

CHAPTER I

INTRODUCTION

1.1 Background

In this current era of globalization , we can see that International Business has undergone many developments and changes. According to Dinata , Kumadji , & Hidayat (2015) one of the factors driving international business activities is market faktor. Domestic market saturation makes companies see the international market or multinational market as a potential opportunity. With the growth of international and multinational markets that have a potential to make the growth of foreign product marketing in a country. International business is also easier to do because of the development of technology. With technology it can also make it easier for us to obtain information and communicate with everyone in the world. One of the product widely used in obtaining information and communicating by people today is smartphones. We can see from the chart below showing the world smartphone users from 2016 to 2021.

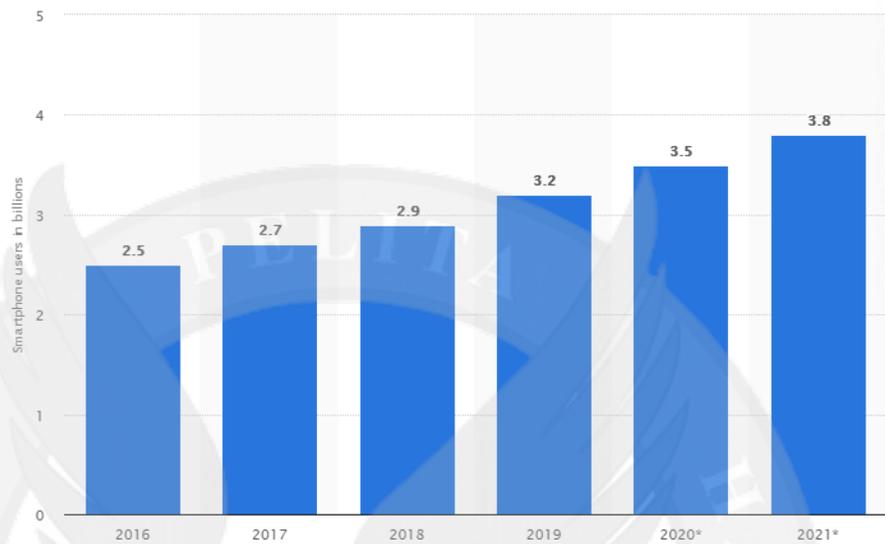


Figure 1.1 Number of smartphone users worldwide from 2016 to 2021
Source : statista.com

From the figure 1.1 it proves that the current era smartphones have a very rapid development every year and are needed by everyone. The chart also show the world's estimated smartphone users will reach 3,8 billion by 2021. Smartphones are not only use for lifestyle but also important in finding information and communicating. We can see that the technology is progressing very quickly from year to year. In ancient times , mobile phones only use for telephone and messages only but as the times evolve , cellphones model and smartphone features are increasingly different and more sophisticated.

According to Dinata et al (2015) Indonesia is a potential market for a foreign products due to its large population , making Indonesia an attractive target market. Indonesia consumer also tend to be consumptive , especially in gadgets such as

smartphones. The development smartphones in Indonesia also growing very fast.

We can see the development of smartphone in Indonesia from data as following :

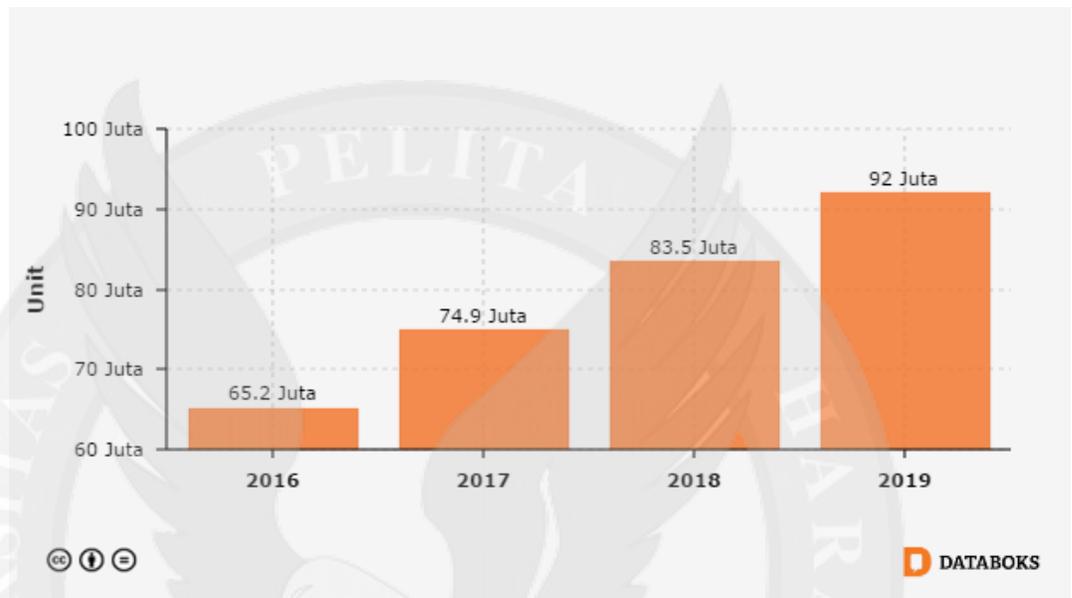


Figure 1.2 Number of smartphone users in Indonesia from 2016 to 2019
Source : databooks (2020)

