

CHAPTER I

INTRODUCTION

1.1 Background of Research

In the world today, there are many products and services which are offered by firms to satisfy the needs and wants of customers in return for profit. As more of these firms get established in the marketplace, business owners need some distinguishing factor that help them in attracting customers to purchase the products and services that they offer. This distinguishing factor is a company's brand. However, not all brands are equally successful in being able to be the top choice for their target market. Certain brands are preferred over others because of their ability to connect with their customers and fulfill their exact needs and satisfying them. Successful brands are able give the company added value through brand equity such as increased revenue, increased market share, and increased customer loyalty. One of the products that is a staple for the modern workplace is paper. The paper industry is one of the essential industries that is required for the modern society to function. Documents, letters, invitations, reports etc. are things that are mostly written on paper. One of the world's largest manufacturers of paper and pulp is Indonesia. According to a research article by the credit rating agency PEFINDO, Indonesia has bright prospects for business opportunities within the pulp and paper industry.

As the country holds a substantial amount of ingredients necessary for the mass production of pulp and paper products, manufacturers of both pulp and paper products have developed the capability to manufacture a large number of finished products annually—over 12 million tons of pulp per annum and over 18 million tons of paper products. Such a massive and crucial industry undoubtedly need a large and competent workforce to help run the industry with an estimated amount over 160 thousand people inside the pulp and paper industry and just over a million people employed as a result of the pulp and papers’ industries’ existence. The two industries also help with maintaining the macroeconomic health of the country with a GDP contribution of 0.67% and state foreign exchange earnings of USD7.5 billion in 2022—comprised of pulp exports of USD3.28 billion and paper exports of USD4.22 billion to various nations, including China, Korea, India, Bangladesh, and Vietnam—the pulp and paper industry plays a significant role in the economic growth of Indonesia according to Fitriana (2023).

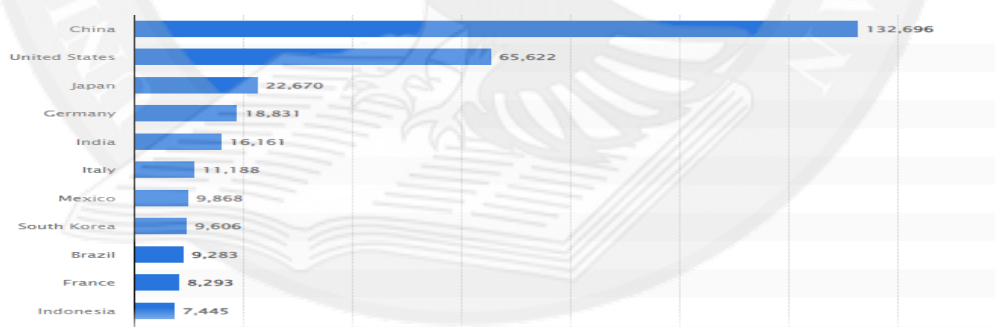


Figure 1.1 Consumption of paper and paperboard in selected countries worldwide in 2021
Source: Statista, as cited in Fitriana, 2023

As shown in the figure above, Indonesia is the 11th largest user of paper and paperboard products with just above 7,000,000 metric tons in 2021. In addition, the ministry of industry also noted that the paper industry has massive potential due to the fact that various papers for a variety of use cases is already produced

domestically. Due to the promising prospects of the pulp and paper industry, a number of firms has been established in the country, in which includes the firms in the city of Medan. As there are also a large number of firms operating in the pulp and paper industry inside the city, therefore the researcher is interested in researching a firm specializing in the distribution and retailing of paper and stationery with the name Ambona Semesta in the city of Medan.



Figure 1.2 Logo of PT. Ambona Semesta
Source: taken on site

PT. Ambona Semesta is a paper and stationery firm established in 2000 located in Medan. The stationery sold include lesser-known brands like Rayeraka and Bobi as well as some well-known brands like Faber Castell, Joyko, and Kenko. On to the paper brands, there are also lesser-known and well-known brands being sold. Examples of some lesser-known brands are Copy Paper and Grandia. Well-known paper product brands include PaperOne and Sinar Dunia or SiDu. The company has found success in selling some of these brands through their recognizability.

