are problem identification, information search, alternative evaluation, purchase decision, and post purchase decision.

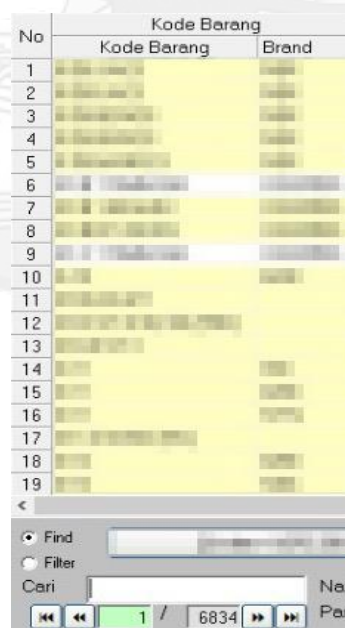
Salespeople are the primary driving force behind the majority of sales at PT Asian Bearindo Gemilang. To encourage customers to purchase, there are several skills needed to be mastered by a salesperson. One of which is maintaining and nurturing relationships with customers, and it can be done through personal selling. According to Zaidi (2019), personal selling is the process of engaging with potential customers in person with the intention of closing a deal in purchasing a product or service. In personal selling, the seller and potential customer engage face-to-face as an effort to persuade the potential customer to purchase the offered goods or service. Personal selling has the potential to influence consumer perceptions of products and influence purchase decisions. The efficacy is based on the degree to which a salesperson can build personal relationships with prospects, recognize their needs, and offer relevant solutions.

PT Asian Bearindo Gemilang engages in personal selling by deploying sales representatives across North Sumatra. This approach allows for direct, face-to-face interaction with both industrial and non-industrial customers, facilitating a deeper understanding of their problems. Salespeople offer technical insights and solutions, promote products, offer price promotions, conduct product demonstrations, and more.

In regard to personal selling, the writer observed several feedbacks reported by the General Manager of PT Asian Bearindo Gemilang. The feedback is that they occasionally take a while to react to calls or chats. Also, there are times when they

make mistakes in recording the orders which result in wrong delivery. In addition, the deficiency in providing detailed product information has impeded certain salespeople from effectively identifying solutions to customers' issues. Lack of skills training might be one of the triggers for these problems.

Product knowledge, on the other hand, also has a significant role in purchasing decisions. According to Wahidan, et al. (2020), product knowledge is a compilation of various information or different facts regarding the product. The knowledge comprises the understanding of features, advantages, technical details, how it operates, how to utilize it, as well as its benefits and other relevant information about the product or service. With that knowledge, customers are able to evaluate products from companies of related products and they can base their purchasing decision on what they believe to be the greatest offer. Consumers who have sufficient knowledge about a product tend to be more trusting and confident in choosing that product.



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Figure 1. 2 Number of Items Listed in PT Asian Bearindo Gemilang's System
Source: Internal Sources (2023)

Bearing products can vary greatly in type, size, and material. In PT. Asian Bearindo Gemilang, the number of items listed in their system as shown on figure 1.2 are 136.680, counted by total pages 6834 times 20 numbers in a page. Besides bearing, they also sell gasket set, circlips set, sprocket, greases, and more can be seen on figure 1.2. While some customers at PT Asian Bearindo Gemilang possess extensive product knowledge prior to making purchases, it's important to note that a significant number of customers lack clarity on the specific products they require. It might be difficult for them to match the right products especially if they are not technical experts. This may hinder their decision-making process as there are risk of choosing the wrong products. Therefore, it becomes imperative for the company to focus on enhancing customer knowledge. One effective approach is through the expertise of the employees, as knowledge primarily stems from them. Providing guidance and education can empower customers, enabling them to make informed decisions and ultimately fostering a positive customer experience.

Living in this fast-paced environment has shaped people's lifestyle where they tend to like convenient things. This applies to their purchasing behavior as well, where they tend to purchase in places that could fulfill their needs at rather than visiting multiple locations, which demands more effort. To this concern, businesses must prioritize the comprehensiveness of their product offerings. Maintaining a wide array of products in-store allows customers to have a broad selection to choose from. This variety of choices also provides customers with the opportunity to discover new products they may not have been aware of previously. This diverse selection provides them with added value, allowing them to make purchases that

best cater to their needs. It increases satisfaction and the possibility of re-purchasing which boost company's sales.

