CHAPTER I

INTRODUCTION

This chapter will describe the entire framework of this research. It contains of research background, research problem, research question, research objective, research limitations, research contribution, and research outline.

1.1 Background

In globalization era, activities around the world has experienced progressive developments and evolvement processes especially in international business activities. International business has enabled trading in business activities across nations and it has also affected the creation of multinational corporations. One of the factors that driven this development in international business is the reduction of boundaries in many markets, not only domestically, but also internationally. The expansion of market potential abroad has led companies to sell their product abroad. As more companies start to sell their products abroad, the number of foreign brand products increased in various markets. This phenomenon has affected consumers buying behavior, whereas consumers become more evaluative towards a product when considering to buy a product

The development in international business has not only affected trade across borders internationally, it also affected the flow of information across the world. The need for information has increased over time. In order to get the information that is needed, there are some ways that can be used such as browsing the web, reading books that contain relevant information

that is needed, and through communication on smartphones. In the beginning, smartphones were made specifically to communicate with voice through signals, but nowadays, smartphones can help its user in many ways, from opening global sources of information, bridging the gap in communication through online messaging, e-mails, photos, videos, monitoring health, finance, or even studies, smartphones can almost do it all (Device Region, 2017). The progressive advancement of smartphones technology has enabled smartphones to evolve and become a computer like technology. Hence, its capability has made smartphones to become an essential tool for consumers in order to perform daily personal and professional operations.
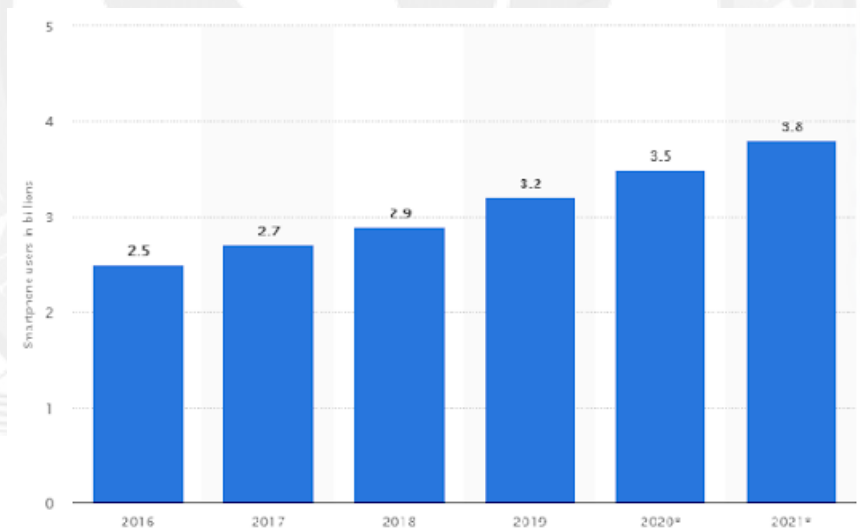

Figure 1.1. Number of smartphone users worldwide from 2016 to 2021.

Source: Statista (2020)

Therefore, according to Statista (2020) the number of smartphone users worldwide has increased in the course of 4 years. From 2016 to 2019,

worldwide smartphones users have increased from 2.5 billion people to 3.5 billion people. It is also estimated that by 2021, the number of worldwide smartphones users will go up to approximately 3.8 billion (Figure 1.1).
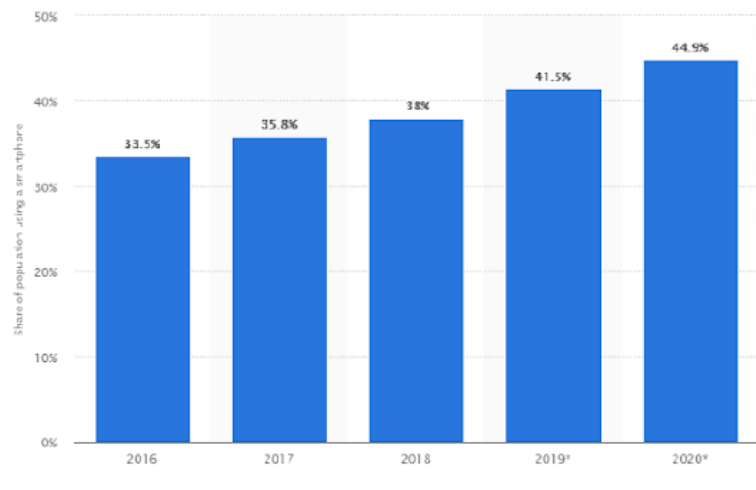