From the figure 1.2 , we can see the rapid development of smartphones in Indonesia from 2016 to 2019. In 2019 smartphones users in Indonesia reach 92 million. Smartphones are very important in daily life. We can see all the circles in Indonesia now have used smartphone from various brands. Therefore , many companies always innovating and providing interesting features to be able to master the smartphone market in Indonesia. From the various smartphone brands such as Apple , Xiaomi , Vivo , Huawei , Samsung , etc one of the largest market share in the world is Samsung branded smartphones. From several smartphone brands , Samsung's market share data in the world can be seen from the following table.

Table 1.1 Mobile Phone Market Share in the World

Smartphone Brands	Des 2016	Des 2017	Des 2018	Des 2019
	(in percentage)			
Samsung	33,63	31,65	30,91	31,37
Oppo	N/A	3,42	4,87	4,23
Xiaomi	2,11	4,75	8,44	7,73
Nokia	3,57	2	N/A	0,9
Apple	18,89	19,91	21,98	24,79
Mobicel	N/A	N/A	3,3	3,19
Unknown	10,31	7,68	4,52	2,67
Others	16,41	16,67	10,98	10,13

Source : Statcounter (2020)

The data above shows the various brands smartphones market share in the world. For several years , Samsung became the world largest market share from 2016 to 2019.

Samsung is a company founded by Lee Byung – Chul in Taegu 1938. Products such as fish , dried vegetables and noodles from Korea have also been sold by Samsung companies because initially Samsung started its business by trading and exporting goods produced around their city. Samsung also began expanding into Seoul in 1947 but during the war , eventually Samsung left. Lee also started a sugar distillery in Busan after the war. The sugar distillation was done before

painting to textiles and building the largest wool factory in Korea at the time.

Samsung also entered the electronics industry and also formed several divisions in the 1960s. Samsung has founded several divisions such as Samsung Corning , Samsung Electro Device , Samsung Semiconductor & Telecommunicatiosn , Samsung Electro Mechanics. After nearly 20 years , Samsung also entered the telecommunicatiosn hardware industry in 1980. At first , Samsung built the phone switchboard then developed into a telephone and fax system an eventually Samsung became mobile phone manufacturing.

Prototype phones that use touch screen were also released by Samsung company in 2001. Companies developing technology for electronic device were widely acquisition by Samsung companies in the late 2000s and early 2010s. Samsung also released Galaxy SII smartphones in 2011 and Galaxy SIII in 2012. The smartphone series is a very popular smartphone in the world. In 2012 Samsung is the world's largest phone maker and Samsung has acquired mspot for Samsung smartphone users to provide entertainment. The Samsung company continues to make further acquisitions including organizations that will help it expand its offerings in smart TVs , medical technology , OLED screens , printing solutions , home automation , cloud solutions , artificial intelligence , and payment solutions in the following years. In September 2014 , Samsung announced Gear VR , a virtual reality device developed for use with the Galaxy note 4. In 2015 , Samsung unveiled the Galaxy S6 and S6 edge with the first curved display in the world. In 2016 Samsung also brought Galaxy S7 and S7 edge to the international market and Samsung also offer 256 GB capacity and Samsung became the first to

introduced Universal Flash Storage (UFS) removable memory card. In 2017 , there are 3 series smartphone that Samsung unveiled that is S8+ , Note 8 , S8. In 2018 , Samsung launched Galaxy note 9 , Galaxy S9 and S9+. In 2019 , Samsung released the new mobile category that is Samsung Galaxy fold. Samsung also released 5G smartphone that is Samsung Galaxy S10 5G. Samsung is committed to complying with local laws and regulations. The following year , Samsung company also announced that it would expand its renewable energy plan and measure 40.000 employees over the next 3 years. Samsung operate the supply chain with approximately 2.200 suppliers accros the globe. Samsung always aim to deepen value and convenience for customer. Samsung has been recognized globally and became a market leader. Samsung strive to provide new and differentiated users experience through innovations. All suppliers that provide a component or product that sold by Samsung are subject to the Eco- partner.(lifewire.com,2020).

