

CHAPTER I

INTRODUCTION

1.1. Background of study

In times of development, people always want everything to run smoothly whether in business, travel, education, or health. However, not all activities can be run according to human desires. Sometimes some events can't be avoided by people such as natural disasters. This is called as risk. (Tatak & Melia, 2016).

A risk is an event that creates a loss that causes insecurity. In order to, transfer the risk, a lot of things that can be done one of them is to enter insurance. Insurance is an ongoing agreement to transfer risk. According to the Insurance Act, insurance or coverage is an agreement whereby an insurer binds himself to an insured person by accepting a premium, to give a replacement to him because of a loss, damage, or loss of profit that is expected to be suffered by an unspecified event. (Law number 40 of 2014 concerning Insurance).

Insurance companies are also growing both private and government and this makes people more and more choices about the companies they enter. Over time, the brand has become a lifestyle in human life, as well as its image. According to Kotler and Armstrong (2001: 225) in the journal Galih, Yulianto, and Sunarti (2018) stated that brand image is a set of consumer beliefs about a particular brand. A positive company's brand image can have an impact on consumers' value, if a brand has a bad image, it will indirectly have an impact on consumers and most

likely consumers are not interested in making a purchase. In this case, the company is required to do the right and effective strategy to attract attention to consumers and no less competitive with other business people.

The second factor that influences purchase decisions is brand awareness. Tjiptono (2005) in Agung's research (2017) stated that brand awareness is the ability of someone to know the brand. Increasing awareness of a product is an effective way to develop certain product categories in the market.

An increasingly large development makes the company strives to meet the needs and desires of consumers by offering various types of products and in the end, consumers have the bargaining power that encourages each company to place its orientation on customer satisfaction as the main goal.

According to Hasan, 2013 in Agung (2017) stated that the key to the company's success in winning the competition lies in the ability to provide total customer value that can satisfy customers through the delivery of quality products at competitive prices.

PT AIA (American International Assurance), one of which has developed for a long time in Indonesia since 1983. Initially called PT. AIG in Indonesia but turned into AIA in 2009. This company is one of the largest companies and has various awards in the insurance field. The following are the awards that were won by PT. AIA in 2008 to 2018 through table 1.1. (www.aia-financial.co.id, retrieved on December 22, 2020)

Table 1.1 Some awards won by PT. AIA

No	Years	Awards
1	2008	1. The Best Life Insurance in the 2008 Bisnis Indonesia Award from the Bisnis Indonesia Daily

		2. Predicate "Very Good" in the InfoBank Insurance Award from Info Bank Magazine
2	2009	1. The Best Insurance of the Year in the Indonesia Good Company Award 2009 from the International Entrepreneur Achievement Association & Synergy Indonesia Syndicate
3	2010	1. Business Record (ReBi) Award 2010 from Tera Foundation & Harian Seputar Indonesia 2. 2nd Good Life Insurance Company Insurance Award from Media Insurance Magazine 3. Top 3 CSR Programs of the Asian Insurance Industry Award 2010 from the Asian Review & The Review 4. Top 3 Metro TV MDGs Awards 2010 from Metro TV & United Nations 5. Marketing Dream Team Award 2010 from MarkPlus, SWA Magazine & Indonesia Marketing Association (IMA)
4	2011	1. Indonesia Brand Championship from MarkPlus and Marketeers Magazine 2. CSR Award 2011 from Harian Seputar Indonesia 3. The Best Insurance & Excellent Service of the Year ASEAN Business & Company Award 2011 from the Indonesian Achievement Center
5	2012	1. The Most Reliable Insurance Company from Bisnis Indonesia Insurance Award 2012 2. The Best Practice Insurance Company from Bisnis Indonesia Insurance Award 2012 3. The Best Life Insurance Company from APPARINDO Insurance Award 2012 4. The predicate of "Very Good" Sharia Product Performance category from InfoBank The Best Sharia Finance Award 2012 5. Social Business Innovation Award 2012 in the CSR Program Innovation category in the Health Sector 6. 4-star Worldclass Quality Achievement 2012 7. The Most Outstanding Life Insurance Company in 2012 in Protection and Investment Solutions at the 2012 Indonesia Insurance Award 8. Public Positive recognition in the 2012 Indonesia Brand Award Award for Unit Link Insurance 9. Satria BrandAward 2012 - Evidence of Central Java Community Recognition of AIA Financial Commitments 10. The predicate "Very Good" in the Capital Structure of the 2012 InfoBank Insurance Award 11. Jamsostek Award from PT. Social Security 12. World Class Quality Achievement Award from the Global Customer Satisfaction Standard (WQA-GCSS) 2012
6	2013	1. 1st Rank: The Most Profitable Investment from the Islamic Finance Awards 2013 2. 2nd Rank: The Best Islamic Life insurance from the Islamic Finance Awards 2013 3. The Best of Indonesia Service to Care Champion 2013 from Marketeers Magazine and MarkPlus Insight

