

CHAPTER I

INTRODUCTION

This chapter introduces the thesis and includes background, problem statement, research questions, research objectives, significance and organization of the study.

1.1 Background of Research

Globalization has transformed human civilization and revolutionized the way human lives. The constant exchanges of information, technology, people, ideas, goods and services across borders bring the world much closer together and countries more interconnected with each other. This elimination of national barriers effectively implies an integration of world economies, cultures and systems. Technology too, along with globalization, has developed phenomenally. The rapid evolution of information technology, especially in the early 21st century, has given rise to cutting-edge 5G technologies which include Artificial Intelligence (AI), Virtual Reality (VR), Internet of Things (IoT) and Driverless Cars. Global corporations capitalize on globalization and this technological leap to grow their international businesses.

Riding on the wave of globalization and the resulting trade liberalization is a Chinese automobile manufacturer Wuling Motors. Originally established in 1962

as Liuzhou Wuling Automobile Industry in Guangxi, China, Wuling specializes in producing engines, special purpose mini vehicles, auto parts, trucks and buses. In 2002, a joint venture between SAIC Motor, General Motors, and Wuling Motors is formed under the name SGMW Motors. SGMW Motors is responsible for the production and sales of mass market low-cost minivans in China, with total annual sales of more than 2 million units. SGMW Motors, under the Wuling brand, has also swiftly expanded into non-mainland markets – Hong Kong and Macau – and penetrated into global market, most notably Indonesia. Indonesia, with the world’s fourth largest population of more than 270 million people, offers the largest fast-growing car market within Southeast Asia, with an annual sales growth of 23.6% (Setiadi, Adiwijaya, & Subagio, 2018). This presents an attractive opportunity for Wuling to tap on for their global business and aggressive marketing ambitions.

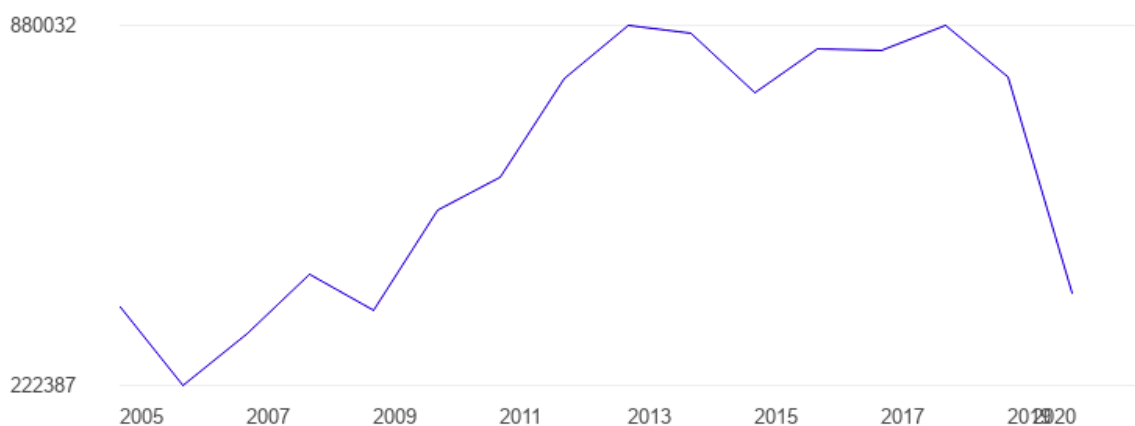


Figure 1.1 Number of New Passenger Car Sales in Indonesia, from 2005 to 2020

Source: The Global Economy, 2021

Indonesia has a hyper-competitive automotive industry traditionally dominated by Japanese automakers. Through their excellent reputation obtained from high-quality sales and aftersales service, reliable product quality, high product durability, low maintenance cost, reduced fuel consumption and the wide network of dealers and autoparts distribution (Handoyo & Nugraha, 2020), Japanese brands like Toyota, Honda, Mitsubishi account for almost 97% of vehicles sold in Indonesia. Wuling, therefore, faces robust challenges in entering and penetrating an industry of such formidable Japanese competition, especially considering the country where Wuling comes from – China. Indonesian consumers are typically wary of Chinese products, notorious for being counterfeit imitations and of low quality (Wicaksono & Mashariono, 2020). It is also noteworthy that prior to Wuling's entry, there had been two Chinese automotive brands that failed to gain grounds in the Indonesian market. In 2006, Chery attempted to break the market and managed to secure a meagre 279 units in the first year, rising to 853 units in the third year before diminishing substantially in the subsequent years. Another brand Geely had also sold only 1232 units in 2012 before languishing in the following years and exiting (Albertus, 2021). Wuling would therefore be extremely cautious on not being another failed Chinese attempt.

