

CHAPTER I

INTRODUCTION

1.1. Background

Business globalization not only inspires companies to deliver their products and services to consumers around the world, but also encourages a higher level of competition in the global market. One of the most interesting (Nugroho et al., 2015). The phenomenon in global business practices is that in developing countries, consumers prefer imported goods because they are not only of high quality but also their country of origin which affects their purchasing intention.

In the era of globalization, technological progress around the world is very fast and very influential on international business. with advances in technology, international business has become easier. all over the world find it easy to communicate, search for data or information using only one device, namely a smartphone. with the development of international business smartphones, it is easier to reach from far or near. With the existence of a smartphone, the distance between one country and another is not an obstacle because everything can be accessed using a smartphone, this makes smartphone use around the world increase along with data on smartphone usage around the world.

Competition between smartphone brands is increasingly fierce, smartphone manufacturers are competing with each other to win the market. Manufacturers must always be able to innovate and be observant in seeing the increasingly complex needs of

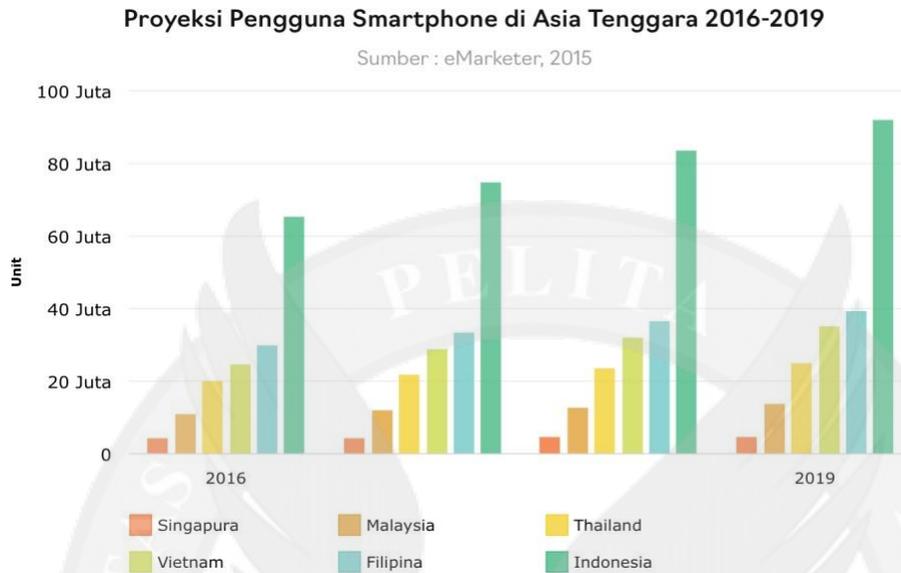


Figure 1.2. Smartphone Growth In Southeast Asia from 2016 - 2019 source: databoks.com

From figure 1.2. This data shows the use of smartphones in Southeast Asia, Indonesia, a country that has the largest smartphone users than countries in Southeast Asia and there is still an increase every year.



Figure 1.3. Growth Rate Of Smartphone Use In Indonesia From 2017 To 2023

Source from: statista.com

From the data figure 1.3. that there has been a significant increase in the use of smartphones in Indonesia, this can be seen in the chart above in 2017 by only 24% and in the projected 2023 to 33%. from the above, there is an increase of 9% from 2017 to 2023.

Indonesia is part of Southeast Asia, Indonesia has also been a member of ASEAN since 1967. Indonesia has the largest population in the ASEAN region and the world is in position 4 which according to a BPS survey with a population of 265 million people. With a very large population, Indonesia has a very big opportunity for investors to develop their businesses in Indonesia because it has the largest population in ASEAN and in the world number four.

Table 1.1 Mobile Phone Market Share In The World

samsung	32.99%	30.77	31.6%
xiaomi	3.1%	6.57%	7.8%
oppo	2.8%	4.01%	4.4%
iphone	19.65%	20.42%	22.71%
huawei	4.47%	6.54%	9.13%

Table 1.1 Mobile Phone Market Share In The World

Source statcounter.com

From the table above, Samsung from 2017 to 2019 still dominates the world market. Samsung has been able to maintain its position as the number one market share in the world for the last 5 years since 2015. From the table above, there was a decrease in sales in 2018 by 2.22% and then in 2019, Samsung's sales increased by 0.83%. Compared to its competitors which continues to increase from year to year.