		<ol style="list-style-type: none"> 4. Bronze Brand Champion of Best Customer Choice Brand - Unit Link Insurance Category from Marketeers Magazine and MarkPlus Insight 5. Bronze Brand Champion of Best Customer Choice Brand - Health Insurance Category from Marketeers and Markplus Insight Magazine 6. SINDO CSR Awards 2013 from Harian Seputar Indonesia
7	2014	<ol style="list-style-type: none"> 1. 1st Rank, The Best Risk Management of Islamic Life Insurance, asset categories above Rp. 150 Billion – Karim 2. 3rd Rank, The Best Islamic Sharia Insurance Unit, asset categories above Rp. 150 Billion – Karim 3. 3rd Rank, The Most Expansive Islamic Insurance, Asset categories above Rp. 150 Billion – Karim 4. Best Sharia Life Insurance for 2014 in the category of Assets Above Rp 200 Billion in the Investor Award event from Investor Magazine 5. Agent of the Year, Top Premium Agent & Top Agent Bancassurance 2013 in the 2014 Top Agent Award event organized by the Indonesian Life Insurance Association. 6. Predicate "Very Good" in the Sharia Unit category of Life Insurance Companies in the 2014 InfoBank Sharia Finance Award event organized by InfoBank Magazine 7. The 1st Best Life Insurance Company in the Apparindo Award event organized by the Indonesian Insurance and Reinsurance Brokers Association 8. The Best Sharia Life Insurance 2014 Assets Above Rp 200 Billion from Investor Awards "Best Sharia 2014".
8	2015	<ol style="list-style-type: none"> 1. Warta Ekonomi's Indonesia Insurance Consumer Choice Award 2015 as The Top 3 Best Financial Performance for Life Insurance Companyv2015, category of companies with asset over Rp15 trillion. 2. Infobank's Sharia Finance Awards 2015 as the Top 3 Sharia Insurance Unit, in the category of Very Good Performance, gross contribution above Rp100 billion. 3. Agent of The Year & Top Agent of Bancassurance, Top Agent Awards, Asosiasi Asuransi Jiwa Indonesia (AAJI)
9	2016	<ol style="list-style-type: none"> 1. Best Insurance Company for Finance, Human Capital & Corporate Communications - Indonesia Insurance Award 2. Most Trusted Company Indonesia Business Company Award 3. Digital Popular Brand - Indonesia Digital Popular Brand Award 4. Most Convenient Company - Indonesian Employers of Choice 5. Best Companies to Work For in Asia - HR Asia Award 6. Best Life Insurance Company - Apparindo Insurance Award 7. Excellence Service Experience- Care Center for Customer Satisfaction and Loyalty Award
10	2017	<ol style="list-style-type: none"> 1. Indonesia Prestige Brand Award Warta Ekonomi 2. Star Partner Award Rumah Sakit Pondok Indah Group 3. Excelent Service Experience Award 2017 4. The 2017 Indonesia WOW Brand Award 5. Infobank Digital Brand Awards 2017 6. The Best Place to Work Title from HR Asia for Two Consecutive Years 7. Indonesia Most Admired Companies Award 2017

