

CHAPTER I

INTRODUCTION

1.1. Background of The Study

Nowadays, competition between companies is getting more intense. All companies are looking for ways to survive from this problem. This is why it is very essential for companies to have a strong and positive brand equity in order to compete with their competitors. Establishing a strong brand is a must for companies this day because it gives many of advantages. It is because consumers consider that a product with renowned brand is superior to those with less renowned brands. Brand equity is identified as one of the company's most precious resources because it measures how successful the company is and how recognizable the brand of the company is. The strength of brand resides in what the user has seen, felt, heard and learnt about the brand over the years as the outcome of their brand experiences, so it determines the desire of someone to continue using the brand or not. If customers keep using the brand, this means they are satisfied and will keep the brand at their top of mind during purchase.

Brand equity generates value for customers by increasing customer satisfaction and respecting the quality. Increasing customer satisfaction means there is no "end" for the brand owner to keep innovating as it is one of the ways to satisfy the customers. Moreover, customer satisfaction is one of the main factors that decides the long-term success in a business. For this reason, those satisfied customers are less sensitive to prices which means they are less affected by the competitors and show more loyalty to the brand. Whereas, respecting quality means that both the brand owner and the satisfied customers know and realize which products have high quality and which products don't by just looking at the brand. From here, we can see how important to have a strong brand equity because it helps to increase customer

satisfaction that can lead to the companies' success. Therefore, companies must know how to build and increase their own brand in order to face the competition since there are many benefits that the companies will get from strengthening it, such as the companies are resistant to competition, companies are able to raise their prices without being afraid of losing their customers, and companies can distinguish their products from the products of their rivals. So, companies can effectively establish a healthy relationship with customers through a strong and positive brand equity as it gives significant effect on customer satisfaction.

PT. Aica Mugi Indonesia is a foreign-owned company from Japan that was established in 1982 in Medan. It is part of the Aica Asia Pacific Holding (AAPH) which is a subsidiary of Aica Kogyo Japan. This subsidiary company is the industry that engaged in producing adhesives, High Pressure Laminate (HPL) and paper overlays (mainly phenolic based films) with the support of Japanese technology from their parent company, Aica Kogyo Japan. AAPH has 17 manufacturing plants and offices spreading across the Asia Pacific region which includes China, Japan, Malaysia, New Zealand, Pakistan, Singapore, Thailand, Vietnam, and Indonesia.

To evaluate the effects of brand equity on customer satisfaction, the writer chooses PT. Aica Mugi Indonesia which is located at Jalan Pulau Bangkalan No. 3 KIM Mabar, Medan as the company to be researched regarding to this issue. Since PT. Aica Mugi Indonesia is part of Aica Asia Pacific Holding (AAPH), it also focuses in producing three products, such as adhesives, High Pressure Laminate (HPL) and paper overlays with the brand Aica.

PT. Aica Mugi Indonesia always try to be sensitive to the contemporary trend and the movement of the society by keep on developing high-quality product to fulfil the demands of the customers. However, their sales revenue has continued to decline from 2015 to

2018 because this brand has difficulties in competing with its competitors, namely donghwa, surfactor, and storaenso. Below are the data of sales revenue that the writer has got during the interview with Mrs. Patricia Tantono as the sales coordinator:

Table 1.1 Sales Revenue of PT. Aica Mugi Indonesia

Year	Sales Revenue (rupiah)
2014	26,824,683,429.42
2015	26,492,726,930.17
2016	26,078,471,696.81
2017	25,531,857,020.34
2018	24,942,832,911.56

Source: PT. Aica Mugi Indonesia (2019)



Figure 1.1. The Graph of Sales Revenue at PT. Aica Mugi Indonesia

Source: Prepared by the writer (2019)

According to the data above, we can see that the sales revenue in 2014 is Rp. 26,824,683,429.42 while Rp. 26,492,726,930.17 in 2015. This means that the sales revenue from 2014 to 2015 has decreased Rp. 331,956,499.25. Then, the sales revenue in 2016 is Rp. 26,078,471,696.81 which shows that the sales revenue has decreased by Rp. 414,255,233.36 from 2015 to 2016. Also, it happened from 2016 to 2017 where sales revenue has decreased by Rp. 546,614,676.47 with the sales revenue in 2017 is Rp. 25,531,857,020.34. What is more, the sales revenue in 2018 is Rp. 24,942,832,911.56. This means that there has been a decrease by Rp. 589,024,108.78 in sales revenue from 2017 to 2018. The data shows that the loss is getting worse from year to year.

