CHAPTER I
INTRODUCTION

1.1 Research Background

Clocks are tools that make it easy for people to show time or time. As the times change, the clock evolves over time. The clock was first discovered by humans around 3500 YEARS BC when the clock at the time was known as the sundial. The sundial is a simple set that takes advantage of the sun's shadow on a flat surface marked by hours in one day. As time went on, an hourglass was found in the tomb of Amenhoterp 1 (Pharaoh's King who served 1526 BC) to replace the sun clock around 1400 AD in Egypt. With high culture and intellectuals began to be found the water clock as a substitute for hourglass by the ancient Egyptians as Clepsydra.

In the 16th century abraham-Louis Breguet created pocket watches instead of ancient clocks (sun clocks, hourglasses, and water clocks) in Switzerland. Breguet first made a pocket watch to give to Caroline Murat (Napoleon's sister and queen of Naples). Until now, pocket watches are still produced by some watch manufacturers even in small quantities, this is due to the emergence of watches that make it easier for users to travel. The watch was first introduced during world war 1, where pocket watches were very troublesome for users, especially soldiers on the battlefield. Watches are very important and necessary for soldiers while on the battlefield to coordinate tactics and strategies. Until now the watch is still used by humans to be a tool in showing the time frame. In addition to being a timer, the watch is also one of the important elements in one's appearance at the same time to show someone (Ratnasari, 2017). The

1

watch first used Automatic and Mechanical drive engines before the discovery of quartz watches or battery power drives. In 1924, just after the end of World War I, Kinttaro Hattori of Japan introduced Seiko to the world. Seiko became the pioneer who introduced the world's first Quartz watch and defeated the first Automatic and Mechanical drive watches. That's because Quartz watches have excellent accuracy, are easy to repair, and are affordable.

In 1957, digital watches were introduced to the world by the American watch company Hamilton Watch Company. However, the first time the Hamilton Watch Company launched a digital watch still does not have as good accuracy as quartz watches. This is because it still uses traditional mechanisms and is not much different from Automatic and Mechanical Watches. As time went on, the Japanese watch company Casio began to learn about the shortcomings of hamilton watches made by Hamilton Watch Company and debuted in the world of digital clocks in 1983. Until now, Casio's digital clock is still popular with many people from all over the world including celebrities. Its product is favored by many, G-Shock, which until recently was one of the strongest digital watches in the world and has a battery that can last up to 10 years (JD.id, 2019).

As technology evolves, smartwatches are on the market. Smartwatches themselves have more advantages than regular watches (Automatic, Mechanical, Quartz, and Digital), this is evidenced by the understanding given by Centipedia.net about smartwatches being smartphone-connected smart devices to perform some functions in addition to their function as a time or time

frame. In its sense, it is also not surprising that smartwatch manufacturing is dominated by smartphone manufacturers such as Samsung, Apple, Huawei, XiaoMi, and others. According to a mobile industry review cited by Media Indonesia, the smartwatch is actually not an innovation that has just emerged. This is because the smartwatch itself began to be developed decades earlier where computer technology is still in the development stage. Previously some companies had already launched smartwatches but there were still flaws in terms of technology. Microsoft Inc. pioneered the development of the first smartwatch by introducing Smart Personal Object Technology (SPOT) in 2002. SPOT is an automated application that receives news and alerts over MSN Direct radio. However, SPOT sales were less successful in the market or did not meet everyone's expectations due to the need for additional fees to subscribe to MSN Direct. In 2013, South Korean smartphone manufacturer Samsung unveiled its first smartwatch that has more advantages than Microsoft's SPOT. This is seen from the sophistication of Samsung smartwatches (Galaxy Gear) that can connect directly to Samsung smartphones. But in 2014, Samsung has to face a new challenge that is the emergence of new competitors in making smartwatches namely Apple. Apple's Smartwatch, Apple Watch has more advantages than the Galaxy Gear where users can be pampered with the appearance of accessible menus, various ways of sending messages, close contact, making calls to read e-mails (Centipedia.net, 2019). To date, Apple Watch still leads the way in the highest number of smartwatch sales in the world (Figure 1.1).

Global Smartwatch Vendor Shipments (Millions of Units)	Q2 '18	Q2 '19
Apple	3.8	5.7
Samsung	0.9	2.0
Fitbit	1.3	1.2
Others	2.6	3.4
Total	8.6	12.3

Global Smartwatch Vendor Marketshare (% of Total)	Q2 '18	Q2 '19
Apple	44.4%	46.4%
Samsung	10.5%	15.9%
Fitbit	15.2%	9.8%
Others	29.8%	27.9%
Total	100.0%	100.0%