		<ol style="list-style-type: none"> 8. The most Profitable Investment (Asset > 250 Billion) Karim Award 9. The Best Islamic Life Insurance (Asset 5-10 Trillion) Karim Award 10. Indonesia Digital Popular Brand Award 2017 Tras N Co Research 11. Best Insurance 2017 from Investor Awards 12. Inovasi Produk & Teknologi (iPOS) Sindo Award 13. Best CSR BAZNAS Award 14. Best Syariah 2017 Keunggulan dalam Distribusi Melalui Bancassurance 15. Best Financial Performance Life Insurance Company Category Asset More Than Rp27 Trillion Customer Choice Award Warta Ekonomi 16. Top 5 Best Consumer Choice Insuranc Company Category Health Insurance Customer Choice Award Warta Ekonomi 17. Top 5 Best Value Paid for Life Insurance Company Customer Choice Award Warta Ekonomi 18. Top 5 Best Claim Service for Life Insurance Company Customer Choice Award Warta Ekonomi 19. SWA eMark Award 20. Sharia Finance Award 2017 Infobank 21. BDO Award Indonesia In-house Team of the Year Indonesia Law Awards Asian Legal Business 22. Lubis Ganie Surowidjoyo Award for Insurance In-house Lawyer of the Year Indonesia Law Awards Asian Legal Business 23. Indonesia Best Foreign CEO by Warta Ekonomi 24. The 1st Best Life Insurance Apparindo Insurance Award 2017 25. Heath Education Award Rumah Sakit Columbia Asia Group
11	2018	<ol style="list-style-type: none"> 1. The Sports Marketing Campaign of The Year "Football for the Country" - Marketeers Editor's Choice Awards 2018 2. Top 3 Rating - Unit Link Performance of USD Shares for 1 Year AIA USD Global Growth Opportunity Equity Fund - Infobank Unitlink Awards 3. Top 2 Rating - Unit Link Performance of IDR Shares for 5 Years AIA China India Indonesia Equity Fund - Infobank Unitlink Awards 4. Top 2 Rating - Unit Link Performance IDR Money Market Type for 10 Years AIAIDR Money Market Fund 5. Rank 2 The Best Life Insurance 2018 - Indonesia Insurance Award 2018, Economic Review 6. Top Agent by Policy - Top Agent Awards AAJI 2018 7. Runner Up Top Agent by Premium - Top Agent Awards AAJI 2018 8. Top 3 - Top Agent in Bancassurance - Top Agent Awards AAJI 2018 9. Top 3 - Top Rookie Agent by Premium - Top Agent Awards AAJI 2018 10. Runner Up Top Leader by Premium - Top Agent Awards AAJI 2018 11. Digital Experience Evolution - Koran SINDO Awards 12. CSR Innovation Category: AIA Football for the Country with David Beckham - Koran SINDO Awards 13. Best Life Insurance 2018, asset category above IDR 25 trillion - Investor Awards 14. The Best in Risk Management Islamic Life Insurance Sharia Unit (Asse \geq 500 billion) Karim Award

		15. Best Unit Link 2018 - IDR China India Indonesia Equity Fund - Unit Link Awards 2018 by Investors
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Source: www.aia-financial.co.id, retrieved on December 22, 2020.

For this reason, PT. AIA has been proven to have a strong brand image in the eyes of its customers. But not infrequently also have cases that can degrade the image in the eyes of its customers. The following cases that occurs can decrease the significance of brand image at PT. AIA Financial through table 1.2.

Table 1.2. Some cases that can reduce the image of PT. AIA

NO	Years	Cases	Sources
1	2018	Customer Sues the Boss and AIA Financial Indonesia Shareholders of 2.7 billion	https://nasional.kontan.co.id/news/nasabah-gugat-bos-dan-pemegang-saham-aia-financial-indonesia-rp-27-miliar
2	2019	Receive Funds Not available, Dissapointed Unitlink Provisa Platinum	https://news.detik.com/suara-pembaca/d-4768636/terima-dana-tak-sesuai-penawaran-kecewa-unit-link-aia-provisa-platinum

	CEO AIA Reported to Police Regarding Alleged Billion Rupiah Fraud	https://sumut.idntimes.com/news/sumut/prayugo-utomo-1/ceo-aia-dilaporkan-ke-polisi-terkait-dugaan-penipuan-miliaran-rupee-1
	Claims Denied, AIA Solutions Required	https://news.detik.com/suara-pembaca/d-4464016/klaim-ditolak-mohon-solusi-aia-financial

Sources: Prepared by Writer (2020)\

According to Kotler and Keller (2009: 184) in Kurniawan, Arifin, and Fanani (2018) stated that purchase decision consists of 5 stages namely problem recognition, information search, alternative evaluation, purchase decision, and post-purchase behavior. At the stage of problem recognition, consumers try to identify their problems or need to further search for various information about brands that are felt to meet their needs and desires. After gathering consumer information, it will go through a stage where they evaluate the brands that have been determined, then consumers will make a choice and make a purchase of the brand or product that feels most appropriate. In general, consumers will choose the brand they like the most. (Kotler and Armstrong, 2008: 181) in the journals Kurniawan, Arifin and Fanani (2018). PT. AIA also strives to provide the best service fund facilities for its customers to determine the type of insurance they will use to make their needs met. The purchase decision on insurance is determined in a variety of choices.

The more of business people which engage in a similar business offers a wide range of products /services makes it difficult for society to determine the choice of products to suit their needs. One of the things that can be done by business actors to differentiate its product from products of competitors, namely through brands (Octavianti in Herdana, 2015). Therefore, it requires an approach to consumers through forming efforts brand awareness. The establishment of brand

awareness has been done by proving the quality of the products. Quality is one of the requirements and factors which is a consideration of consumers before buying a product. According to Kotler and Armstrong (2010), quality products are the characteristics of a product or service that provide the capability to meet customer needs.