According to the customers perspective, this brand rarely promotes its products so customers sometimes are not aware of the existence of this brand and this brand does not appear in their minds when making a purchase. In order to get higher sales, PT. Aica Mugi Indonesia must find solutions to increase their sales and one of them is by establishing a stronger brand equity. Brand equity plays a crucial role in measuring customer satisfaction. The stronger the brand equity, the higher the customer satisfaction will be which results in higher sales. The collection of brand liabilities and assets which associated with a symbol, brand and name that can enhance or reduce the value given to a company and/or to the customers of the company by a product or service is known as brand equity (Aaker in Susanty & Kenny, 2015). Whereas, customer satisfaction happens in a situation where the perceived performance of a product fulfil the expectations of the customers (Kotler & Armstrong in Razak, 2016). Brand equity is identified as a significant resource for a firm's competitive advantage which brand equity assists to enhance the loyalty and satisfaction of customer. Strong brand equity makes the company able to retain customers and provide services in more effective and efficient way for fulfilling the customer demands and increase the company profits (Surniati, Rosita, & Yulianti, 2016). So, PT. Aica Mugi Indonesia have to build a strong and positive brand equity to enhance their customers' satisfaction.

To prove the relationship of this situation then, the writer is very excited to do research in PT. Aica Mugi Indonesia with the title of **“The Effect of Brand Equity on Customer Satisfaction at PT. Aica Mugi Indonesia in Medan”**.

1.2. Problem Limitation

Due to the time and budget limitations, the writer would like to limit the research to brand equity as the independent variable and its

relation to customer satisfaction as the dependent variable at PT. Aica Mugi Indonesia.

In this research, the indicators that the writer use for brand equity (independent variable) are brand loyalty, brand awareness, perceived quality, brand associations, and other proprietary brand assets. Whereas, the indicators for customer satisfaction (dependent variable) are loyalty, satisfaction, repurchase interest, small desire to make a complaint, the willingness to recommend the product, and the reputation of the company.

1.3. Problem Formulation

1. How is the brand equity at PT. Aica Mugi Indonesia in Medan?
2. How satisfied are the customers at PT. Aica Mugi Indonesia in Medan?
3. Does the brand equity have effect on the customer satisfaction at PT. Aica Mugi Indonesia in Medan?

1.4. Objective of The Research

1. To evaluate the brand equity for PT. Aica Mugi Indonesia in Medan.
2. To investigate the satisfaction of the customers at PT. Aica Mugi Indonesia in Medan.
3. To find the effects of brand equity on customer satisfaction at PT. Aica Mugi Indonesia in Medan.

1.5. Benefit of The Research

1.5.1. Theoretical Benefit

The result of the research would expand knowledge in academic area, especially on brand equity and customer satisfaction.

1.5.2. Practical Benefit

1. For the writer, the research will broaden or add knowledge about brand equity and customer satisfaction.

2. For the company, the research will give recommendation for the company to improve its brand equity and customer satisfaction.
3. For the researcher, the research will be a reference on similar area.

1.6. Systems of Writing

The following is the system of writing in this paper.

CHAPTER I INTRODUCTION

In this chapter, the writer will discuss about the background of the study, problem limitation, problem formulation, objective of the research, benefit of the research, theoretical benefit, practical benefit, systems of writing

CHAPTER II LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

In this chapter, the writer will discuss about the theoretical background, previous research, hypothesis development, research model, framework of thinking

CHAPTER III RESEARCH METHODOLOGY

In this chapter, the writer will discuss about the research design, population and sample, data collection model, operation variable definition and variable measurement, data analysis method

CHAPTER IV DATA ANALYSIS AND DISCUSSION

In this chapter, the writer will discuss about the general view of "Research Object", data analysis,

descriptive statistic, result of data quality testing,
result of hypothesis testing, discussion

CHAPTER V CONCLUSION

In this chapter, the writer will discuss about the
conclusion, implication, recommendation