It is therefore unexpected that Wuling has been able to score enormous success in the Indonesian market. In 2019 for instance, Wuling has the highest market growth of all automotive brands in Indonesia (Suyanto & Prakoso, 2020). Since its Indonesian factory completion and inaugural sales in 2017, Wuling has

surprised many observers with its remarkable growth in such a short period of time, catapulting itself to the eighth largest automotive seller in Indonesia.

Table 1.1 Sales of the Top 10 Automotive Brands in Indonesia from 2017 to 2019

No	Brand	2018	2017	%	2019	2018	%
1	Toyota	352161	371332	-5.2	331797	352161	-5.8
2	Daihatsu	202738	186381	8.8	177284	202738	-12.6
3	Honda	162163	186859	-13.2	137339	162163	-15.3
4	Mitsubishi	142861	79807	79	119011	142861	-16.7
5	Suzuki	118014	111660	5.7	100383	118014	-14.9
6	Mit. Fuso	51470	41588	23.8	42754	51470	-16.9
7	Isuzu	26098	20085	29.9	25270	26098	-3.2
8	Wuling	17002	5050	236.7	22343	17002	31.4
9	Hino	39737	29644	34	31068	39737	-21.8
10	Mazda	5657	3861	46.5	4884	5657	-13.7

Source: Gaikindo (2021)

Table 1.2 Sales of the Top 10 Automotive Brands in Indonesia from 2019 to 2021

No	Brand	2020	2019	%	2021*	2020*	%
1	Toyota	161256	331797	-51.4	122177	81816	49.3
2	Daihatsu	90724	177284	-48.8	74827	49774	50.3
3	Honda	73315	137339	-46.6	48481	38769	25.1
4	Mitsubishi	57906	119011	-51.3	47937	27932	71.6
5	Suzuki	66130	100383	-34.1	42075	28786	46.2
6	Mit. Fuso	21359	42754	-50	14083	10061	40
7	Isuzu	16422	25270	-35	12074	7107	69.9
8	Wuling	6581	22343	-70.5	10973	1848	494

9	Hino	12621	31068	-59.4	8645	5861	47.5
10	Mazda	2660	4884	-45.5	1939	1136	70.7

*January-June period. Source: Gaikindo (2021)

The sales data from the table clearly shows the outstanding growth of Wuling in Indonesia (236.7% in 2018 and 494% in 2021), except for the year 2020 thanks to the Covid-19 Pandemic. It is thus of interest to study Wuling's exceptional performance in such a short time period. Wuling's product lineup includes Confero, Cortez, Formo in the MPV class as well as Almaz in the SUV class. Wuling's marketing strategy of low-price deep penetration has proven very effective in selling their automobile products in the respective classes. Wuling also employs state-of-the-art technology like the Artificial Intelligence Wuling Indonesian Command (WIND) to indulge its users. Wuling's combination of low price and refined technologies vastly distinguishes itself from its Japanese competitors, attracting booming interest from Indonesian consumers.

Country of Origin (COO) may play a part in influencing an individual in purchasing Wuling automobiles. Inevitably, stereotypes are formed on the characteristics and quality of products from certain nations (Yasin, Noor, & Mohamad, 2007). Products would hold desirable standing in the minds of consumers if they are associated with a country with a positive image (Milovan-Ciuta, Ardelean, Sahour, & Jurca, 2019) and correspondingly, they would hold less desirable standing if they are attributed to a country with a negative image. Prospective buyers may also have psychological and emotional considerations in

the brand and the country the brand comes from (Liu, Li, Mizerski, & Soh, 2012). Undeniably, despite many Indonesians generally favouring imported goods rather than locally-made goods, Chinese products have not been particularly well received in Indonesia, owing to their reputation of being cheap low-quality items. The prevailing negative reputation of China worldwide, coupled with the different political and cultural systems of China compared to Indonesia, further exacerbate this negative perception.

Perceived value, on another note, is the benefits the consumers derive over the cost he sacrifices. Despite the challenges, Wuling has been able to separate itself from the pool through the value offering of low price and the sophisticated level of technology. China as well has made tremendous strides in their economic strength, technological advancement and product quality such that their reputation is steadily improving (Shepard, 2016). Chinese smartphone brands, for example, consistently made it to the top five largest smartphone sellers in the world, proving the quality and the value offered by Chinese brands.

