

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Recently, branding has become the new way of businesses to increase products sales. As a matter of fact, branding is considered as a trend among marketers anywhere around the world. According to Kotler and Armstrong (2007: p. 255), the definition of brand itself is a name, term, sign, symbol that identifies the producer or seller of the product. In the world today as businesses grow bigger and easily noticeable by consumers where this situation makes them to be more aware of their surroundings. People or consumers have their own preferences when it comes to buying or using products, especially if products sold in the market are branded. Branded products have a lot more value added in it due to the branding process. Therefore, brand has the power to change people's perception about certain things and control how they act towards it. The concept of creating a good brand image and brand attitude to gain customers' loyalty to one brand has gained plenty of attention from businesses, marketers, researchers, and academicians in the past few years. It is proven that brand holds an important role in running a business. A strong brand is one of the most important foundations along with marketing strategy helps a business to live and thrive. A good brand creates loyal customers. Loyal customers have a good brand image and brand attitude towards the brand. Therefore, to keep customers loyal to a brand, efforts must be

made to maintain a good brand image and brand attitude. This is confirmed by the research result done by Nedeljkovic-Pravdic (2010) that through brands a closer and more loyal relationship with customers can be built.

Brand is an interesting topic to discuss nowadays because as we can see everywhere else products with a strong brand tend to sell faster than ever. Businesses around the world, not only small and medium companies but also multinational companies, are competing to gain loyalty of the customer towards the brand. In this globalization era where market has become uncertain for business players to predict, competition has become impossible to avoid and buyers have a higher bargaining power due to the arrival of new players in the market a lot more than ever before. These new competitors are able to come up with new products that are innovative and have the ability to shift customers' preferences. The market today is going through a really difficult time competing against each other which resulting weak businesses to shut down and a large drop in revenue. It appears that brand loyalty of the customers has become a main concern to maintain in this globalization era in order to prolong the sustainability of the company.

A successful situation where customers are loyal to a brand can be achieved through a good brand image and brand attitude of the customer. Attitude of the customer towards a specific brand can indicate customers' loyalty towards the brand. Positive attitudes

shown by customers will impact their commitment in using products provided by the brand (Priester, Godek, Nayakankuppum, and Park, 2004) and vice versa. This attitude can lead customers to have certain preferences. These preferences turn into needs that have to be fulfilled immediately. Companies that are able to fulfill these needs in the long run gain customers' favor where they can be brand loyal. At this stage, a customer's decision will be hardly affected by another brand and the possibility to switch to another product is small. Moreover, a good brand image has an impact towards customers to be brand loyal. If customers perceived positive image from the brand, they will develop a willingness to buy products from the brand continuously. Having a positive brand image is vital for the development of a company, especially in creating and retaining customers' loyalty with the brand. If an individual believed that a product by a particular brand carries a positive value, belief or image that is similar with what the customer possesses, he/she is more likely to be brand loyal. By keep maintaining a good brand image and brand attitude a successful situation where customers are loyal to a brand is not impossible to achieve.

It is quite a logical concept where to achieve brand loyalty a good brand image and brand attitude are needed. In the marketing itself there are many ways to create good brand image and brand attitude. One in particular that stood out is through corporate social responsibility (CSR). It is used to be seen as an obligation of firms set by the government and written in law but recently corporate social responsibility (CSR) activities have been getting a lot of public

attention and the reason behind it is an increase in customers' demand for high-quality products at a low price, customers' preferences shift to products that are branded and reputable, and a firm may gain new competitive advantages (He and Lai, 2014). Previous research done by Liu and Zhou (2009) also shows that corporate social responsibility (CSR) activities has a positive correlation with the choice of brand to use and brand recommendation where it experienced directly by customers. In relation to that, Porter and Kramer (2006) also states that corporate social responsibility (CSR) as an important source of competitive advantage by creating a better brand image and a positive brand attitude of customers. Moreover, Kotler and Nance on Leki and Christiawan (2013) and Wibisono (2007: p. 84-87) states the benefit of corporate social responsibility (CSR) activities that can increase corporate's sales and market share, strengthen brand positioning, increase corporate's brand image, reduce operational cost, reduce business's risk, increase employees' productivity, and attract investors. Customers are more likely willing to buy products from firms that support the well-being of the society whereas a good brand image and brand attitude are also effectively delivered into the customers' mind.

PT. Unilever Indonesia Tbk comes first as the market leader in consumers goods industry in Indonesia where they own more than 400 brands and their products are used by 2.5 billion people all around the world. Unilever's commitment in contributing to society relies in its vision of creating a sustainable living commonplace (Unilever, 2018).

They believe in the situation of the market that always changing and it is inevitable. In order to stay ahead of the competition, they are constantly studying the need and want of their customers as well as maintaining and enhancing their brand image. The need and want of the customer can only be achieved through constant innovation which is the competitive advantage of PT. Unilever Indonesia Tbk. Last year, net sales owned by PT. Unilever Indonesia Tbk has an increase of 3.7% compared to the previous year but comparing the growth of net sales from year 2016 to its previous year which was 9.25%, it shows that net sales growth of year 2017 is slower than year 2016 and the reason behind this situation is caused by a decreasing of consumers' purchasing power in year 2017. Even though their overall net sales growth in year 2017 decreased, there is a slight increase of 2.1% in home and personal care products, and 7.1% in foods and refreshment products. Due to this report, competition in consumer goods industry is getting higher and more difficult. In this condition, firms will continuously enhance value of the product in order to win the market. A solution to this condition that has always been done by PT. Unilever Indonesia Tbk is they try to be as close as possible to their consumers and by doing so they are able to know the need of their consumers so they can provide the right products and services for them which indirectly retain consumers' loyalty and maintain a good brand image (Simorangkir, 2017).

