CHAPTER I

INTRODUCTION

1.1   Research Background

Due to the rising of international business, exaggerated presence of international corporations, joint ventures between giant companies and international marketing and operations, it's become imperative for international companies to know however country of origin works because the market becomes additional competitive due to the supply of assorted international products at intervals the country. shoppers currently have a good selection of product with totallydifferent brands to decide on from and companies have to be compelled to comprehend what square measure the cues that build shoppers select their brands rather than the other. Country Of Origin and whole image square measure among the foremost important cues that influence consumers" purchase intention. Throughout the years, several researches have been done relating to this subject to help international marketers and businesses alike in leverage their brands at intervals the worldwide market. (Adenan et al., 2018)

However, there square measure sure arguments created by past researches on the results oflevel of product involvement towards Country Of Origin and consumers" purchase intention. One such argument is that the result of Country Of Origin that features a very little influence on client behaviour in an exceedingly high level of product involvement. this can be as a result of the consumers tend to look for alternative

visible data regarding the brand (Verlegh, Steenkamp, & Meulenberg, 2005; Maheswaran, 1994). Shahzad (2014) argued that the consequences are the other wherever Country Of Origin has a higher result in high involvement things as consumers are a lot of concerned in info searching.Tabassi, Esmaeilzadeh and Sambasivan (2013) suggests that future study ought to embody different product cues like complete image and Country Of Origin cues to further perceive the impact towards shopper purchase intention. This study is additionally justified by Shahzad (2014) because it is ended that a further analysis are often done is that the result of name image, to find out whether or not Country Of Origin supports the complete or the brand image itself supports the Country Of Origin.

Country- of-Origin: The Country Of Origin of a product has been origin image, product information andinvolvement on outlined as "the country of manufacture or assembly", shopper info search and get intention. known by "made in" or "manufactured in" labels. Literature Review emergence ofhybrid merchandise with parts sourced shopper Purchase Decision: associate understanding of thefrom several countries have blurred the accuracy or validity discourse components that impact upon individual purchase of "made in" or "manufactured in" labels , creating the choice creatingand also the overall method through witch identification of Country Of Origin generally terribly tough. forpeople behave associated ultimately create choices is an example, customers establish several well-known brands vital initial stage within the development of any selling with specific countries, although the merchandise being communications set up. There square measure 5 stages to the

overall evaluated wasn't factory-made within the firm's country of method whereby patrons createpurchase choices and domicile. Thus, Toyota and Honda merchandise square measure implementthem. selling communications will impact thought-about to be Japanese; McDonald's and KFCupon any or all of those stages with varied level of originated within the U.S. (HeidarzadehHanzaee & Khosrozadeh,2011)

Brand Image is indispensable for marketing where customers conclude product quality with brand image and subsequently evoke buying behavior (Chien-Hsiung, 2011). Brand Image forms the basis for making better marketing strategic decisions about certain market segments and determining the positioning of a product (Lee, James, and Kim, 2014). Product involvement is generally defined as the consumer's perception of the level of personal relationshipof a product to him (Quester & Lim, 2003). Radder and Huang (2008) found that the level of awareness for high-involvement products was much greater when compared to low-involvement products. Product involvement is also defined as the degree to which consumers perceive the product to be important (Loureiro and Ribeiro, 2013).

Product involvement is generally defined as consumer perceptions of the importance of a product category based on consumer needs, values, and interests (Bian and Moutinho, 2011). Olson (2001) product involvement as the level of consumer attention and interest in a product thatcauses readiness or desire to buy. Assael (2001) purchase intention is a behavior that arises from potential consumers or consumers as a response to an item. Purchase intention is determined by the benefits and value perceived by consumers (Wang and Tsai, 2014). Purchase intention can also be

interpreted as consumers prefer to buy a product or service because they feel that they need the product or service (Madahi and Sukati, 2012). Jaafar and Laalp (2013) explain that purchase intention is the use of an effective tool in predicting the buying process. Shah (2012), buy Intentionis also determined by the attitude of consumers towards the goods they want to buy.

Fashion could be a "cross-sector concept" that encompasses manyindustries, like attire, footwear, leather, jewellery, perfumes,and cosmetics (Brun et al., 2008). Currently, most attire corporations conjointly sell shoes, bags, and even perfumes and cosmetics,whereas shoe and bag makers are diversifying into attire and even jewelry, sorting out new and enticing ways in which toexpand their brands and build property businesses for thefuture (Cappellari, 2008). Fashion is, therefore, a broad term that typically encompasses any product or market during which vogue, asanephemeral key part, is gift and relevant (Christopher et al.,2006).

