

CHAPTER I

INTRODUCTION

1.1 Background of the Study

As we all know, Indonesia's population grows every year, as evidenced by the results of the population census, which is growing by the day. According to the BPS (2023) (Central Statistics Agency), Indonesia is expected to have a population of 278.67 million people in mid-2023, representing a 1.05% increase over the previous year. Because of Indonesia's population, Indonesia is now the world's fourth most populous country, following merely India, China, and the United States.

A virus named COVID-19 was discovered in 2019 and was characterized by acute respiratory symptoms such as fever, cough, and shortness of breath, which could lead to death. The government quickly issued laws to prevent the spread of the COVID-19 virus and to implement health protocols for all citizens in their daily lives, such as wearing masks, properly washing their hands, and keeping a safe distance.

The government's efforts to encourage the medical equipment sector are carried out through investment efforts, with growth recorded at 268.39% as of July 2021. With this investment, the government will actively facilitate communication with various parties in order to debottleneck (remove barriers) the problems encountered, as well as learn from the handling of the COVID-19 pandemic in order to anticipate future handling of similar crises.

Brand image is the perception of a brand in the mind of the customer based on their interactions and experiences with the brand (Pahwa, 2022). Each company seeks to create a strong brand image in order to help its business operations achieve their goals. A company can market its products automatically by developing a positive brand image. This will allow businesses to attract new customers, introduce novel goods, and target current consumers.

Companies commit the majority of their time, effort, and resources to developing their brand identity. They select how their brand should appear, how customers should feel when they contact the company, where the brand should be retained, and other associations. All of this, when added together, creates a brand personality, which in turn creates a brand image as individuals come into contact with or learn about the brand.

Buyers can quickly establish a company's brand image in today's completely online world by providing reviews on the internet or watching video product reviews from influencers. Buyers evaluate and develop perceptions about a company's products based on their interactions, whether direct or indirect.

Product Quality is a perceptual, conditional, and somewhat subjective attribute that may be understood differently by different people (Jason Martina, Mattias Elgaard, Ida Gremyr, 2020). The perception of quality comes from customer weather positive or negative will affect the purchasing decision of a product. Product quality is refer as how a company satisfy the customer's needs, serve the goods or services purpose and meets industry standards.

Product quality is crucial since it may influence a company's reputation and success. Consistently delivering high-quality products can build a positive reputation for your brand, attracting new customers and differentiating you from competitors (Quain, 2019). Companies have to give attention to details and customer demands. Consumers have expectations about the things that the company advertises based on what the company advertises. Consumers rely on organizations that handle their problems efficiently and effectively through high-quality products, allowing them to develop partnerships with these companies.

With the advancement of the internet, E-WOM or what can be called Electronic Word of Mouth has become an important influence for a buyer in evaluating products. Many buyers visit websites or read reviews from other buyers to have a second opinion before buying the product. Consumers perceive eWOM as a more unbiased and trustworthy source of product information compared to traditional advertising (Kristine De Valck, Ana Babić Rosario, 2020). E-WOM has a nature that is based on anonymity so it can have 2 impacts, namely positive and negative.

The positive impact can be in the form of transparency between the company and the buyer and also because it is done electronically, this will be a place where the company gets free marketing because it is not hindered by anything. Meanwhile, the negative impact is that buyers who are buying from this company for the first time will rely hard on EWOM message regarding how the product will perform. Another thing is that EWOM can be persuasive or dismissive.

Moreover, a buying decision the series of steps that lead a consumer to purchase a product or service. This process involves various stages, including problem recognition, information search, evaluation of alternatives, purchase decision, and post-purchase evaluation (Experts, 2023). A customer's purchase decision is influenced by two factors: purchase intention and purchase decision. The first factor is influenced by other people or externals, in which the buyer believes in other people, causing the buyer's opportunity to purchase a company's product to decrease in proportion to the influence given. The second factor is one's own internal factor. Consumers may be discouraged from purchasing a product due to unforeseen constraints such as lower income, price, or product benefits, and vice versa.

The research object of this research is PT Alexa Medika, which is a trusted provider of quality health equipment. This company is located in Komplek Istana Prima 1, Jl. Brigjend Katamso No.10, Medan, North Sumatra, Indonesia. This company has been operational since 2006 and provided more than 600 of health product and is open every day of the week with an operational time 8 AM – 4.45 PM on weekdays and 8 AM – 12 PM on Saturday.