Total Growth YoY (%)	55.4%	43.6%

Source: Strategy Analytics

Figure 1.1 Global Smartwatch Vendor Data Analytics

In this modern age, with a wide variety of watches and various movement options offered on the market, Quartz and digital watches are still everyone's choice due to their affordable price and good accuracy. However, smartwatches and Automatic watches are no less competitive with Quartz or digital watches despite high prices and high levels of complexity. But with the age of age and changes in smartwatch technology having the second-highest sales after Quartz and digital watches, it even beat the number of luxury watch sales from Switzerland in 2015 (Figure 1.2). In addition, some watch companies such as SEA-GULL Company & Movement from China started to create Automatic and Mechanical watches that have a fairly competitive price in the range of 2-5

million rupiah and have fairly good quality. It makes automatic watches or Mechanical no less competitive with Quartz watches or smartwatches. Although technology is starting to change and evolve, the Swiss state is still the mecca of the world's watches. This is because almost all brand watches with high quality and long history come from Switzerland. There are several Swiss watch brands that have been around 100 years old, some have been established almost 200 years like Vacheron Constantin which was established in 1755. The success of swiss watch brands is supported by environmental and government roles, even every swiss watch brand has been trademarked that can not be separated from the name of the Swiss state itself with "Swiss Made" written on each of its watches (Zetizen, 2016). Several watch brands from Switzerland are on the list of luxury accessories, where the target consumer is the upper class (monthly expenses of more than 7.5 million rupiahs) (simulasikredit.com, n.d.). The brands are Rolex, Omega, Audemars Piguet, Patek Philippe, Richard Mille, Franck Muller, Tag Heuer, Breitling, Bell & Ross, Panerai, IWC, and others.
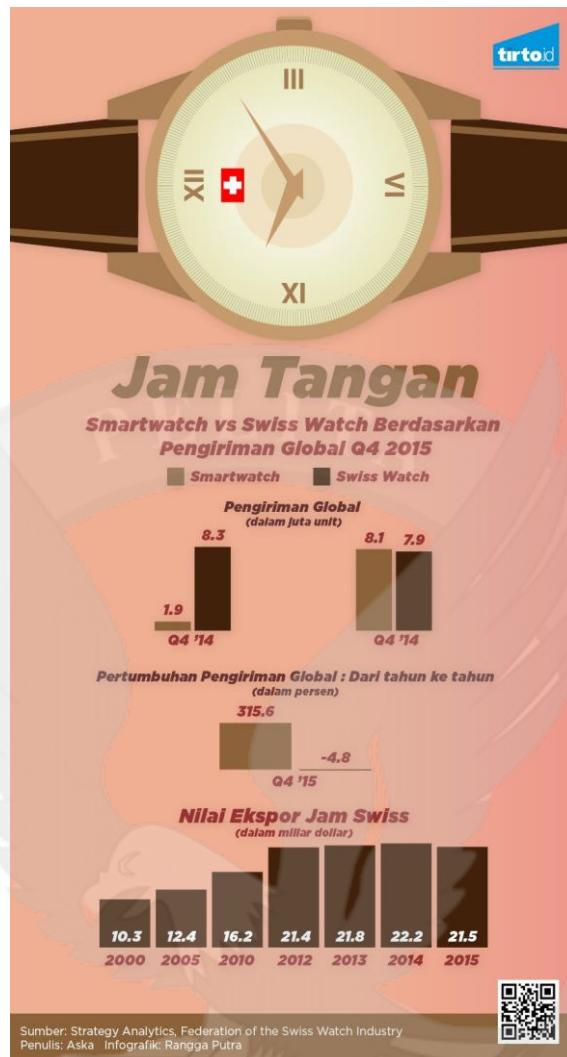
Figure 1.2 Smartwatch vs Swiss Watch Export Value

In Indonesia, the use of watches has become common among the public. This can be seen from the research data represented by 43 respondents in Figure 1.3, where 72.1% of 100% used watches in daily activities. The watch in question is intended for all variations both in terms of brand and movement.
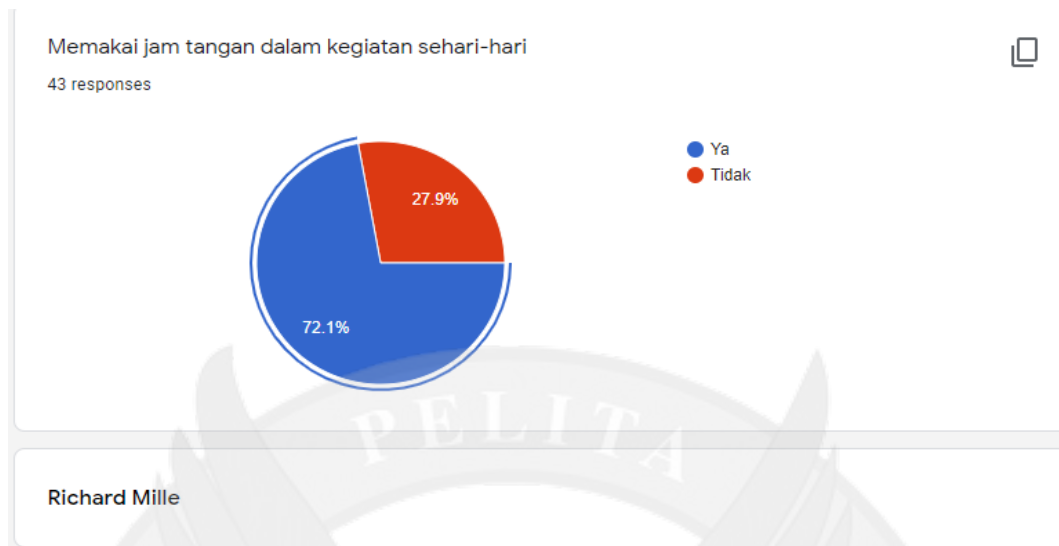
Memakai jam tangan dalam kegiatan sehari-hari