Figure 1.2. Global smartphone penetration rate as share population (2016-2020)

Source: Statista (2020)

According to Statista (2020) in 2019, the global smartphone penetration rate is projected to pass 40 percent for the first time. With 3.2 billion smartphone users worldwide and a global population of about 7.7 billion, the global smartphone penetration has reached 41.5 percent (Figure 1.2).
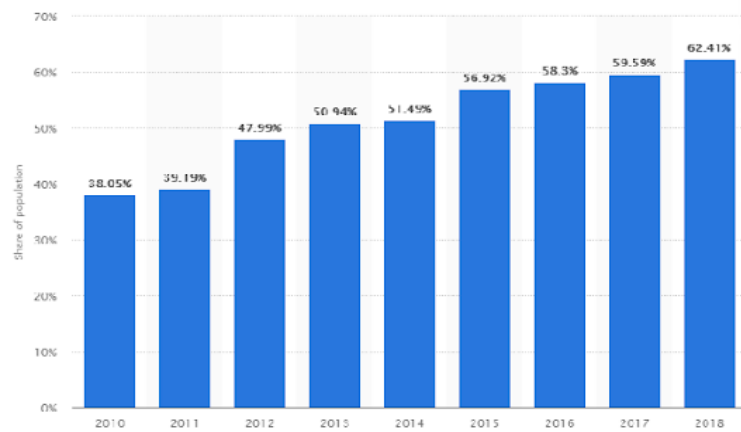
Figure 1.3. Share of population owning a mobile phone in Indonesia (2010-2018)

Source: Statista (2020)

This increased of smartphone users worldwide is also occurred in Indonesia, according to Statista (2020) from 2010 to 2018, the percentage of Indonesian people that use smartphones has gone up from 38.05% to 62.41% in the course of 8 years (Figure 1.3).
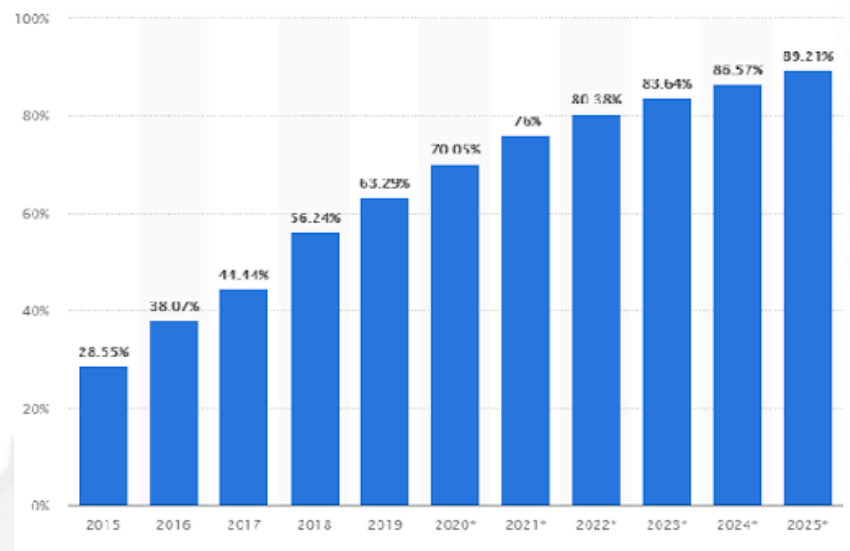
Figure 1.4. Smartphone penetration rate as share of the population in Indonesia from 2015 to 2025*

Source: Statista (2020)

Hence, Statista (2020) also stated that smartphone penetration rate in Indonesia has grown from 28.55% in 2015 to 63.29% 2019, and it is estimated that by 2025, smartphones penetration rate in Indonesia will reach 89.21% (Figure 1.4). There are lots of smartphone brands that is sold in Indonesia, and one of them is Samsung.

