

CHAPTER I

INTRODUCTION

1.1 Research Background

A revolution in computers and communications has taken place over the last few decades, and all signs are that technical advancement and the use of information technologies will continue. Companies have the ability to reach more consumers through information technologies, rapidly launch new goods and services, and cooperate with suppliers and business partners from all around the world. Right now, the advancement of technology has become a very necessary part of our lives, being something we could not avoid and globalization even comes with it. According to Hadi & Murti (2019), the technological era that is currently being carried out is the empowerment of the role of digital integration in the industrial sector, known as the fourth industrial revolution or Industry Revolution 4.0 makes the world more connected, more digital, more responsive and flexible (Morrar & Arman, 2017).

Because of technology people know more about the product or service they are interested in. Especially information that is accessible through the internet, primarily for mobile devices, is largely used by customers for identification of needs, information search and, most importantly, alternative evaluation (Joshi & Vaghela, 2015). By a click of a button people who are prospective buyers can know information about

products or services such as their quality or their brand. As Maheswari & Gorda, (2019), said, consumer behavior is influenced by the presence of technology built in the 4.0 industrial revolution. Furthermore, instead of one-way information, individual testimonial content is more trusted by customers. They do not trust such advertisements anymore, but they can first find feedback or testimonials done by other internet individuals.

Therefore, the technological revolution has led to global computerized networks and the free movement of goods, information and society across national boundaries (Shaqiri, 2015). With these advances, country boundaries are becoming more and more blurry, making the number of product and service options offered to customers greater than ever before. They must compete with domestic firms but also with firms from other nations, and they must also reach educated buyers. Companies are competing with their industry's market share and the best way to succeed is to know what to do to affect customer purchasing decisions.

As said by Liu (2017), technological developments from the fourth industrial revolution would also raise a nation's competitiveness and prosperity. Indonesia itself, through the Ministry of Industry (kemenperin.go.id), said that the government created a "Making Indonesia 4.0" program where the government focuses on five manufacturing sectors which will be a priority in implementing the fourth generation industrial revolution. The five sectors, namely the food and beverage industry, textiles

and clothing, automotive, electronics and chemicals. Through this program, it is hoped that the national manufacture industry will not only be able to serve the domestic market, but also penetrate regional and global markets.

One of the sectors that is being focused and developed is the automotive industry. The increasing need for means of transportation brings fresh air for automotive companies, especially for car manufacturers. For companies engaged in the automotive sector, this is an opportunity to dominate market share. This is supported by research that has been conducted by Director of Automotive and Asia-Pacific Regional Research Transport Practices Frost & Sullivan, Vijay Rao, cited by Filardo, Negoro, & Kunaifi (2017), stated that Indonesia is one of the largest automotive developments in ASEAN after Thailand. Frost & Sullivan, Vijay Rao predicts that Indonesia will become the largest automotive market in ASEAN by 2019 with a total vehicle number of 2.3 million. According to Hidayah (2019) cited by (gaikindo.or.id) which is the motor vehicle association in Indonesia said that this development was triggered by stable economic growth in Indonesia, an increase in the middle class and increased investment in the automotive sector as well as the implementation of automotive regulations that support market growth. The development automotive industry in Indonesia can be seen from figure 1.1.

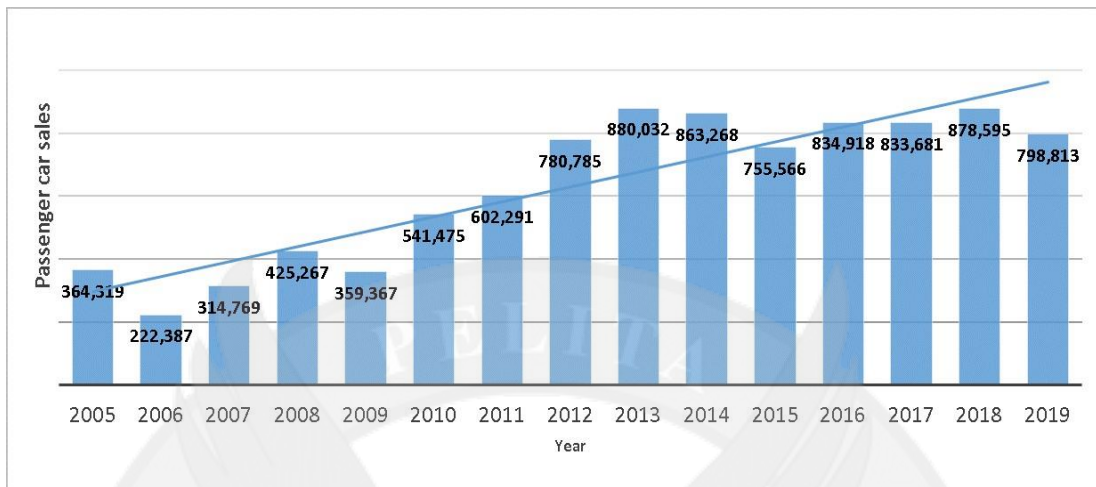


Figure 1. 1 Indonesia: Passenger car sales
 Source: Müller, J. (2020, April 29). Statista.com

