CHAPTER I

INTRODUCTION

A. Research Background

The phenomenon of competition among companies makes every company must be aware of the need to maximize company assets for the survival of the company. Currently, the competition of companies to compete for consumers is no longer limited to the functional attributes of the product, for example such as the use of products, but has been associated with a brand that is able to provide specific images for its use. Unbranded products will become commodities, and vice versa the products given by brands will have higher value in the eyes of customers.

Consumer trust in brands is another important factor that builds loyalty (Aydin et al, 2005). Trust involves a person's willingness to behave in a certain way because he believes that his partner in conducting a transaction will give him what he expects. This shows that trust from one party influences in forming positive behavior and good intention of other parties. Therefore, when consumers have trust in a particular product or service, consumers have the intention to buy the product or service (Lau and Lee, 1999).

The ability of brand to meet consumer expectations and provides quality assurance influences consumer trust and confidence to choose the brand. Brand loyalty will be easier to be created. Companies will have a brand name that has strong consumer loyalty because brand trust will determine consumer loyalty to the brand and trust will potentially create high-value relationships. Brand is an essential wealth of an industry or company. It is the intangible assets of company because it represents the reputation of a company. Building a strong brand is art and science. It needs careful planning, creativity, and deepening long-term commitment (Kotler & Keller, 2016). A company's reputation also supported by how strong its brand equity.

Brand equity is known as what a brand means to a consumer. It may be reflected in the way consumers think, feel, and act with respect to the brand regarding the price, market share, and profitability it commands (Kotler & Keller, 2016). Consumer-based brand equity (CBBE) is equity approach toward a brand from consumers' perspective as individual or institutional. Strengthen of brand is located on what consumers' mind and knowledge. CBBE gives positive effect from good experience will benefit to the firm.

Brand equity has potential to add value for company through product and company marketing. The marketing concepts and techniques can be used effectively to promote individual or group to conduct behavioral recommendations

(Fatmawati, 2010). In order to promote products and services, company needs to do marketing communication.

Marketing communication is able to deliver the information from company to customers. Marketing communication is a method used by companies with the aim of providing information, seducing, and reminding consumers either directly or indirectly about the products or brands they sell (Kotler & Keller, 2016). Marketing communication is an important aspect in all components of marketing and plays a role in determining the success or failure of a marketing. The function of marketing communication itself is to facilitate mutually beneficial relationships between companies and consumers. It represents the voice of company brands and can establish a dialogue to build the relationship with customers. The purpose of marketing communication is how to change behavior, attitudes, or mindset in individual communities. In this case, the context of the communication process is carried out in various interesting ways in order to influence the audience so that the objectives are as planned. The communication should be persuasive enough to be able to persuade audience.

Companies that are listed in The Indonesia Stock Exchange (IDX) conducting marketing communication to promote their products and services to get potential investors follow the pivotal role of marketing communication to persuade audiences. In 2017, The Indonesian Capital Market posted the highest record in market capitalization, market index, and market frequency including trading volume, value, and frequency. According to Financial Services Authority (OJK) noted those capital market investors increase three times since 2015 until February 2019. OJK also noted that number of stock investors reached 900.000 Single Investor Identifications (SID). The improvement of capital market industry within the last three years make companies that are listed in IDX competing promote the company to attract investors to invest in the company.

Most companies do marketing communication in order to get potential investors who interested to invest in their company by exposing brand information. According to Adams (2007) brand information is sufficient to change behavior. In the business world, the company's reputation and track record have pivotal role as standard that upholds attracting lenders and investors. A company name is important for investors' evaluations of its benefits. In context investment, investors have been found to be inclined invest in companies they familiar with.

Besides investing based on the brand, investors analyze company that is potential one to get return. The high return will lead to high risk also and it will shape perceptions of consumers to invest. In the marketing concept, perception is more important than reality because consumer perceptions influence the actual behavior of consumers. Perception is the process of choosing, organizing, and translating information input to create meaningful images (Kotler & Keller, 2016). Perceived risk is the consumer's perception of negative uncertainties that may be accepted when transacting something. When investing in stock market that full of risks, investors will continue to be aware of the risks that may arise. Investors are increasingly encouraged to look for additional information when faced with the investment of high risk because the perceived risk is considered to be the motivation of investors to invest.

Investment decisions are very attached to investors who will invest. Investors need to analyze the companies they will choose to invest, one of which is the influence on the company's familiarity. The case study is PT Unilever Indonesia Tbk. Unilever is company that run business in consumer goods industry sector. Unilever has been listed in The Indonesia Stock Exchange so the stock can be owned and transacted in public. Unilever also listed in LQ45 index, a market capitalization weighted index that captures the performance of 45 most liquid companies listed on The Indonesia Stock Exchange. According to the preliminary research, more than 97% people are familiar with Unilever products. Unilever has good brand equity that consists of brand awareness, brand association, perceived quality, and loyalty than other its competitors in cosmetics and households sub-sector. It can be concluded that this company has good and famous brand equity so that it is suitable to be used as the object in this study.

Based on the existing phenomena, this study is going to discuss about consumer good industry company listed in Indonesia Stock Exchange (IDX), PT Unilever Indonesia Tbk. This study will test the relationship of brand equity influencing investment intention and the mediating effects of perceived risk as. It concerns in how companies that have strong brand equity can attract and encourage people to invest in their stocks.

B. Research Question

The formulation of the problem in this study is based on the description of the background of the problem, as follows:

1. Is there any difference in response to brand equity based on brand popularity (famous brand and non-famous brand)?
2. Is there any effect from risk information to the relationship between brand popularity on brand equity?
3. Is there any difference in response to investment intention based on brand popularity (famous brand and non-famous brand)?
4. Is there any difference in response to investment intention based on risk information (low risk and high risk)?
5. Does perceived risk mediate the relationship between brand equity and investment intention?

C. Research Objective

The research objectives to be achieved are in accordance with the formulation of the problem as follows:

1. Analyzing difference in response to brand equity based on brand popularity (famous and non-famous brand)

2. Analyzing effect of risk information to the relationship between brand popularity on brand equity.
3. Analyzing difference in response to investment intention based on brand popularity (famous and non-famous brand).
4. Analyzing difference in response to investment intention based on risk information (low and high risk).
5. Analyzing mediation relationship of perceived risk between brand equity and investment intention.

D. Research Contribution

The expected uses of this research are as follows:

1. Theoretical benefits

   The results of this study are expected to be useful especially for the development of economics as a source of reading or reference that can provide information theoretically and empirically to those who will conduct further research on this issue and can add to existing library resources.

2. Practical Benefits

   Practical research results are expected to be used by potential investors in evaluating company from information about brand equity strength, company reputation, and perceived risk on investment intention that can be used as consideration in making investment decisions. Other things can also be used by companies to find out brand strength and company reputation that can influence investors’ intention to invest.