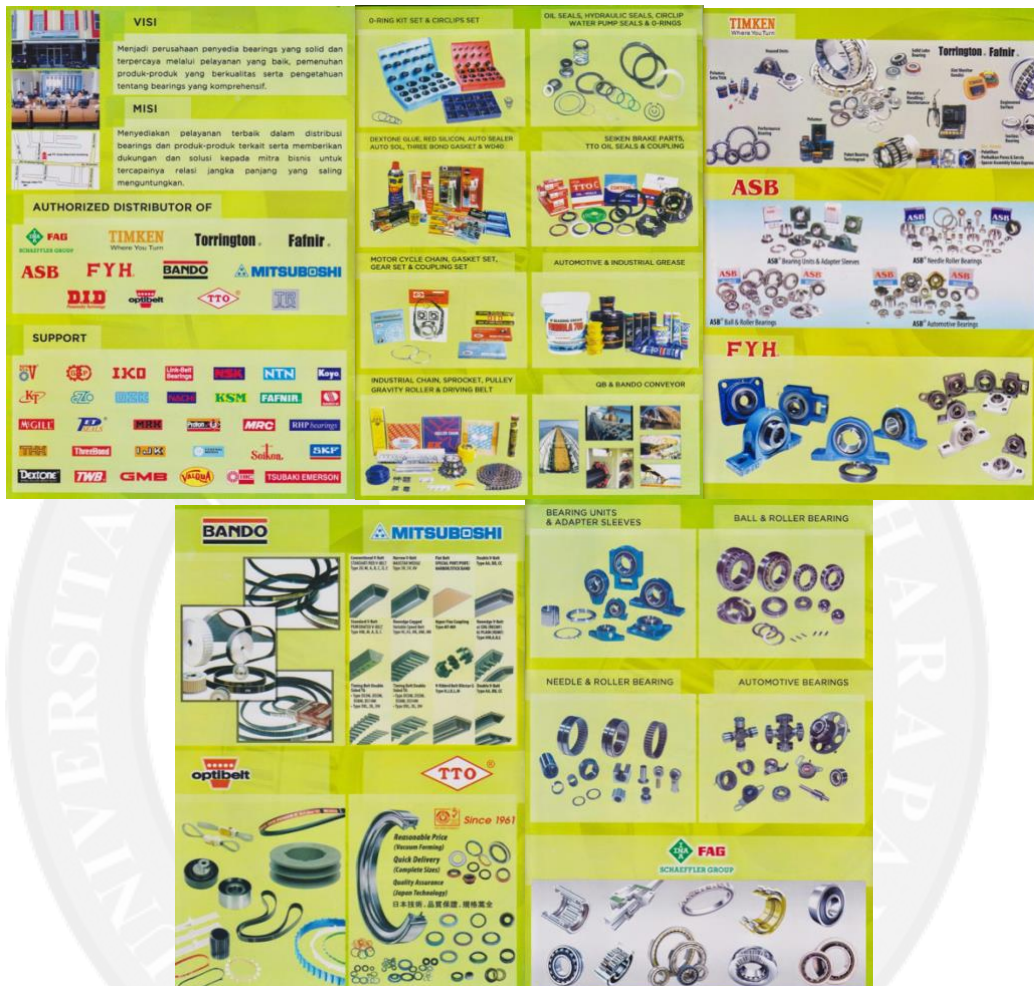


Figure 1.3 Catalogue

Source Url: <https://asian-bearindo-gemilang.business.site/#gallery>

As mentioned previously, there are various types and shapes of bearings. It can also be seen in catalogue shown in figure 1.3. Due to the extensive range of products, PT Asian Bearindo Gemilang faces challenges in maintaining a complete inventory of all product types in their warehouse. The reason they opt not to store certain products is due to the challenge of selling items with low demand. To address this issue, they enable the pre-order system for products that are available in Jakarta and Surabaya. Customers can opt for pre-orders through either land or air

shipping. While land shipping comes with no additional fees, the estimated waiting time for the products to reach Medan is approximately 3-4 weeks. On the other hand, air shipping entails extra charges based on the weight of the product. This shipping dynamic could significantly impact customers' purchasing decisions, particularly when they require urgent delivery.

Regarding the pre-order system, several complaints have arisen about the inaccuracy of delivery estimations, with customers expressing dissatisfaction as products failed to arrive within the specified timeframe. This difference in the promised and actual delivery times is causing a domino effect, impacting the customers' capacity to promptly address their equipment requirements. The extended delivery timeline not only disrupts planned activities but also poses a challenge for customers who rely on timely product arrivals to meet their operational needs. This inconsistency in delivery schedules could potentially diminish customer trust and satisfaction, necessitating a thorough review and improvement of the logistics processes to align more closely with the promised timelines.

Another factor that affects purchase decision is brand image. Kurniasih (2021) defined brand image as a representation of how people feel about it generally, as well as how they have heard about it and used it in the past. He also added that customers who are consistent in utilizing products from particular brand tend to stick with it because they are already familiar with the brand. Customers frequently select brand that has positive reputation because it is more trustworthy and reliable. They also perceive that brand with good image produces good quality products.