However, a product can be widely known by dependent communities of the brand's existence in the market. The brand of a product must be communicated appropriately so that it can get into the minds of consumers so a brand existence can be formed. Proper communication can help build brand awareness optimal. One form of communication is manifested by activities advertising. Advertising is a means to help in effective marketing establish communication between companies with consumers as a business formation of brand awareness. PT. AIA can form their brand awareness by giving the best quality in their service, product also their ambassador brand such as David Beckham. (www.aia-financial.co.id, retrieved on December 22, 2020).

According to Kotler (2003) in Prasetya, Yulianto, and Sunarti (2018) stated that: An effective brand image can reflect three things, namely: building product character and providing proportional value, conveying product character uniquely that it is different from its competitors, giving emotional strength from rational power. A company that can form a good brand image will be able to carry out promotions easily and effectively to consumers who have a great opportunity to increase customer loyalty, but if it has a bad brand image it will be invaluable otherwise.

Writer chooses PT. AIA since compared to other companies AIA has got a lot of innovation in their service quality and get a lot of achievement and profit. They were in TOP 3 in a unit of Syariah. Below is the table of net profit in Indonesia through table 1.3.

Table 1.3. Net Profit of 10 Company in Indonesia (2020)

NO	COMPANY NAME	TOTAL NET PROFIT (Rp.)	TOP
1	PT. Prudential Life Assurance	1.13 trillion	TOP
2	PT. AIA Financial	1.09 trillion	TOP
3	PT. Indolife Pensiortama	379.2 billion	TOP
4	PT. Panin Dai Ichi	30 billion	
5	PT. AXA Mandiri Financial Services	12.4 billion	
6	PT. Sunlife Financial Indonesia	11.8 billion	
7	PT. Asuransi Jiwa Generali Indonesia	8 billion	
8	PT. Asuransi Jiwa BCA	7.8 billion	
9	PT. PFI Mega Life Insurance	7.4 billion	
10	PT. Heksa Solution Insurance	3.1 billion	

Source: Prepared by writer based on LifePal research (www.cnnindonesia.com, retrieved on December 22, 2020)

Research that the writer will do is to examine the effect of brand image on purchase decisions. This research will be conducted at one insurance company in Medan, namely AIA Insurance. The aim of the writer to take a brand image as an independent variable is because a good image means that the community (especially consumers) has a positive impression on an organization, so a poor image means that the community has a negative impression (Sutrisna, 2001: 331) in Agung's

research (2017). Therefore, the writer chose the title with "**The Effect of Brand Image and Brand Awareness on Purchase Decision at PT. AIA Medan** " as the thesis title.

1.2. Problem Limitation

Based on a background of study and problem of identification described above, this study is limited only to "Brand Image" and "Brand Awareness" on "Purchase Decision" at PT. AIA Medan, where brand image and brand awareness is independent variable and purchase decision is a dependent variable. This research will use clients from PT. AIA is located in Jalan H. Adam Malik No.25-A, Sekip, Kec. Medan Petisah, Kota Medan, Sumatera Utara as the respondents. The data collection process by gave Google Form to randomly to the clients that fit characteristic respondent where this method called as snowball sampling, where the data analysis tool will be multiple linear regression using SPSS.

1.3. Problem Formulation

Based on background of study, identification of problem, and problem limitation. Here are questions arise from research conducted to assess the impact of brand image and brand awareness at PT. AIA Medan:

1. How is brand image from PT. AIA Medan?
2. How is brand awareness from PT. AIA Medan?

3. How is purchasing decision in PT. AIA Medan?
4. Does brand image have significant effect on purchase decision?
5. Does brand awareness have significant effect on purchase decision?
6. Does brand image and brand awareness simultanously effect on purchasing decision?

1.4. Objective of Research

The purpose of this study is unfold:

1. To find out about brand image of PT. AIA Medan.
2. To identify about brand awareness of PT. AIA Medan.
3. To discover purchase decision in PT. AIA Medan.
4. To know and analyze impact of brand image on purchase decision in PT. AIA Medan.
5. To know and analyze impact of brand awareness on purchase decision in PT. AIA Medan.
6. To discover effect of brand image and brand awareness have simultanously effect on purchase decision in PT. AIA Medan.

1.5. Theoretical Benefit

The theoretical benefit expected from this study is a basis and reference to further studies that relate to brand image and brand awareness towards purchase decision and become the subject for further studies.

1.6. Practical Benefit

Benefit of this research are:

1. For the writer gain knowledge of the impact of brand image and brand awareness on purchase decision of customers.
2. For the company to strengthen the business assurance in company, especially about brand image and brand awareness impact on purchase decision of assurance.
3. For other researcher, as reference and information for those who want to do research especially on brand image and brand awareness on purchase decision.