Table 1.2 Mobile Phone Market Share In Indonesia

Brand	2017	2018	2019
samsung	29.88%	28.7%	25.33%
xiaomi	11.2%	17.63%	21.36%
oppo	9.9%	13.5%	18.28%

iphone	3.36%	4.33%	5.49%
huawei	N / A	N / A	1.11%

Source: statcounter.com

From the table above, Samsung is still the market leader in Indonesia and in the world. Even though Samsung is the market leader in Indonesia, Samsung has experienced a decline in sales from 2017, Samsung has a sales percentage of 29.88% and in 2019, Samsung's sales were only 25.33%, this made Samsung experience a decrease in sales in Indonesia by 4.55%. If we look at the table of Samsung's competitors from year to year, sales have increased by approximately 3% to 4% from 2017 to 2019. Samsung market share in the world has increased from 2017 to 2019 while Samsung's market share in Indonesia has decreased from 2017 until 2019

When smartphone companies expand their business to Indonesia, they will surely encounter several problems that will be faced in the destination country. differences between foreign countries and Indonesia starting in terms of culture, habits, and patterns of thought. With so many differences, of course, there are many risks to a company that will expand to other countries. The risk itself means an unexpected outcome by a person or group which is usually a failure. Risk is the uncertainty about future events. So that all operational activities of the company have risks, both those using loans or those without loans all have the same risk. Like Samsung when doing an expansion to Indonesia, it encountered several problems such as Samsung has very many competitors such as Huawei, Oppo, Xiaomi, Apple. Samsung has the same software as its competitors who

use the Android base. Many competitors use Android as the base software for Samsung's competitor smartphones and are sold below the price offered by Samsung to their consumers in the hope that Samsung consumers will switch brands because the features and software offered are more attractive than Samsung. Even though Samsung is the market leader in Indonesia, Samsung's sales have continued to decline for a long time because many brands are Samsung's competitors that offer them more attractive features.

Samsung managed to acquire DongBang Life Insurance during this time and developed it for Joong-Ang Production or commonly known as Samsung Everland. Then Samsung-Sanyo began manufacturing black and white television in 1970 and expanding its petrochemicals, shipbuilding, and aircraft engines business. Samsung Strong Industries was one of the largest ship-making firms in the world in 1974. In 1978, Samsung managed produced 5 million televisions (Lifewire, 2020)

Samsung also started two more subsidiaries in the late 1970s, such as Samsung Electronics and Suwon R&D Center (Lifewire, 2020). In 1969, Samsung Electronics was first founded and it didn't take long for Samsung to become a major South Korean producer. Samsung Electronics underwent a major growth in the electrical industry from 1969-1979 and started exporting their goods overseas. Samsung Electronics also started to gain 50% of the Korean semi-conductor industry, which ultimately made it Korea's largest producer of semi-conductors. In 1980, with the purchase of Hanguk Jeonja Tongsin, Samsung entered the telecommunications hardware business, gradually turning to manufactured cell phones. The group concentrated on telecommunications, semiconductors, and home appliances in 1987, when Samsung Semiconductor and

Telecommunications combined with Samsung Electronics. (About Samsung, n.d.)

In 2001, Samsung began creating the first prototype of touch screens and began purchasing several businesses concentrating on the production of mobile technology in the late 2000s and 2010s. Then, in 2011, the company unveiled its Samsung Galaxy SII smartphone, followed by Samsung Galaxy SIII in the following year, becoming the most popular smartphones in the world. The next year, Samsung made several additional investments on companies that were evolving emerging technology such as smart TVs, OLED screens, printing systems, payment solutions, cloud solutions, artificial intelligence, and home automation. (About Lifewire, 2020). Samsung has been the world's top contender in the mobile business for many years.

Before deciding to buy and use a smartphone, consumers certainly have reasons why they are interested in the smartphone they want to use. According to Rahim, A. *et al.*, (2015), stated that purchase intention is a plan to buy certain goods or services in the future, and will not necessarily implement it because it depends on one's ability to implement it. In the end, consumers will do it. a process called purchase intention. In the minds of consumers, trust in a brand will arise and new information that is thought of in determining purchases (Mowen, 2012). In the purchase intention, it is related to two different things, namely the desire to buy and the purchase decision plan. Before making a purchase, consumers make certain considerations before finally deciding to buy a notebook as desired.