On the other hand, consumer trust is crucial in relationships between consumers and business organizations. When a consumer trusts a business, it implies he/she considers the organization as reliable, honest and has full confidence in it (Lin & Lu, 2010). Higher level of trust allows the business to communicate better and persuade consumers to stay loyal to the business. Wuling's relatively young age in Indonesia as well as the negative reputation of China-linked brands

may suggest that insufficient trust may have been cultivated between Wuling and its consumers. Trust level would thus have an implication on the purchase intention of Wuling products.

Over the last two years, the Covid-19 pandemic has caused massive disruption in all aspects of human lives – economic, social, political, cultural – as well as unprecedented economic losses and human lives. The pandemic has led to the closure of borders and halt in international travel, isolation of countries, lockdowns, closure of schools and institutions, overwhelmed healthcare systems, collapse in the stock market, disturbances in global supply chain. It has plunged the world into the largest global recession since the Great Depression of the 1930s and may have cost the world tens of trillions of dollars. It has even led to exacerbation of racism, political tensions, mental health and wealth inequality. While vaccines have been discovered to mitigate the disastrous health effects of the virus, the pandemic remains far from over, with countries battling resurgence of cases. The pandemic has certainly affected businesses worldwide, such as Wuling.

With that in mind, it is therefore the interest of this research to investigate the influence of Country of Origin (COO), perceived value and consumer trust on the purchase intention of Wuling automobiles in Indonesia, especially in the current climate of Covid-19 pandemic. The research model is modified from Ali, et al (2021) and Handoyo, et al (2020). The variable Influencer Marketing from Ali's research is not included as influencer marketing is more relevant in online commerce setting

studied by Ali. As similar literature on Wuling that takes into context the Covid-19 pandemic has not been found, it is hoped that the research would contribute to the knowledge body that takes Covid-19 pandemic into deliberation. The research may well inform Wuling on a better strategy in Indonesia during Covid-19 pandemic.

1.2 Research Problem

Based on the sales data on top 10 automotive brands in Indonesia presented, Wuling's performance is laudable. Wuling became the eighth largest car seller in Indonesia in such brief period. Wuling, however, registered a drop of -70.5% during the pandemic year of 2020 and has the potential to be in the top five or even the largest automotive seller in Indonesia. This is given the slew of offerings by Wuling which include more superior technology, finer design and more competitive pricing. This research therefore investigates Country of Origin (COO), perceived value and consumer trust on their effects on purchase intention of Wuling automobiles for better sales performance, especially during the tough Covid-19 pandemic situation.

1.3 Research Questions

A few questions that this research aspires to answer include:

- Is there a positive effect of Country of Origin (COO) on the purchase intention of Wuling automobiles in Indonesia during Covid-19 pandemic?

- Is there a positive effect of perceived value on the purchase intention of Wuling automobiles in Indonesia during Covid-19 pandemic?
- Is there a positive effect of consumer trust on the purchase intention of Wuling automobiles in Indonesia during Covid-19 pandemic?

1.4 Research Objectives

This research aims to:

- Investigate whether there is a positive effect of the Country of Origin (COO) on the purchase intention of Wuling automobiles in Indonesia during Covid-19 pandemic.
- Examine whether there is a positive effect of perceived value on the purchase intention of Wuling automobiles in Indonesia during Covid-19 pandemic.
- Assess whether there is a positive effect of consumer trust on the purchase intention of Wuling automobiles in Indonesia during Covid-19 pandemic.

1.5 Significance of the Study

- To the Researcher

This research allows the researcher to gain insights on a rapidly growing Wuling and the automotive industry in Indonesia as well as the factors affecting Wuling's performance and Chinese automotive brand in Indonesia.

- To Future Researchers

This research allows future researchers to look into factors affecting Wuling's performance during an extremely unusual period of Covid-19 pandemic.

- To Universitas Pelita Harapan Business School

This research would add to the university's collection of literature on studies on global automotive brand in Indonesia, that takes Covid-19 pandemic context.

- To Wuling

This research may inform Wuling on information and strategies to hold their sales number or better still, boost sales and sustain their business in Indonesia during the difficult Covid-19 pandemic situation.

1.6 Organization of the Study

- Chapter I Introduction

This chapter introduces the thesis and includes background, problem statement, research questions, research objectives, significance of the study as well as organization of the study.

- Chapter II Literature Review

This chapter discusses theoretical framework, prior literature related to the research, research variables, relationships among variables, hypothesis as well as research model.

- Chapter III Research Methodology

This chapter describes the research paradigm, type of research, measurement of variables, unit of analysis, sample design and total sample, questionnaire development as well as data collection and analysis methods.

- Chapter IV Results of Discussions

This chapter presents the results of data collection and the analysis of data collected.

- Chapter V Conclusion and Recommendations

This chapter concludes the research and presents recommendations and opportunities for further research.