Figure 1.1. Most advanced city data

Source: GoodnewsfromIndonesia (BPS 2018)

Taken from source Goodnewsfrom Indonesia (Exhibit 1.1) which can be obtained data from the Central Statistics Agency said The most prosperous cities based on GDP per capita in2018 are city kediri with achievement of 449.23 and Surabaya used as Study this library be inorder 4th with _ income per capita 188.73 in 2018 according to study data case.
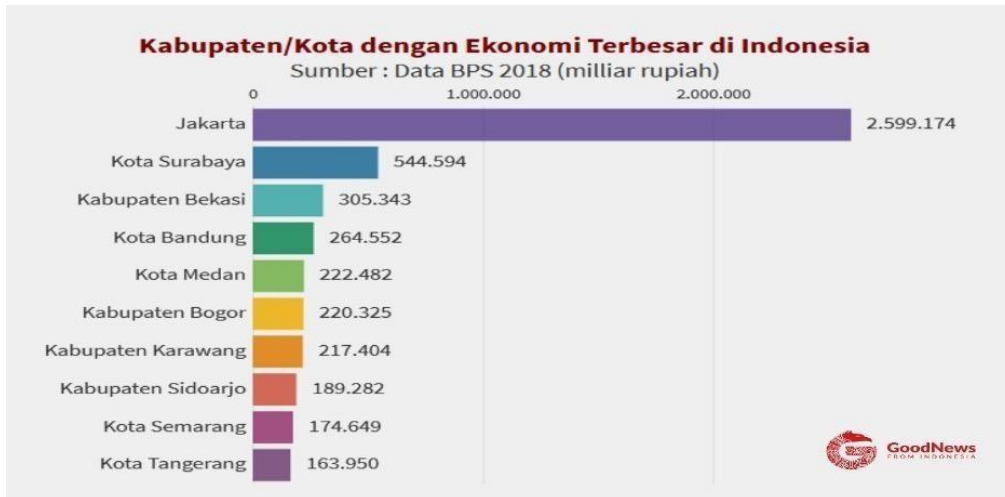
Figure 1.2. Indonesia's Largest economic Data

Source: Goodnewsfromindonesia.id (2018)

In 2018 also the data obtained (Exhibit 1.2) based on economy the largest in Indonesia is shown by the city of Jakarta with reached 2,599,174 billion rupiah. Whereas for data , the city of Surabaya is ranked second with income amounting to 544,594 billion rupiah. This thing make thecity of Surabaya as city with rate growth second highest after Jakarta. Jakarta is mother country city so produce many very income area.
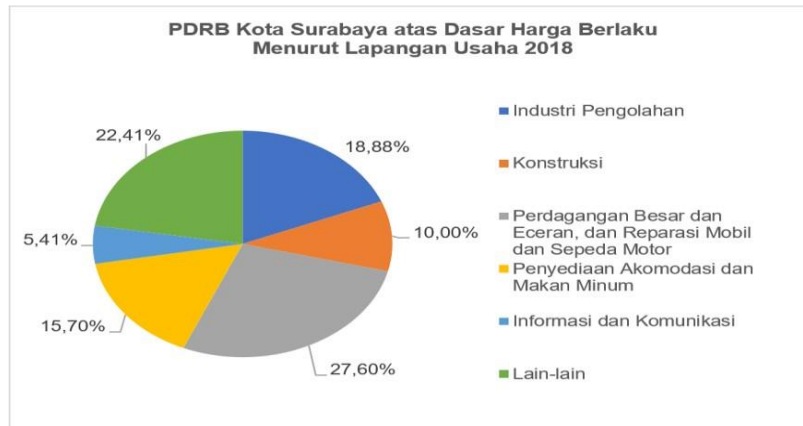
Figure 1.3 Surabaya City GDP

Source: news.ddtc.co.id

According to the data obtained from news.ddtc.co.id GRDP obtained from the city of Surabaya itself highest by industry trading big where is one is a trading industry goods branded goods, cars and motorcycles sold in the city of Surabaya. The data illustrates that in Surabaya the economic climate in the purchase of high-branded goods, which means that the purchase intention of the people of Surabaya towards high-branded goods. Data from the Central Statistics Agency (BPS) shows that the gross regional domestic product (GRDP) of the City of Surabaya in 2018 was mainly contributed by the wholesale and retail trade sector, and car and motorcycle repairs (27.60%). From 2012 to 2016, this sector has always experienced an increase and has become a pillar of the regional economy. Based on BPS data, the total revenue of the city of Surabaya reached Rp8.01 trillion. This regional development fund is based on local revenue (PAD) with a maximum contribution of IDR 4.97 trillion or 60.83%. The

high realization of PAD shows that the city has achieved fiscal independence.

The reason for choosing the city of Surabaya as the object of this research is because according to data obtained from news.ddtc.co.id GRDP (2018). The city of Surabaya ranks highest in GRDP according to the large trading industry, one of which is the trade in branded goods, cars and bicycles. motorcycle. Based on these data, it can be seen that the people in Surabaya have high buying power in purchasing high-branded goods, which means that the purchase intention of the people of Surabaya towards high-branded goods. In addition, in Surabaya, there are quite a lot of Gucci outlets.