According to Atilgan et al., brand equity is a vital aspect of a brand because it helps a firm acquire a competitive advantage over its business rivals (Nguyen et al, 2019). Buil et al. and Naeini et al noted that this competitive advantage amongst other things: desire of customers to pay a premium on a product or service, being the go-to brand when customers want to purchase a product or service, brand extensions and the willingness to purchase goods and services itself (Nguyen, et al. 2019). Kevin Lane Keller has this to say in regards to brand equity: “[Brand equity is the] differential effect of brand knowledge on consumer response to the marketing of the brand” (Nguyen, 2019). It’s important to note that there are two main views on brand equity, namely firm-based brand equity (FBBE) and Customer-based brand equity (CBBE) according to Keller and Atilgan et al. (Nguyen, 2019), the latter being the main topic of discussion in this thesis. In other words, brand equity is defined as the value given by the customers through their perception towards a particular brand, the higher the value, the more profits a firm earns. This particular component of a brand is what fights for market share. Strong brand equity will attract more customers and instill loyalty among its audience. This value comes from various factors such as brand awareness, brand personality, and customer perception. Through selling these recognizable brands, PT. Ambona Semesta has served over 100 firms and millions of customers over the course of its lifetime and it is still continuing until now. Aaker noted that one of the components of brand equity is customer loyalty and has defined customer loyalty as a strong devotion that a customer has developed with a brand (Nguyen et al, 2019).

A strong devotion to a brand will make it difficult for a customer to switch to another brand and allow for repeat purchases according to Kotler and Keller (Atmogo, et al, 2021). In this context, the loyalty the customer has with Ambona Semesta has caused the customers to share good experiences and impressions with other people, converting strangers to customers and regular customers to advocates, both of which will increase the firm's bottom line. The good brand loyalty customers have with the firm shows that the company have excellent brand equity.

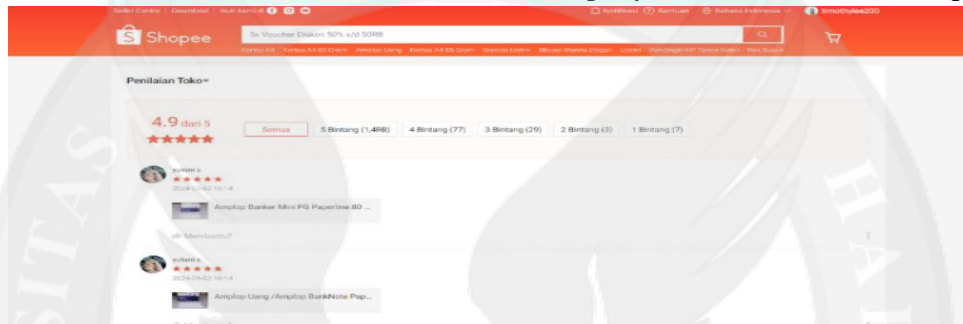


Figure 1.3 Evidence of positive brand equity in PT. Ambona Semesta's retail shop Dunia Stationery
Source: Shopee.co.id

Experience is what people get whenever they do any kind of activity, be it a physical or mental activity. It is something that may or may not be remembered depending on various contexts, whether the experience is a routine, or something that is once-in-a-lifetime. Positive experiences tend to motivate people to pursue things that enable them to relive them again. Negative experiences on the other hand, drive people to avoid or prevent them from having to feel, think, or perform things that make them feel discomfort.

In the context of branding, there's a concept termed *brand experience*, which is what people think or do as a reaction to coming into contact with a brand. According to Brakus, et al. and Schmitt, brand experience refers to a collection of customer reactions to a brand's stimuli, which may be found in brand identity,

packaging, communication, and/or the environment in which the brand is sold (Tran and Nguyen, 2022). These reactions can take the shape of sensations, feelings, responses, cognitive, and behavioral responses. Ambona Semesta always pay attention to how their customers experience their brand, offering superb service quality with added security and making sure that their customers always come first.



Figure 1.4 Ambona offers superior customer experience as part of its brand experience

source: taken on site

Humans are fundamentally social creatures that need interactions with each other in order to function normally. Needing social interactions causes a person to search for other people to satisfy that need. People with similar interests tend to gather together and share knowledge, talk about their interests, their hopes, dreams, and fears. According to Tajfel and Turner, the social identity theory explains that being with like-minded individuals strengthens a person's identity of himself or herself. This also means that a person may prefer not to socialize with people with clashing views or beliefs about how they see the world and themselves (McLeod, 2023). Companies that are building brands for their products and services can use this fact to their advantage by creating brands with humanlike qualities—that is, personalities, in order to attract like-minded customers to consider engaging with the company and potentially buy their products, as in the customer's minds, they can imagine the company as a friend or someone that they can rely on to solve their problems.