Samsung Group is a conglomerate company that is based in South Korea that has a number of subsidiaries. Samsung is one of the largest companies in South Korea that produced one-fifth of Korea's total exports in construction, heavy duty, defense, and electronics. A number of subsidiaries that Samsung has includes advertising, entertainment, and insurance (Lifewire, 2020)

Samsung was founded in 1938 in the city of Taegu by Lee Byung-chul as a trading company. Samsung began its journey as a grocery store, exporting, and trading products made in and around the city such as vegetables, fish, and noodles. Samsung grew big and eventually it expanded to Seoul in 1947 but the company decided to leave the country when the Korean War had started. In the middle of the war, the founder of Samsung started a sugar refinery in Busan, then he expanded Samsung to building and textile industry, in which those two industries were the most profitable among other industries at that time. Then from 1960 up until 1980, Samsung entered the electronic industry and formed four focus divisions such as, Samsung Electronic devices, Samsung Corning, Samsung Electro-Mechanics, and Samsung Semiconductor and Telecommunications (Lifewire, 2020)

Samsung began to build the first prototype of touch screens in 2001, and in the late 2000s until 2010s, it started to acquire many companies that focused on developing electronic devices. Then, in 2011, the company released its smartphone which was Samsung Galaxy SII, and followed by Samsung Galaxy SIII in the following year and it became worlds' most popular smartphones. The following year, Samsung made many additional acquisitions on companies that were developing new technologies such as smart TVs, OLED displays, printing solutions, payment solutions, cloud solutions, artificial intelligence, and home automation. (Lifewire, 2020). For several years, Samsung has been a top contender in smartphone market

all over the world. In fact, from 2016 until 2019, Samsung managed to improve their market share in the last year of 2019, by 0.46% compared to 2018 (Table 1.1). This positive growth in 2019 indicated a slight uptrend of Samsung market share in the world.

Table 1.1 Mobile Phone Market Share by Vendor in the World

Smartphones Brands	Des 2016	Des 2017	Des 2018	Des 2019
	(in percentage)			
Samsung	33.63	31.65	30.91	31.37
Apple	18.89	19.91	21.98	24.79
Huawei	3.68	4.96	7.52	9.95
Xiaomi	N/A	4.75	8.44	7.73
Oppo	N/A	3.42	4.87	4.23
Mobicel	N/A	N/A	3.3	3.19

Source: Statcounter (2020)

In Indonesia, Samsung still held the title as the market leader in the smartphone industry. In 2019, it held approximately 24.22% market share of smartphone industry in Indonesia (Table 1.2). Although, Samsung still held the title of the market leader of Indonesia's smartphone industry in 2019, there has been a declining trend of Samsung market share in the Indonesia's smartphone industry from 2016-2019 period, where the overall market shared of Samsung declined from 29.54% in 2016 to 24.22% in 2019 or has plummeted over 5% in the course of four year periods, whereas the market shares of smartphone companies like Oppo and Xiaomi from China were increasing rapidly. From 2016-2019 period, Oppo managed to increase their market share in Indonesia by 13.55%, whereas Xiaomi managed to increase their market share in Indonesia by 14.67% (Table 1.2).

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

Source: Statcounter (2020)

Market share can also be seen as sales that relative to other smartphone manufacturer in the industry and it is used to express competitive position in the market (Etale, Bingilar, Ifurueze, 2016). According to Morwitz (2012) purchase intention is the leading indicator in measuring future demand of a product and it helps to assess the actions needed to improve future sales. Therefore, to measure future demand of the product and to assess the actions needed to improve future sales it is important to analyse the consumer purchase intention.