Table 1.1 Number of Transaction per year in PT Alexa Medika, Medan

Year	Nasal Oxygen Cannula	Nebulizer Mask	Surgical Mask	Powder-free Nitrile Examination Gloves
2018	352	356	435	287
2019	404	491	436	344
2020	665	603	642	457
2021	608	515	674	441
2022	442	419	406	216

Source: PT Alexa Medika, Medan (2023)

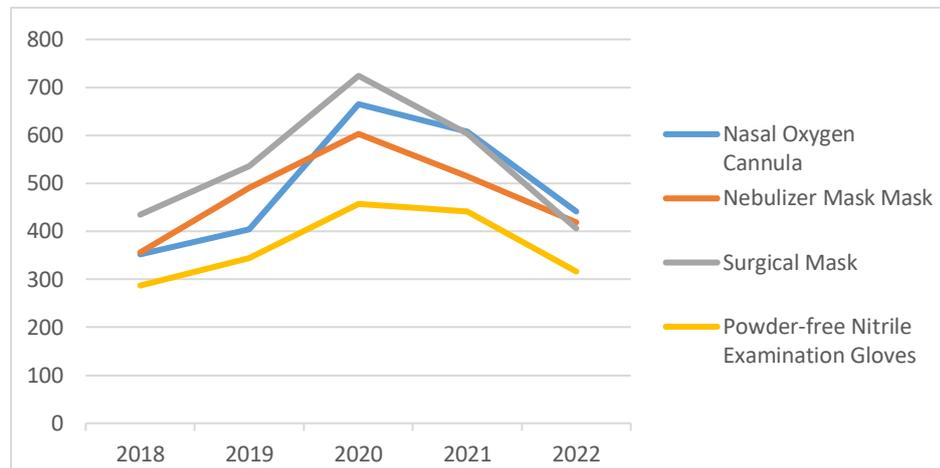


Figure 1.1 Number of Transaction per year in PT Alexa Medika, Medan

Source: PT Alexa Medika, Medan (2023)

Based on table 1.1 above, there are four best selling products displayed from the Unicorn brand, product from PT Alexa Medika such as Nasal Oxygen Cannula, Nebulizer Mask, Surgical Mask, and Powder-free Nitrile Examination Gloves.

Because PT Alexa Medika produce its own products and is given the Unicorn branding, Alexa Medika must able to control the quality of their products so they can attract customers.

After conducting a direct interview on 16th October 2023 with the head branch of PT Alexa Medika, Medan, Miss Juliana, she revealed that there have been complain regarding the company products where some product appear not require the standard. Things like this can trigger the customer interest to repurchase PT Alexa Medika product.

There also a problem about customer service they got when they complaining and need and assistance. Customer service can affect the company brand image because the customers' service is the face of the brand and the department that speaks directly to the customers.

Some other complains made by the customers are the functionality of PT Alexa Medika website. Some customers complained about PT Alexa Medika

website that providing irrelevant products and making it difficult to find the product they needed.

One way to reach customers is to use a website, but if the company website does not include important information, this will make things easier for customers. Some of the customers also complain that there is lack of information regarding of the product price.

The writer collect data from interview with the Manager of PT Alexa Medika, Medan, Miss Juliana Chandra and below are some customers complain from the past few years, as follow:

Table 1.2 Customers Complain

No.	Customers Complain
1.	"Some of the mask are imperfect condition, the packaging is ruined."
2.	"It's incredibly frustrating to receive something that doesn't even remotely resemble what you intended to purchase."
3.	"I attempted to contact customer service for assistance. However, my interactions with them were anything but satisfactory. The response time was sluggish, and when I finally did get a hold of someone, their attitude was far from accommodating."
4.	"The product began to show signs of wear and tear almost immediately. Its inability to withstand even basic usage is not just disappointing but utterly unacceptable."
5.	"My experience navigating their online platform has been nothing short of frustrating, and I believe it's crucial to highlight the issues that have left me dissatisfied."
6.	"The website's search functionality is ineffective, often returning irrelevant results or failing to recognize common search terms. This makes it arduous for users to quickly find the information they need, leading to increased frustration."
7.	"The website lack information about the price."

Source: Interview results with Miss Juliana Chandra (2023)

Based on the description above, the writer is interested in analyzing the influence given by the customer regarding the brand image, product quality and E-WOM that is provided by PT Alexa Medika, Medan.

For brand image variable, in terms of brand identity, the Unicorn logo is plain so it doesn't attract the attention of customers. For brand personality, Unicorn does not convey the personality that should appear trustworthy and

professional. As for brand associations, the naming of Unicorn does not indicate that Unicorn is a medical supplier, causing many customers to be confused. From the attitude and behavior of PT Alexa Medika, it can be said that many customers complain about its customer service because its customer service often goes to other branches. In terms of brand benefits and advantages, Unicorn provides products with high quality and low prices, but due to a lack of marketing strategy, Unicorn is not well known.

For product quality variable, in terms of reliability, there are several customers who protest the quality provided by Unicorn. Starting from imperfect packaging until it was protested by customers. Due to its durability, several products such as gloves and masks were damaged, resulting in protests from customers that the gloves used by doctors during surgery should not be torn. From an aesthetic perspective, the packaging displayed is less attractive and does not show professional packaging, so it can reduce the aesthetics.

For E-WOM variable, in terms of e-WOM credibility, the Alexa Medika website is difficult to operate, so customers have difficulty searching for specific products. In e-WOM quality, it can be seen from Alexa Medika's Instagram social media, the last post from Alexa Medika was on August 14th. So it is difficult to attract customer attention. In terms of e-commerce quantity, it can be seen from figure 1.2 that PT Alexa Medika's e-commerce has very few reviews so it is difficult for buyers to get information.