Figure 1. 4 Positive Customer's Review of PT Asian Bearindo Gemilang
Source: Google Review (2023)

As a prominent bearing distributor in Medan with over a decade of operational experience, PT Asian Bearindo Gemilang is expected to have established a robust reputation among its customer bases. However, the writer found that the company received mixed reviews on the internet as shown on figure 1.4 and figure 1.5. Notably, the recent reviews lean towards the negative side, with a majority expressing concerns about the services offered by PT Asian Bearindo Gemilang. As we know that from Zaenati, et al. (2022), one of the things that shapes company's image is through the way they conduct their operational activities based on their primary foundation, such as service. These reviews will have significant impact on the company's image especially in the digitalization era where information is easily accessible at our fingertips. Positive reviews from customers that are happy can boost the brand's image, while the negative reviews that are not properly handled might damage it. These will also effect on the decision of potential customers who are interested to purchase.

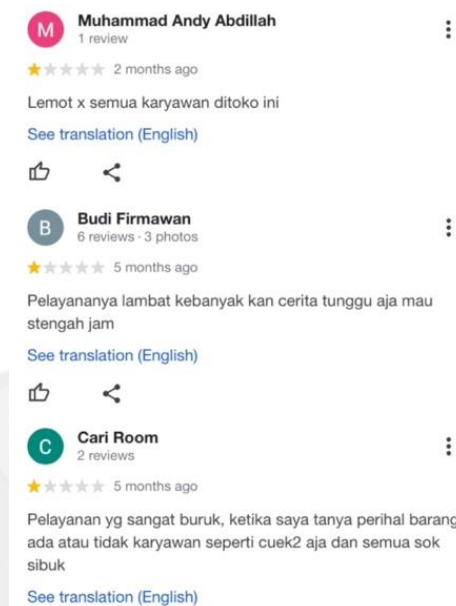


Figure 1. 5. Negative Customer's Review of PT Asian Bearindo Gemilang
Source: Google Review (2023)

In the age of globalization and escalating competition, companies must be able to sustain and grow their market share. It is crucial to understand the variables that may affect the industry's sales. There has been much research on various industries addressing the variables that could affect purchase decisions. However, it is still rare to find research regarding this specific industry. With this in mind, the writer wishes to learn more about the reasons behind the declining purchase decision which could significantly advance the knowledge of and ability to improve upon selling strategies in the bearing industry.

The aforementioned factors have convinced the writer that personal selling, product knowledge, product completeness, and brand image have effects towards the research object's customers purchase decision. As such, the writer will conduct research in the form of a thesis with the title **"The Effects of Personal Selling, Product Knowledge, Product Completeness, and Brand Image on Purchase Decision in PT Asian Bearindo Gemilang"**.

1.2. Problem Limitation

Due to limitation of time and budget, the writer will not consider other factors that can affect purchase decisions, such as country of origins, product quality, promotions, etc. It will be limited to personal selling (X_1), product knowledge (X_2), product completeness (X_3), and brand image (X_4) as independent variables and purchase decision (Y) as dependent variable. In addition, the writer would also like to limit the research object to PT Asian Bearindo Gemilang, located in Jl. Krakatau Ujung No.52, Pulo Brayon Bengkel Baru, Kec. Medan Tim., Kota Medan, North Sumatera, 20239. Data will be collected through a survey using questionnaires to 100 respondents who are customers of PT Asian Bearindo Gemilang's products, aged between 18-60 years old, and have purchased as well as interacted with the salesperson before. As for the data results, it will be processed through AMOS software Ver 22.0.

1.3. Problem Formulation

Based on this background, several research questions can be formulated, including:

- a. Does personal selling have significant effect on purchase decision at PT Asian Bearindo Gemilang?
- b. Does product knowledge have significant effect on purchase decision at PT Asian Bearindo Gemilang?
- c. Does product completeness have significant effect on purchase decision at PT Asian Bearindo Gemilang?

- d. Does brand image have significant effect on purchase decision at PT Asian Bearindo Gemilang?

1.4. Objective of the Study

The aims of this research are:

- a. To acknowledge whether personal selling have significant effect on purchase decision at PT Asian Bearindo Gemilang
- b. To understand whether product knowledge have significant effect on purchase decision at PT Asian Bearindo Gemilang
- c. To examine whether product completeness have significant effect on purchase decision at PT Asian Bearindo Gemilang
- d. To learn whether brand image have significant effect on purchase decision at PT Asian Bearindo Gemilang

1.5. Benefit of the Study

This research is expected to provide the following benefits:

1.5.1. Theoretical Benefit

The research outcomes are expected to support past research and existing theories concerning on the effect of personal selling, product knowledge, and product completeness as well as brand image on purchase decisions.

1.5.2. Practical Benefit

- a. For the Writer

This research is expected to help writers gain extra knowledge and information regarding the effect of personal selling, product knowledge, product completeness, and brand image on purchase decisions.

b. For the Company

The result will provide the research object (PT Asian Bearindo Gemilang) with information about how personal selling, product knowledge, product completeness, and brand image affect purchase decisions. The suggestion provided is expected to be a form of contribution in helping the company achieve greater sales.

c. For Other Researchers

This research can be the guide to future researchers in conducting their research that is relevant to this title.