Not only in the world , Samsung is also the market leader smartphone in Indonesia. The data can be seen from the following table :

Table 1.2 Mobile Phone Market Share by Vendor in Indonesia

Smartphone Brands	Des 2016	Des 2017	Des 2018	Des 2019
	(in percentage)			
Samsung	29.54	29.32	25.98	24.22
Oppo	6.6	11.52	16.9	20.15
Xiaomi	6.57	15.29	21.39	21.24
Nokia	8.19	2.57	1.3	N/A
Apple	4.09	3.84	5.85	6.38
Mobicel	N/A	N/A	6.22	10.6
Unknown	20.47	15.29	10.17	4.35
Others	7.28	8,19	5.53	6.57

Source : Statcounter (2020)

The data above shows the smartphone market share in Indonesia. From the data above , we can see that Oppo and Xiaomi branded smartphone have an increase market share from 2016 to 2019 but Samsung branded smartphones still become the market leader in Indonesia from 2016 to 2019 with a market share in 2019 of 24,22%. Although Samsung is the market leader in Indonesia , the data above shows the down trend of Samsung smartphone market share in Indonesia from 2016 to 2019.

This is become the research problem where Samsung market share in Indonesia has a down trend over last 4 years from 2016 to 2019. According to Etale , Bingilar

, & Ifurueze (2016) to express the competitive position of the market , sales relative to other competitors in the industry can be seen from the market share. Therefore Purchase Intention smartphone in Indonesia became the main variable in this study because according to Tondang (2019) Purchase Intention is the desire to buy or choose a product based on consumer behavior as seen from the experience of choosing , using , wanting , and even consuming a product. Research on purchase intention combines with other variables such as Country Image , Product Quality , Brand Familiarity and Word of Mouth. Those research are the effect of e-WOM on country image and purchase intention : an empirical study on Korean cosmetic products in China (Xiao, Zhang, & Li, 2016) , pengaruh Word of Mouth , daya tarik iklan , persepsi harga , dan kualitas produk terhadap minat beli motor Suzuki Satria fu pada PT. Sinar Galesong Mandiri (Kalele, Oroh, & Sumarauw, 2015) , Pengaruh Brand Familiarity terhadap purchase intention melalui brand fit pada hotel Mulia Jakarta (Widiawaty, 2015). According to Yunus & Rashid (2016) Country image is all belief and descriptive , inferenceal , and informational about a country. According to Widiawaty (2015) Brand familiarity is one of the most important brands on a product. The value of product and service can be seen from the brand. Brands are easily recognizable identities and can promise a certain value. According to Satria (2017) Product Quality is a product ability to demonstrate its function. It includes overall reliability , durability, accuracy , repair and ease of operation of products as well as other product. According to Ruhamak & Rahayu (2016) Word of Mouth is a personal communication channel in speech or word of

mouth can be an effective promotional method because it is generally delivered from consumers by consumers and to consumers , so that satisfied consumers can become advertising media for companies. Hence this study will try to research the impact of Country Image , Product Quality , Brand Familiarity and Word of Mouth towards Purchase Intention of Samsung smartphone. This study is Modified Research Model from (Yunus & Rashid, 2016) & Research Model from (Lee, Cheng, & Shih, 2017)

1.2 Research Problem and Questions

Oppo and Xiaomi branded smartphone have an increase market share from 2016 to 2019 but Samsung branded smartphones still become the market leader in Indonesia from 2016 to 2019 with a market share in 2019 of 24,22%. Although Samsung is the market leader in Indonesia , the data above shows the down trend of Samsung smartphone market share in Indonesia from 2016 to 2019.

Therefore the research questions are :

- 1) Does the Country Image have an impact towards Purchase Intention of Samsung ?
- 2) Does the Product Quality have an impact towards Purchase Intention of Samsung ?
- 3) Does the Brand Familiarity have an impact towards Purchase Intention of Samsung ?

- 4) Does the Word of Mouth have an impact towards Purchase Intention of Samsung ?

1.3 Research Objective

Based on the research question above , the research objectives are as follow :

- 1) To identify the impact of Country Image towards Purchase Intention
- 2) To identify the impact of Product Quality towards Purchase Intention
- 3) To identify the impact of Brand Familiarity towards Purchase Intention
- 4) To identify the impact of Word of Mouth towards Purchase Intention

1.4 Research Scope

The research has a scope limited to several conditions as listed below :

- 1) This research discusses about Country Image , Product Quality , Brand Familiarity , Word of Mouth and Purchase Intention
- 2) This research is limited only in Pelita Harapan University Karawaci
- 3) Smartphone brand that is used in this research is Samsung

1.5 Research Outline

In conducting this research, researchers organize it in order to give clear guidance in reading and understanding the content of the study. Researchers organizes this study in five chapters, each emphasizing different parts of the study. The outline of this study are as follow.

CHAPTER I : INTRODUCTION

Consists of overall background of the study, including identification of the problems, objectives and benefits of the research

CHAPTER II : LITERATURE REVIEW

Consists of literature review that this research are based upon and previous research as the references

CHAPTER III : RESEARCH METHODOLOGY

Research Method, Rules of thumbs and research objects are discussed in this chapter

CHAPTER IV : RESULT & DISCUSSION

Discussing the result of the findings from the data collected and what Hypotheses are taken.

CHAPTER V : CONCLUSION & RECOMMENDATION

Consists of the Conclusion of the study and Recommendation for future study