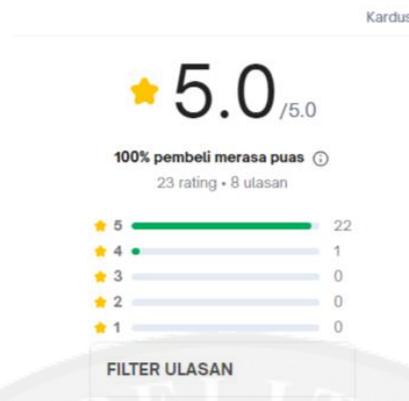


Figure 1.2 PT Alexa Medika Online Review
Source: Tokopedia (2023)

Customer Purchase Decision:

In terms of engagement, Alexa Medika often introduces products in hospitals, but people rarely get them, which can be caused by prices that do not match the products offered and do not attract the attention of the hospital. In terms of attractiveness, medical device products should show professionalism, however, it is not visible from the Unicorn packaging that makes customers prefer competing products. In terms of recommendations from other parties, PT Alexa Medika does not provide testimonials so many people find it difficult to believe the quality of this Unicorn product.

This research is expected to be able to determine the factors that influence customers buying decision. Therefore, this research was taken with the title **“The Influence of Brand Image, Product Quality, and E-WOM on Customers Buying Decision at PT Alexa Medika, Medan.”**

1.2 Problem Limitation

As stated in the study's background, the writer aims to limit her attention to the subject at issue. The research is limited to investigating the impact of brand image, product quality and E-WOM on customers' purchasing decisions at PT Alexa Medika in Medan. In this study, the writer chose brand image as the first independent variable (X1) with brand identity, brand personality, brand association, the attitude and behavior of the brand, and the benefits and advantages of the brand as the indicator (Permatasari & Indayani, 2022). Product quality as the second independent variable (X2) with reliability, durability, and aesthetics as the indicators (Sugianto et al., 2022) E-WOM as the third independent variable (X3) with E-WOM credibility, E-WOM quality, and E-WOM quantity as the indicators (Unpapar (2021)). Customers' purchasing decisions as the dependent variable (Y). The indicators of Customers purchasing decision is engagement, interest, and recommendation (Sudaryanto Sudaryanto, N. Ari Subagio, Intan Nurul Awaliyah, Deasy Wulandari, Anifatul Hanim 2019). The writer intended to figure out what changes in product quality, brand image, and pricing would have on customers' purchasing decisions at PT Alexa Medika in Medan. The Brand focused on this study will be for the products that PT Alexa Medika produce themselves, which is Unicorn.

1.3 Problem Formulation

To analyze whether how the brand image, product quality and E-WOM affect the customers buying decision as PT Alexa Medika, Medan. Therefore, the writer formulates some research questions, as follows:

- a. Does Brand Image have partial influence on Customers Buying Decision at PT Alexa Medika, Medan?
- b. Does Product Quality have partial influence on Customers Buying Decision at PT Alexa Medika, Medan?
- c. Does E-WOM partially have partial on Customers Buying Decision at PT Alexa Medika, Medan?
- d. Do Brand Image, Product Quality and E-WOM have simultaneous influence on Customers Buying Decision at PT Alexa Medika, Medan?

1.4 Objective of the Study

The objective of this research is to determine the influence of brand image, product quality and E-WOM on customers buying decision at PT Alexa Medika, Medan, as follows:

- a. To identify whether of Brand Image has partial influence on Customers Buying Decision at PT Alexa Medika, Medan.
- b. To determine whether Product Quality has partial influence on Customers Buying Decision at PT Alexa Medika, Medan
- c. To analyze whether E-WOM has partial influence on Customers Buying Decision at PT Alexa Medika, Medan.

- d. To investigate whether Brand Image, Product Quality and E-WOM have simultaneous influence on Customers Buying Decision at PT Alexa Medika, Medan.

1.5 Benefit of the Study

There are some benefits of this research are as follow:

1.5.1 Theoretical Benefit

By doing this research the writer wants to contribute to their development of existing theory especially those relevant such as brand image, product quality, E-WOM and their influence on customers buying decision.

1.5.2 Practical Benefit

a. For Writer

The writer intends to improve their understanding of health equipment industry, particularly the brand image, product quality and E-WOM theory taught during university studies. This research is expected to help the authors in doing business, to know what should be done to help customers buying decision through many factors.

b. For Company

This research is expected to optimize the company's brand image, product quality and E-WOM to be in line with what customer expect, be a helpful input. In addition, it has become a material consideration to undertake further preparation to serve customers.

c. For Future Researchers

This research is designed to expand understanding and serve as a reference for researchers conducting similar studies. Furthermore, to enrich information in order to make the research more thorough and to make the researcher's work easier.