1.2 Research Problem

In the face of increasing international business, each country is expected to be able to build a brand image and also the presence of international companies that are growing rapidly in Indonesia itself, especially in products that are said to be branded, one of which is Gucci. The main factor that influences it is the COO where the country of origin influences several large companies that want to enter the economic system in Indonesia. This can have both good and bad impacts on the development of the Indonesian economy. Case; It has also become a necessity for this branded product company to know the COO of an international company in order to know the capabilities and developments of the home country to be able to enter the competition in the market (Adena net al.,2018).

Gucci was once the most popular fashion brand in 2018. This Italian fashion houseis also your millennial's favorite brand in 2016. But being the most popular and favorite doesn't seem to save Gucci from the negative impact of the Corona virus pandemic. The company that oversees Gucci and several other high-end fashion brands such as Balenciaga, Yves Saint Laurentand Bottega Veneta, reported experiencing a sales decline of up to 15.4 percent in the first quarterof 2020. Dry announced that this decline was due to the COVID-19 outbreak that spread across the country. the whole world. As reported by Fashion Law, the revenue of their flagship brand, Gucci, fell 23.2 percent compared to the first quarter in 2019. From USD 2.52 billion to USD 1.96 billion. (Hestaningsih, 2020). So the gap in this research based on the phenomenon that occurs is that in the midst of high public buying intentions for branded goods in Surabaya, sales of Gucci asone of the branded goods have decreased. This is interesting to study because sales of Gucci, whichis a favorite brand in 2016 and 2018, actually decreased in the midst of high public intention to buy branded goods.

This research is a replication study, which follows the research model from the research conducted by (Adenan et al., 2018) by taking the title COUNTRY OF ORIGIN, BRAND IMAGEAND HIGH INVOLVEMENT PRODUCT TOWARDS CUSTOMER PURCHASE INTENTION: EMPIRICAL EVIDENCE OF EAST MALAYSIAN CONSUMER

1.3 Research Objectives

As a background for the analysis represented on top of, this study can embrace the following analysis inquiries to assist analysisers in achieving research objectives:

a. To examine the relationship between Brand image and purchase intention in buying Gucciby the customers in Surabaya.

b. To examine the relationship between COO image and purchase intention in buying Gucciby the customers in Surabaya.

c. To examine the effect of COO on purchase intention in buying Gucci by the customers inSurabaya which is moderated by High Level of Product Involvement

d. To examine the effect of Brand image on purchase intention in buying Gucci by thecustomers in Surabaya which is moderated by High Level of Product Involvement

1.4 Research Question

Following the outline of the analysis objectives on top of, the analysis question are oftenestablished and explained as follows:

a. Does Brand image affect purchase intention in buying Gucci by the customers in Surabaya?

b. Does COO image affect purchase intention in buying Gucci by the customers in Surabaya?

c. Does High Involvement Products moderate the relationship between

COO image andPurchase Intention in buying Gucci by the customers in Surabaya?

d. Does High Involvement Products moderate the relationship between Brand image andPurchase Intention in buying Gucci by the customers in Surabaya?

1.5 Research Contribution

By doing this analysis, it is expected that the research offers analysis edges theoreticallyand practically.

a. Theoretical Benefits

The results of this study are expected to contribute ideas for the development of economics in the future regarding the factors that support consumer purchasing decisions.

b. Practical Benefits

This research in the future can be used as a reference for companies in formulating product strategies to make sales and increase product attractiveness to help increase consumer purchasing power for products with the Gucci brand in the city ofSurabaya.

1.6   Research Outline

The material during this study are going to be classified into many sub-chapters in order to create it easier for readers to know the content of the analysis. Therefore, this analysis are going to be divided into 5 sub-chapters, namely: introduction; theoretical background; analysis methodology; data analysis and discussion; conclusions and recommendations.

Chapter 1 : Introduction

The first chapter is introduction provides an summary concerning the study by explaining the background, downside formulation, analysis objectives, analysis queries, and research scope.

Chapter 2 : Literature Review

In the second chapter of this study, contains the theoretical background of every variable used in the study, literature review, developing hypotheses between variables, and not forgetting design of the research model.

Chapter 3 : Research Methodology

The third chapter that is within the context of analysis methodology, explains the population and samples, type of source research, technique data analysis to check hypotheses (the relationship between variables), and also applies the pre-test results in this chapter.

Chapter 4 : Analysis Results & Discussions

The fourth chapter, information analysis and discussion, presents the results of the tests that were conducted and discusses the affiliation among the variables during this researchsupported by the previous study. The check results were obtained from respondents using quantitative analysis and therefore the information were checked statistically. Then these results square measure mentioned and complete.

Chapter 5 : Conclusions

The fifth and final chapter includes conclusions and proposals to bring the study to a detailed by providing the recommendations, theoretical implications, social control implications, boundaries of the study, and ideas for more findings.