Jennifer Aaker, in 1997, has proposed a framework by which individuals can develop a personality for their brand. This framework contains five broad categories each describing distinct personalities. These categories include sincerity, ruggedness, excitement, sophistication, and competence. Taken into the context of Ambona Semesta, the company has a relaxed company culture and a willingness to expand its horizons without compromising on customer service and professionalism. The company's logo and mascot are the eagle which commonly is associated with freedom and fearlessness. Customers doing business with Ambona Semesta are those that aren't afraid to try new things and pursue new business opportunities. This means that the most appropriate brand personality dimension according to Aaker's brand personality framework to be applied to Ambona Semesta is the excitement brand personality dimension.



Figure 1.5 Ambona Semesta's Mascot is the eagle
Source: taken on site

According to the American Marketing Association, sales promotion is defined as the marketing pressure from the media and other sources that is administered for a certain amount of time to consumers, retailers, or wholesalers

with the goal of encouraging product availability, raising customer demand, or encouraging trial (Fam et al, 2019). A company will or can offer incentives to customers so that their sales performance on their products will increase. There are many types of sales promotions, Kotler and Amstrong, list a number of sales promotions: samples, coupons, cash refund, special rates/price reductions, premiums, particular goods advertising/sales promotion products, award support, and sales promotion point of sale, contests, sweepstakes, and games (Mutanafisa and Retnaningsih, 2021). The importance of sales promotions is also noted by Leba in which excellent sales promotions can encourage impulse purchases of the firm's products, which ultimately leads to increased profits on the company's financial statements (Mutanafisa and Retnaningsih, 2021). In this case, Ambona Semesta always offers effective sales promotions whenever the company feels the need to drive up the sales of their products. This is evident in the one of the company's recent promotions: buying a paper product comes with a free cooking oil product.



Figure 1.6 Evidence of sales promotion of the “Premium” type
source: taken with permission from company's database

Brand image refers to the perceptions the customers have when they think back on the mental associations they have with a brand. Perceptions that are revealed through the associations in the consumers' minds according to Keller

(Dam and Dam, 2021). In this case, PT. Ambona Semesta has the image of being all-around, in the sense that the business serves every customer from the low-end customers (e.g. printing stores) to high-end customers (e. g. hotels and hospitals), operating in both wholesale and retail businesses. To facilitate this, Ambona Semesta has offices and warehouses all over North Sumatra.



Figure 1.7 Ambona Semesta's warehouses are spread all over North Sumatra (shown clockwise from above: Padang Sidempuan, Siantar, and Medan allowing for even distribution of products
Source: taken on site

The focus of this thesis however, is on one of the paper brands marketed by PT. Ambona Semesta, specifically PPLite. There are reviews for the PPLite products that were found to be unsatisfactory and therefore is causing subpar market penetration rate by the company standards, therefore the writer observes a problem in this situation. The writer speculates that this problem arose due to a lack of brand equity of the PPLite brand which may be influenced by the brand experience, brand personality, and/or sales promotion of the brand.

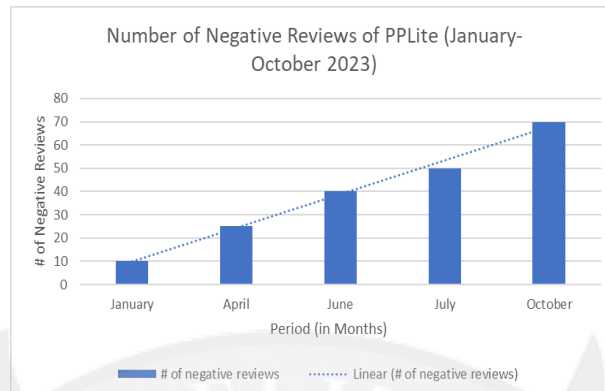


Figure 1.8 Increased Number of negative reviews from January-October 2023

Source: Prepared by the writer

Table 1. 1 Aggregated reviews of PPLite from January 1, 2023 to October 31, 2023

Period	Review
January 2023	Produknya buruk
April 2023	Produknya tidak cocok
June 2023	Kualitas produk tidak bagus
July 2023	Kualitas buruk
October 2023	Tidak terbiasa dengan produk ini

Source: Prepared by the writer

To solve this problem, it is imperative to know the factors that influence brand equity. In this research, the variables researched include brand experience, brand personality, sales promotion, and brand image which can potentially influence brand equity.