Based on the figure 1.1 above, it can be seen that car sales growth is always high every year and could potentially increase every year. That is why the automotive sector is included in the government's plan in an effort to be in line with the "Making Indonesia 4.0" program. Apart from economic growth and an increasing number of the middle class, it is believed that the incessant construction of paid toll roads and public roads will further boost sales of motor vehicles in the future. As quoted from (Tempo.co) "infrastructure development, particularly in eastern Indonesia, has had a positive impact on equal distribution of motor vehicle sales". That means that if previously 80 percent of car sales were in Java and the rest outside Java, now outside Java, it has reached 40 percent. Therefore, to be able to attract the attention of new consumers, companies must be able to capture the minds of consumers. With this sales growth in Indonesia, this makes all car manufacturers compete for market share in

Indonesia, and one of the most prominent competitors in Indonesia's automotive industry is Honda.

Honda Motor Company, Ltd is a Japanese corporation known as an automobiles and motorcycles manufacturer. Honda then expanded its market throughout the world, including Indonesia in 1960. Then, PT Prospect Motor was founded in 1973 as the sole distributor of Honda automobiles in Indonesia. Finally in 1999 a joint venture between Honda Motor Company and PT Prospect Motor to produce PT Honda Prospect Motor which we know today (Honda Indonesia, 2020).

Honda itself in Indonesia offers various models, namely hatchbacks, city cars, sedans, SUVs (Sport Utility Vehicle) to minivans. The names of the cars they offer in Indonesia include Mobilio, Brio, Jazz, B-RV, H-RV, C-RV, Civic, City, Accord, and Odyssey. With prices that vary from Rp. 146,000,000 to Rp. 1,067,600.00 (Honda Indonesia, 2020).

Honda Prospect Motor has proven to be one of the best brands in the automotive industry who won 4 awards at the "2019 *Otomotif awards*" which was given by *tabloid otomotif* to the best marketed motorbikes and cars in Indonesia as cited from (Ferdian, 2019). Not only in Indonesia, on a global scale Honda is in the top 20 ranking among the world's best brands (Hondanews.eu). With this, Honda's credibility as a competitor in the automotive industry is not in doubt.