43 responses

● Ya
● Tidak

27.9%

72.1%

Richard Mille

Figure 1.3 Respondents Wearing Watch in Daily Activity

From some of the watch brands mentioned above, there is one brand that is starting to be known to the public especially in Indonesia, not because of its long-standing history but because of the fantastic journey that was only established in 2001. With his young age, the ergonomic tonneau case design interspersed with distinctive torque screws made Richard Mille instantly occupy the highest peak of the entire luxury watch market.

Richard Mille is also one of the luxury watch brands sponsoring one of formula 1's road sports. The teams are McLAREN F1 Team, ALFA ROMEO RACING, ART GRAND PRIX, HAAS F1 Team, and YOUNG TALENT ACADEMY. In addition to sponsoring several Formula 1 teams, Richard Mille is also a partner of several athletes and celebrities such as Jackie Chan (Action Actor), Rafael Nadal (Professional Tennis Athlete), Michelle Yeoh (Actress), Felipe Massa (Formula 1 Driver), Margot Robbie (Actress), Fernando Alonso

(Formula 1 Driver), Didier Drogba (Professional Footballer), and others (richardmille.com, 2020).

However, with the trip described earlier, in fact, Richard Mille is still not widely known by the Indonesian public so it is still difficult to compete with other luxury watch competitors who first entered Indonesia, including Rolex. This can be supported by a statement from a counterfeit goods dealer in block M who says he does not know the watch despite knowing other luxury watch brands (Rinaldi, 2014).

Some executives in Indonesia who buy luxury watches have the aim to invest other than just as accessories. According to CNBC Indonesia, luxury watches can be said to be assets that can grow in the future. Over the course of a year, the price of luxury watches can grow by 5%, over five years the price increases by 35% and grows by 67% over 10 years.

Based on the above discussion, this research aims to help in finding solutions as well as improvements in the perceived value of Richard Mille watches in the Indonesian market and increase the Purchase Intention of the buyer.

1.2 Research Problem

1. Is Global Identity directly and positively related to Purchase Intention?

2. Does perceived Functional Value mediate the positive relationship between Global Identity and Purchase Intention positively?

3. Does perceived Individual Value mediate the positive relationship between Global Identity and Purchase Intention positively?

4. Does perceived Social Value mediate the positive relationship between Global Identity and Purchase Intention positively?

1.3 Research Purposes

1. Know whether Global Identity directly and positively related to Purchase Intention.

2. Know whether perceived Functional Value mediates directly and positively to the positive relationship between Global Identity and Purchase Intention.

3. Know whether perceived Individual Value mediates directly and positively to the positive relationship between Global Identity and Purchase Intention.

4. Know whether perceived Social Value mediates directly and positively to the positive relationship between Global Identity and Purchase Intention.

1.4 Benefits of Research

1.4.1 Practical Benefits

A. Contribute thoughts on the part of Richard Mille Indonesia in improving the sales results of Richard Mille watches in Indonesia. In addition, it can also support the number wholesale of Swiss Made luxury watch in Indonesia.

B. Expanding Richard Mille Indonesia's insight into Indonesians' view of luxury watches and what is expected to be obtained by consumers from Indonesia.

C. Make buyers feel satisfied with the products offered by Richard Mille Indonesia.

1.4.2 Theoretical Benefits

In addition to the practical benefits mentioned above, this study also has a theoretical benefit that is to provide a foundation for other researchers who will conduct new research on the same topic in order to improve one's ability and view of luxury goods such as Richard Mille watches.

1.5 Writing Systematics

The thesis consists of 5 chapters and several sub-chapters with the following writing systematics:

Chapter 1: Introduction

There is research background (1.1), research problem (1.2), research objectives (1.3), research benefits (1.4) divided into theoretical (1.4.1) and practical (1.4.2), and writing systematics (1.5).

Chapter 2: Literature Review

There are construct/variable concepts (2.1, 2.2, 2.3), hypotheses (2.4, 2.5, 2.6, 2.7), and research models (2.8).

Chapter 3: Research Method

There is Research Paradigm (3.1), Research Objects (3.2), Unit Analysis (3.3), Type of Research (3.4), Research Design (3.5), Questionnaire Making Techniques (3.6), Sample Design (3.7), Data analysis method (3.8), Model Evaluation (3.9), Research Instrument Testing (3.10), and SmartPLS (3.11).

Bab 4: Result and Discussions

Respondent Profile (4.1), Results of Preliminary Test Studies (4.2), Descriptive Statistic (4.3), Inferential Statistic (4.4), Discussion (4.5)

Bab 5: Conclusion and Recommendations

There are two sub-chapters: conclusions (5.1) and recommendations (5.2).