Lifebuoy is one of the product of PT. Unilever Indonesia Tbk that has been fulfilling consumers need for personal hygiene for over

50 years. Lifebuoy is one of Unilever’s oldest brand that pioneered people awareness of germs by creating a soap which contains a formula named carbolic acid that is safe and affordable for a lot of people. Launched in the 80s and made its way all the way to Indonesia in year 2000, Lifebuoy has captured a lot of attention of the customers up to this day (Lifebuoy Sabun Mandi, 2012). Lifebuoy is the first brand that able to increase people awareness of personal hygiene and health through its activity called “Cuci Tangan Pakai Sabun” that targeting several locations that have the highest rate of germs-caused disease. Because of this activity, Unilever also able to reach far more people, both directly and indirectly, and increase people awareness about the importance of hand washing behavior. More people have a better knowledge about their health, the importance of being healthy and Unilever’s products, Lifebuoy in particular. People starts to think that they need more than just a regular soap that available in the market to protect them and there is where Lifebuoy comes in and fit into consumers’ need.

Table 1.1
Top Brand Index 2017 Phase 1 (Personal Care Category)

| MEREK | TBI | TOP |
|----------|-------|-----|
| Lifebuoy | 42.7% | TOP |
| Lux | 17.8% | TOP |
| Dettol | 9.9% | |
| Shinzu'i | 9.0% | |
| GIV | 6.9% | |
| Nuvo | 6.8% | |

Source: www.topbrand-award.com, 2017

Regarding the survey above, it shows that Lifebuoy placed on the first place as the top survey in personal care category scoring 42.7% alone followed by Lux on the second position scoring 17.8%. On the third position is Dettol scoring 9.9%, on the fourth position is Shinzu'i scoring 9%, on the fifth position is GIV scoring 6.9% and on the sixth position is Nuvo scoring 6.8%. By looking at the survey above, Lifebuoy is the market leader in personal care category which means PT. Unilever Indonesia Tbk is able to sell the largest quantity of soap compared to other competitors. This shows that the market is giving a good feedback on their product by buying it whether the reason is because of the consumer trusts the brand or they just randomly pick it up at the store or it can be due to their corporate social responsibility activity. Regarding to the result of the survey above, we can see that a lot of people trust and use Lifebuoy whether they are brand loyal or just simply using it.

Based on the above background a research entitled **“The Impact of Corporate Social Responsibility Program “Cuci Tangan Pakai Sabun” on Brand Image, Brand Attitude and Brand Loyalty of Lifebuoy Consumers in Surabaya”** will be conducted.

1.2 Research Questions

Based on the background explained previously, research questions are formulated as follows:

1. Does corporate social responsibility of Lifebuoy have an impact on brand image?
2. Does corporate social responsibility of Lifebuoy have an impact on brand loyalty?
3. Does brand image of Lifebuoy have an impact on brand attitude?
4. Does brand image of Lifebuoy have an impact on brand loyalty?
5. Does brand attitude of Lifebuoy have an impact on brand loyalty?

1.3 Objectives of the Study

From the research question above, the objective of the study is as follows:

1. To investigate the impact of corporate social responsibility of Lifebuoy on brand image.
2. To investigate the impact of corporate social responsibility of Lifebuoy on brand loyalty.
3. To investigate the impact of brand image of Lifebuoy on brand attitude.
4. To investigate the impact of brand image of Lifebuoy on brand loyalty.
5. To investigate the impact of brand attitude of Lifebuoy on brand loyalty.

1.4 Significance of the Study

The results of this study are expected to provide significant theoretical and practical benefits as follows:

1.4.1 Theoretical Benefit

This study is expected to be able to enrich readers and researchers with new information and additional knowledge regarding the impact of corporate social responsibility towards brand image, brand attitude, and brand loyalty.

1.4.2 Practical Benefit

This study is expected to provide information and knowledge for companies who wants to implement corporate social responsibility program to create competitive advantage, especially to improve brand image, brand attitude and brand loyalty.

1.5 Organization of the Writing

The systematic of writing this study is divided into five chapters and arranged as follows:

Chapter 1. Introduction

This chapter consists of background of the study, research questions, research objectives, significance of the study, and writing systematic of this study.

Chapter 2. Literature Review

This chapter presents the previous study, relevant journal, theoretical background and hypothesis. The theoretical

background explains about corporate social responsibility, brand image, brand attitude, brand loyalty, and the relationship among variables.

Chapter 3. Research Method

This chapter describes the process of analyzing data including research design, identification of variable, operational definition, type of source data, variable measurement, data collection method, population, sample and sampling technique, data analysis technique, validity and reliability, fitness model task, and hypothesis testing.

Chapter 4. Analysis and Discussion

This chapter consists of research data description, data analysis, and discussion of the findings.

Chapter 5. Conclusion and Suggestion

This chapter is the closing of this study that consists of conclusion and suggestion for the research object and for the consumer or researcher to do a further research.