In a previous paper by Shen (2019), Yoo et al (2000) noted that frequent sales promotion does not doesn't maintain long-term positive brand equity for the ease of duplication by rival firms, which means that sales promotion doesn't necessarily affect brand equity which differs from the research conducted by Saftri et al (2021).

This means there's a disconnect between the research findings, where Saftri et al (2021) found that sales promotion significantly impacts brand equity. Therefore, as the company needs to improve on its brand equity on its products, the title of this thesis will be **The Influence of Brand Experience, Brand Personality, and Sales Promotion on Brand Equity with Brand Image as an Intervening Variable (A Study of the PPLite Photocopy Paper Brand at PT Ambona Semesta).**

1.2 Problem Limitation

Due to budget and time constraints, the research would be limited by the following aspects

1. This research will focus on PT. Ambona Semesta's customers in Medan, specifically the customers of the PPLite paper brand
2. The research will have five variables that will be researched: brand equity as the dependent variable (Y), and brand experience (X₁), brand image (X₂), and sales promotion (X₃) as the independent variables with brand image as the intervening variable (M)
3. Data collected from the questionnaires will be used to test the research model
4. The respondents' characteristics are as follows: respondents who are living in Medan, aged 18-60, and have purchased PPLite products at least once in the last 6 months
5. Survey results are analyzed using AMOS 22.0 software

1.3 Problem Formulation

The writer's research for this thesis paper is based on the research questions stated below.

1. Does Brand Experience have a partial influence on the Brand Equity of the PPLite brand?
2. Does Brand Personality have a partial influence on the Brand Equity of the PPLite brand?
3. Does Sales Promotion have a partial influence on the Brand Equity of the PPLite brand?
4. Does Brand Experience have a partial influence on the Brand Image of the PPLite brand?
5. Does Brand Personality have a partial influence on the Brand Image of the PPLite Brand?
6. Does Sales Promotion have a partial influence on the Brand Image of the PPLite Brand?
7. Does Brand Image have a partial influence on the Brand Equity of the PPLite Brand?
8. Does Brand Image mediate the influence of Brand Experience on the `brand equity of the PPLite brand?
9. Does Brand Image mediate the influence of Brand Personality on the Brand Equity of the PPLite brand?
10. Does brand Image mediate the influence of Sales Promotion on the Brand Equity of the PPLite brand?

1.4 Objective of the Research

The objective of the research is to discover whether brand personality, brand experience, and sales promotion has an influence on brand equity, after which the writer will propose a solution to the problem regarding PPLite paper brand.

1. To discover whether brand experience has an influence on the brand equity of the PPLite brand
2. To discover whether brand personality has an influence on the brand equity of the PPLite brand
3. To discover whether sales promotion have an influence on the brand equity of the PPLite brand
4. To discover whether brand image have an influence on the brand equity of the PPLite brand
5. To discover whether brand experience have an influence on the brand image of the PPLite brand
6. To discover whether brand personality have an influence on the brand image of the PPLite brand
7. To discover whether sales promotion have an influence on the brand image of the PPLite brand
8. To discover whether brand image mediates the influence of brand experience on the brand equity of the PPLite brand
9. To discover whether brand image mediates the influence of brand personality on the brand equity of the PPLite brand
10. To discover whether brand image mediates the influence of sales promotion on the brand equity of the PPLite brand

1.5 Benefits of the Research

1.5.1 Theoretical Benefit

The theoretical benefits of this research are stated as follows:

Firstly, this research is hoped to become a reference or for future comparison studies and may expand the knowledge of the readers in the field of management by using the model that has been used in previous research. Secondly, the writer hopes that through this research's findings, contemporary marketing strategies may be developed further, especially regarding the factors that influence brand equity like brand experience, brand personality, sales promotion, through the intervening variable of brand image. Thirdly, aside from supplementing knowledge on the field of interest, this research may help future researchers on similar researches in the future. Finally, this paper is hoped to supplement or be a reference for university classes/teachers when educating students.

1.5.2 Practical Benefit

The practical benefits of this paper include:

1. This research can be used by the research object, PT. Ambona Semesta, as a reference point in developing the strategy to improve the brand equity of the PPLite brand in the future
2. Managers and other personnel are hoped to gain some useful insights so that they may pay more attention to important aspects like brand experience, brand personality, sales promotions, and brand image. These elements are hoped to increase the brand equity of the PPLite brand, which will improve the company's bottom line, and potentially open the door to more business opportunities in the future