Purchase intention is affected by many variables and some of them are country of origin image, brand familiarity, product quality, and social influences. Country of origin perception contains vast meaning that it is basically a consumers' perception of the image of the country. Consumer has a perception about superiority of a particular country in producing a product. There is a tendency that consumer thought that global brands are more trusted in some sense (Ratriyana, 2018). Furthermore, when consumers are familiar to a certain brand, their product experience with related information may result in a higher levels of imagery elaboration that

should influence and help shape their purchase intentions (Yu, Cho, Johnson, 2017). Customers purchase intentions also depends upon the quality of the product and it certainly has a significant impact on it (Faisal-E-Alam, 2020). Sthapit, Laohakosol, and Sharma (2018) inferred that social influence also has a direct influence on purchase intentions on a product or services. Hence, this study will try to research the impact of Country Image, Product Quality, Brand Familiarity, and Social Influence towards Purchase Intention of Samsung Smartphones. This study is a Modified Research Model from (Yunus & Rashid, 2016) and Research Model from (Rahim, Safin, Kheng, Abas, Ali, 2016).

1.2 Research Problem

As stated above, Samsung's market share in the world remains stable and slightly increased in the last four years, but it is not the case in Indonesia. Even though Samsung still dominated the smartphone market in Indonesia, it has experienced a decline trend in the last four years, whereas its competitor Oppo and Xiaomi's market shares were increasing rapidly. Therefore, the research questions are:

- Does Country Image have a positive influence towards Customer Purchase Intention for Samsung in Indonesia?

- Does Brand Familiarity have a positive influence towards Customer Purchase Intention for Samsung in Indonesia?

- Does Product Quality have a positive influence towards Customer Purchase Intention for Samsung in Indonesia?

- Does Social Influence have a positive influence towards Customer Purchase Intention for Samsung in Indonesia?

1.3 Research Objective

Based on the research questions above, the research objectives are as follows:

- To identify the influence of Country Image towards Customer Purchase Intention for Samsung in Indonesia

- To identify the influence of Brand Familiarity towards Customer Purchase Intention for Samsung in Indonesia

- To identify the influence of Product Quality towards Customer Purchase Intention for Samsung in Indonesia

- To identify the influence of Social Influence towards Customer Purchase Intention for Samsung in Indonesia

1.4 Research Scope

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

- This research discusses about Country Image, Product Quality, Brand Familiarity, Social Influence, and Customer Purchase Intention.

- The respondents in this research people that have used or still use Samsung smartphones in Jabodetabek area which are considered as Y Generation or Millenials can be inferred as a group of generation that was

born from 1981 up until 1999 (Bolton, Parasuraman, Hoefnagels,

Migchels, Kabadayi, Gruber, Loureiro, Solnet, 2013).

- Smartphone brand that is used in this research is Samsung.

Conditions describe above are a form of replication of further research where the suggestions from previous research of Rahim, Safin, Kheng, Abas, Ali (2016) and Yunus & Rashid (2016) conducted in different countries and respondents.

1.5 Research Outline

The entire outline of this research are listed below:

- **CHAPTER I – INTRODUCTION**

    The first chapter consists of the research background, research problem, research objectives, research scope, and also the systematic outline of the all consecutive chapters.

- **CHAPTER II – THEORETICAL BACKGROUND**

    The second chapter consists of the theoretical background that is used in the study, literature review, and also the linkages between variables. The conceptual framework of this research hypotheses is also added in this chapter.

- **CHAPTER III – RESEARCH METHODOLOGY**

    The third chapter explains the methods that is used to further analyze and measure the relationship between all variables including the research design and methods of data collection in the quantitative research approach.

- **CHAPTER IV – RESULTS AND DISCUSSION**

The fourth chapter consists of the pre-test result and the result of actual research of the linkages between variables in this research. The pre-test result and the actual result using statistical examination performed with the data collected. The result of the discussion will provide the answer to the research question and led to a conclusion of the research.

- **CHAPTER V – CONCLUSION AND RECOMMENDATION**

    The fifth chapter concludes the overall research and it will provide some insight from the researcher, managerial implications, limitations of the study, as well as the recommendations that can be applied in future research.