Country image has become one of the most debated subjects in worldwide marketing literature. Research aimed at evaluating the picture of the nation has been

carried out. Some experts argue that getting a photo of a nation will help. The country's reputation has a huge effect on customer buying intentions. They also claim that the image of the country or region affects all target audiences, including buyers, visitors, buyer organizations, retailers, and overseas investors (Cotîrlea, 2015). In developing countries, consumers prefer imported goods because it is not only high quality but also their country of origin which influences their purchasing decisions (Moradi & Zarei, 2012).

In addition, as the brand image is the basis for competing in the market, it must be identified, constructed and managed carefully. Brand image not only allows companies to gain a competitive advantage to provide the latest products and services, but also helps businesses expand their brand image for other products and services. (Hien et al., 2020). Prospective customers who will decide to buy will see from various aspects. One aspect that is often used as a reference for consumers before making a purchase is to look at the brand image itself. Brand image is a set of beliefs, ideas, and impressions that a person has on a brand. Brand image is a requirement for a strong brand. Brand reputation will affect one's view of the products offered by manufacturers.

Social media users are growing rapidly around the world, including in Indonesia. For individuals, the motivation to use social media is looking for information, sharing information, entertainment, relaxation, and social interactions. For organizations or companies, social media is widely used as a medium or tool for marketing communications. Organizations use social media as a marketing communication tool and the consequences of using social media as a marketing communication tool (Bougenville & Ruswanti, 2017).

Based on the description above, the authors are interested in conducting research to determine the effect of country of image, perceived quality, brand image, social media marketing and on purchase intentions. Based on the explanation above, the researcher will examine a research model based on the replication of researches done by Yunus and Rashid (2016), Laksamana (2018), Kim, R. B., & Chao, Y. (2019) encourages researchers to conduct a research on the influence that Country Image, Product Quality, Brand Image, Social Media Marketing have towards Purchase Intention.

1.2. **Research Problem**

From the data that has been described above, an outline can be drawn that describes the current state of Samsung. Samsung is experiencing a decline in sales which should be a concern for the Samsung company. Competition from Chinese smartphone brands is starting to produce results that can shake Samsung's position as the market leader in the smartphone business. Like Oppo, as a smartphone manufacturer from China, offers its products at a lower price than other competitors, and the specifications offered are able to exceed competing products in the same price range. For example, here's a comparison of one Oppo smartphone (Oppo F1s 2017) with a Samsung smartphone (Samsung A3 2017) in the price range of 3-4 million rupiah. With a cheaper price and the same features offered makes this Chinese smartphone dominate Indonesia. This is evident from sales in 2020 Oppo become a brand smartphone which sits at the top of the biggest sales in Indonesia. On the other hand, Vivo is in second place, experiencing an increase, from around 1.9 million units in 2019 to 2.47 million units in the third

quarter of 2020. In third place there Xiaomi which recorded 1.8 million unit shipments compared to a year ago. Samsung, which appears in fourth place, is also said to have experienced a decline in cellphone sales in Indonesia. Namely from around 2.43 million units in the third quarter of 2019 to 1.6 million units in the third quarter of this year. For that we need an action from Samsung that can increase product purchases by consumers.

Based on this description, researchers are interested in being able to analyze the problems faced by Samsung, namely decreasing purchase intentions and using several variables. Researchers used 4 variables, including country image, perceived quality, brand image, social media marketing and purchase intention.

This research question is

1. Does country image influence purchase intention for Samsung Smartphone in Indonesia?
2. Does product quality influence purchase intention for Samsung Smartphone in Indonesia?
3. Does brand image influence purchase intention for Samsung Smartphone in Indonesia?
4. Does social media marketing influence purchase intention for Samsung Samsung Indonesia?

1.3. Research Purposes

The purpose of this research is

1. To know the influence that country image have towards purchase intention of Samsung Smartphone in Indonesia.
2. To know the influence that product quality have towards purchase intention of Samsung Smartphone in Indonesia.
3. To know the influence that brand image have towards purchase intention of Samsung Smartphone in Indonesia.
4. To knowing the influence that social media marketing towards purchase intention of Samsung Smartphone in Indonesia.

