

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Nowadays, the competitions among organizations in the market vary from time to time as the economic force varies. An organization no longer competes on price, but now organization competes on the quality and component of their product. Organization should also understand and know what their customers' want and need very well to gain competitive advantage when the new product is launched to the public.

When customers want to purchase a product, a brand name can come to their mind. It indicates that the product has greater brand awareness. According to Shahid et al. (2017), brand awareness is the leading and primary limitation of any search related to a brand, and a consumer can identify and remember a brand in various situations. Brand awareness also influences a consumer's decision-making about a product. If the customer knows the brand well, there will be more purchasing possibilities, and will always make a wise economic decision. A company most critical objective is to establish a powerful name, which influences short-term sales and is also beneficial in the long term.

According to Maulana (2016), customer satisfaction is an expectation of being obtained by customers, both in terms of prices, service, comfort, or another thing directly that will give satisfaction to its customers. If hope is not fulfilled according to its needs, customer will be looking for the product, others even vilify

the company reputation. The company also has to keep following the advancement of technology and innovating to develop new product features and come up with a new product with competitive price to attract a customer to buy their product.

PT. Karya Furnindo Modern is a company which engaged in furniture manufacturer that is located in Medan. PT. Karya Furnindo Modern was founded in 1992, started its business by manufacturing a sofa chair. However several years later, this company started producing a spring bed also. There are 3 brands under PT. Karya Furnindo Modern such as: Modis Sofa & Spring bed, Smartland, Talatex. The founding father is Mr. Idris. PT. Karya Furnindo Modern is located at Jl. Cemara no. 88 AW Komplek Grand Cemara Asri, Medan, Sumatera Utara and has opened an official store in the same address that focuses on selling various kinds of sofa and spring bed starting from middle – to upper. The location of their manufacture is at Jl. Irian Barat No.434, Kel. Sampali Kec. Percut, Sei Tuan - Deli Serdang, and only focuses on producing their product. On its daily business as an international company, PT. Karya Furnindo Modern imports raw materials and machinery from several countries, and one of them is China.

Modis Gallery Store offers many types of sofa and spring beds starting from middle-low to middle-high income to reach a larger target market in Medan. Customers in Medan tend to always follow the newest trend. Before deciding to sofa & spring bed, Medan consumers will evaluate the product before deciding to buy it. Factors such as specification, brand image, price, product quality, design,

benefits, and advertising become the consideration and evaluation of Medan consumers to buy sofa and spring bed.

**Table 1.1 Modis Gallery Store Medan Spring bed Unit Sales in 2020**

<b>Month (Quarterly)</b>	<b>Total Unit Sales</b>
Quarter 1 (Jan-Mar)	180
Quarter 2 (Apr-Jun)	216
Quarter 3 (Jul-Sep)	200
Quarter 4 (Oct-Dec)	181
<b>Total</b>	<b>777</b>

Sources: Modis Gallery Store Medan (2020)

Table 1.1 explains that customers who purchase their products are reducing due to the company's problem in understanding how to make their customers stay satisfied and loyal. Price, quality, and brand are some of the reasons why the company is losing its consumers. As there are more competitors in the market such as Helux spring bed, Caisar spring bed, Angel spring bed, Lady americana, Florence, King coil, Spring air, Comforta, etc. PT. Karya Furnindo Modern has no choice but to keep being competitive by improving their product quality and specification. At the same time, they also try their best to cut their production cost to gain competitive advantage.

The Problem in this company is the company cannot maintain the customer satisfaction and the loyalty of the customer due to the product quality, pricing , shopping experience , service quality and speed of respond to customer complain.

The reason why the writer chooses to do a research on the brand awareness and customer satisfaction towards customer loyalty is because the writer would like to analyze what really caused the problem and also writer would like to give suggestion regarding the problem of the company so that the company could fix their problem in the future.

From the description that writer has described above, it encourages the writer to discuss in the thesis under the title “**The Effect of Brand Awareness and Customer Satisfaction toward Customer Loyalty at PT. Karya Furnindo Modern**”.

### **1.2 Problem Limitation**

Due to the writer’s time and resource limitation, this research is limited because only used respondent at Modis Gallery Store which is the showroom of the PT. Karya Furnindo Modern and only to discuss The Effect of Brand Awareness and Customer Satisfaction towards Customer Loyalty at PT. Karya Furnindo Modern. Several factors such as price, design, and quality are some of the reasons that affect brand awareness and customer satisfaction, therefore these factors affect their customer loyalty. In this research, brand awareness and customer satisfaction will be independent variable, and customer loyalty will be dependent variable.

### **1.3 Problem Formulation**

Based on the background study above, the writer can take problem formulation as follow:

1. How is brand awareness at PT. Karya Furnindo Modern?
2. How is customer satisfaction at PT. Karya Furnindo Modern?
3. How is customer loyalty at PT. Karya Furnindo Modern?
4. Do brand awareness and customer satisfaction affect customer loyalty at PT. Karya Furnindo Modern?

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

The objectives of the research are as follow:

1. To analyze brand awareness at PT Karya Furnindo Modern
2. To analyze customer satisfaction at PT Karya Furnindo Modern
3. To analyze customer loyalty at PT Karya Furnindo Modern
4. To understand the effect of brand awareness and customer satisfaction toward customer loyalty at PT. Karya Furnindo Modern

#### **1.5 Benefit of Research**

The benefit of this research will be divided into two which are:

##### **1.5.1 Theoretical Benefit**

This research is expected to help writer in having a better understanding of the problem that the company is facing and also helping the company in solving the problem. Thus, this study is expected to be an extra knowledge for future researchers or readers who will conduct the similar topic.

##### **1.5.2 Practical Benefit**

The Practical benefit of this research is as follow:

1. Writer

To strengthen the knowledge of the writer about the importance and the effect of brand awareness and customer satisfaction toward customer loyalty

## 2. Company

This research is expected to be a platform that gives information to strengthen the knowledge, with the aim that the company can implement the effective marketing strategy to maximize their profit and attract customer to re-purchase in the future.

## 3. Future researchers

This research is expected to bring additional references for other researchers that want to know more about the effect of brand awareness and customer satisfaction towards customer loyalty.