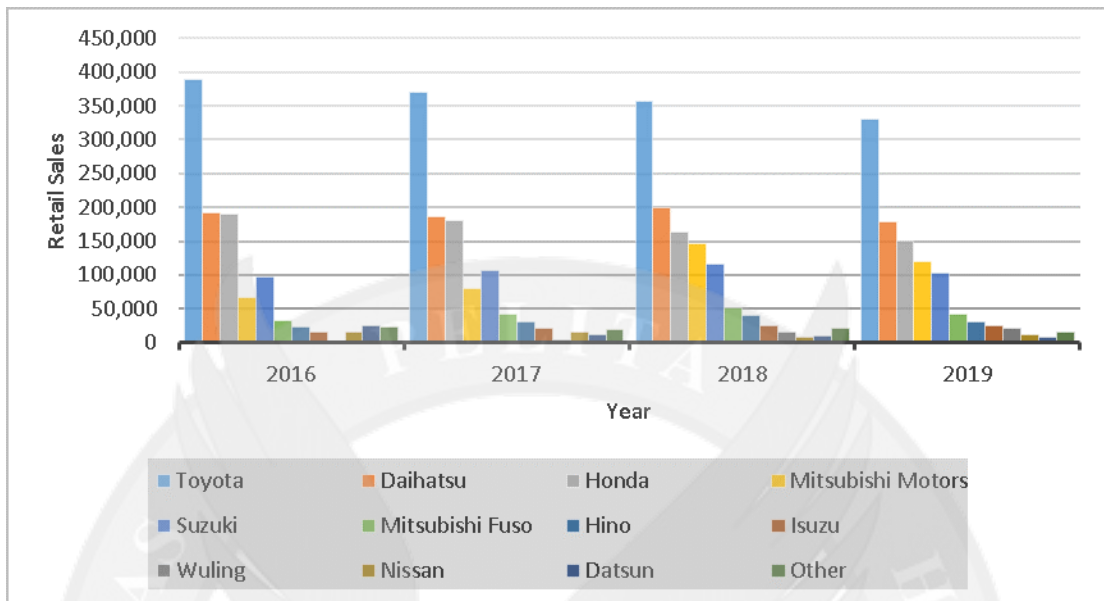


Figure 1. 2 Retail sales by brand data 2016 – 2019
Source: Gaikindo.or.id

Based on *Gaikindo* data of retail sales 2019 on figure 1.2, Toyota and Daihatsu which both of them under Astra Group ranks first and second in the figure of top retail sales in Indonesia, while Honda ranks third for retail sales in Indonesia. This shows that Honda is still left behind and has more than 17.4% amount of market share catching up to do. Also we can see the sales of Honda decreasing every year and the reasons are other competitors such as Mitsubishi Motors have experienced an increase in sales and newcomers such as Wuling who are competing to win market share in Indonesia. In order to increase sales, it is important for Honda to figure out what might influence consumers' purchase intention.

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 the Indonesia customer purchase intention on Honda car 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.

There have been many researches regarding purchase intention combined with other variables such as country of origin, brand image, and product quality. Those research are *Pengaruh Country of Origin dan global Brand Image terhadap Minat Beli dan Keputusan Pembelian* (Tati, Suharyono, & Yulianto, 2015), *Consumer Purchase Intention toward Products Made in Malaysia vs. Made in China: A Conceptual Paper* (Lew & Sulaiman, 2014), *Country of origin dan Pengaruhnya Terhadap persepsi kualitas dan minat beli (Survei pada Calon Konsumen yang Berminat Membeli iPad di Indonesia)* (Dinata, Kumadji, & Hidayat, 2015). However, most of the products that have become the research objects are in the electronic industry and still very little study about it in the automotive industry, especially passenger cars. Hence this study will try to research the effect of country of origin, perceived product quality, and brand familiarity towards purchase intention of Honda in Indonesia. This research is a replication from previous research done by Yunus & Rashid (2016) with title “The

Influence of Country-of-origin on Consumer Purchase Intention: The Mobile Phones Brand from China”.

1.2 Research Problems

Currently Honda is in 3rd place behind Daihatsu and Toyota, both of which are under the Astra Group. Furthermore, there are many new rivals who continue to enter the Indonesian automotive market such as Wuling, DFSK and most recently Morris Garage which has just entered the Indonesian market. Hence, in order to be able to sustain and improve their position as market leader in the automotive industry in Indonesia, it is important to conduct research into what affects the buying intention of consumers on Honda products. Therefore, the research questions of this research are:

- 1) Does Country of Origin have an effect on Indonesia consumers' purchase intention for Honda?
- 2) Does Perceived Product Quality have an effect on Indonesia consumer's purchase intention for Honda?
- 3) Does Brand Familiarity have an effect on Indonesia consumer's purchase intention for Honda?

1.3 Research Objectives

According to the research problem, this study aims to determine whether these variables can really influence the purchase intention of Honda so that in the future it can help increase Honda sales, So the objective of these study are:

- 1) To examine whether Country of Origin has an effect on Indonesian consumers purchase intention of Honda.
- 2) To examine whether Perceived Product Quality has an effect on Indonesian consumers purchase intention of Honda.
- 3) To examine whether Brand Familiarity has an effect on Indonesian consumers purchase intention of Honda.

1.4 Research Limitations

As for the limitation the researcher has set limitation describes as follows:

- 1) The respondents are the civilians from Indonesia that own or have owned Honda cars.
- 2) The research will be conducted online using Google form media because during this research period there was a pandemic (Covid-19) and to fulfill the government's appeal for social distancing.

1.5 Research Benefits

There are several benefit researchers hope can be obtained through this research, which are:

- 1) This research is expected to be a means to use the knowledge that has been learned and obtained from *Pelita Harapan* University.
- 2) This research is expected to provide new insights for Honda, as well as provide insights on consumers' perceptions of repurchase interests.

- 3) This research is expected to add insight into the development of new knowledge for universities about the company.

1.6 Research Outline

CHAPTER 1 : INTRODUCTION

This chapter consists of the research background, research problems, objective, limitation and benefits of the research.

CHAPTER II : LITERATURE REVIEW

This chapter consists of a theoretical framework built to refer to the previous research.

CHAPTER III : RESEARCH METHOD

This chapter consists of the Research Method, Rules of thumbs and research objects are discussed in this chapter.

CHAPTER IV : RESULTS AND DISCUSSION

This chapter consists of discussing the result of the findings from the data collected and what Hypotheses are taken.

CHAPTER V : CONCLUSION AND RECOMMENDATION

This chapter consists of the Conclusion of the research and Recommendation for future research.