

BAB I

INTRODUCTION

1.1 Background

Globalism creates opportunity to product of one country manufacturer to create their product and sell to other country where the manufacturer using tools to create new brand to be well known in targeted country, this could become confusion or strengthen the brand from the country of origin to be well known in world wide. This description is basically called with country of origin – which phenomenon is seen nowadays (Bhakar, Bhakar, Bhakar, 2013).

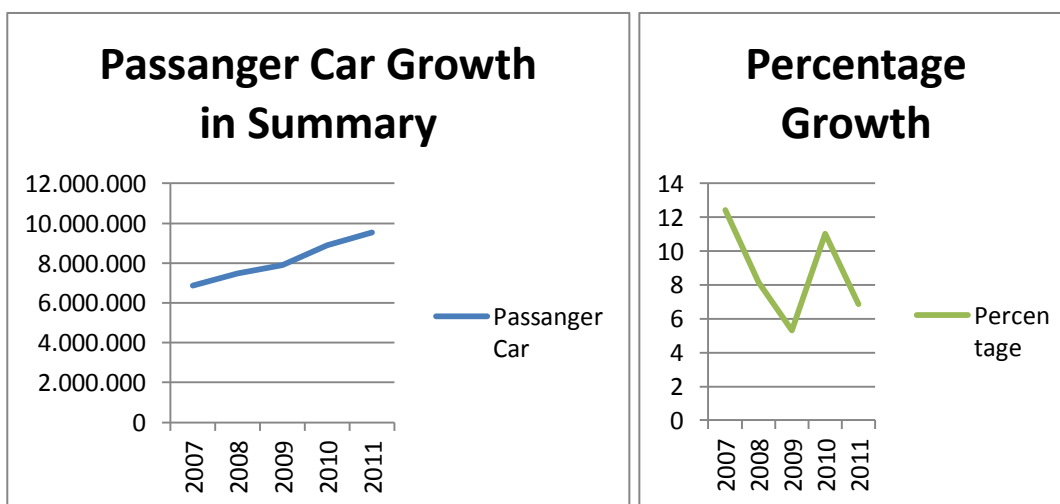
Purchase of a product or service basically through step of purchase intention. Many people purchase people based on many thought, some of them are country of origin of the product which related to the reputation of such association of the country; Brand Image of the product in the market, both local market and the global market are important to buyer as the guideline to their decision later; Perceived price or price perception of the buyer become somehow intangible to stand alone but somehow, Indonesian market nowadays likely to get used with low price with many utilization in return of their purchase; Perceived price and perceived quality become matter when faced with country of origin, the perception of quality may different from one country to other, for example the Chinese product may perceived as costless but may not good in endurance or reliability, but for made in German machinery had been associated top grade and costly; Brand Image is believed strengthen the intention and perception of a product and contain the perception of the product itself in the buyers' mind.

Cars in Indonesia is one of transportation vehicles that is crucial because the high mobility on Indonesia people. Car purchase rating in Indonesia categorized as prospectus since there always rise in car buying every year. In late 2000s, the middle priced cars ranged from 100 million rupiahs to 150 million rupiahs become boom in number.

Automotive market is still growing in Indonesia especially for Japanese car manufacture sold in Indonesia. The growth gain increase and dominating the market at end of 2012 and early 2013 which mean automotive in Indonesia is still prospecting. (Metrotvnews.com, 2012). Indonesian automotive market is common with Japanese

branded car that can be proved with the Japan branded car dominating sales per year, yet with the phenomenon the market crave for other car manufacture origin like American, European, Chinese, and Korean as substitute and this was showed with growth of the sales covers for substitution but Japan car still dominating with 90 percent of Indonesian automotive market (ConsumerReports in Yahoo!Autos, 2013).

Indonesia growth of car purchase also increasing based on BPS research from 2007 to 2011. Every year, the car purchase has increased about one million users of passenger cars. Even though the purchase growth every year not gaining significant, but the percentage level still above five percent. The data can be described detail as below:



(Kantor Kepolisian Republik Indonesia in BPS, 2011)

Note: Timor Timur not included

Source: Data modified based on Kantor Kepolisian Republik Indonesia in BPS (2011) data

In addition, Indonesia automotive growth showed with the China branded car Geely settled plant in Indonesia and export growth from Japanese branded Toyota that assembled in Indonesia (Deutsch, 2011). The growth of Indonesia automotive market is still prospectus for Indonesia economic, and refers to Indonesian car consumer has great intention to purchase car.

Purchase intention as process which prior to purchasing, and when the consumers collect product information based on personal experience and external environment, then if the amount of information reaches certain level, consumers start to assess and evaluate, then it come to purchase decision after through comparison and judgment (Bhakar, Bhakar, Bhakar, 2013). Purchase Intention is constructed from

customer loyalty and *perceived quality* according to the previous study (Yaseen, Tahira, Amir, Anwar, 2011), which is interested to be implemented on research for Toyota in Indonesia and what become the basic effect for the purchase intention to Toyota car buyer.

Country of Origin (CoO) has been researched since 1960s, which has effect on consumers' perception of such brand image origin that may become positive as the origin country production is famous for the quality for example, or being negative instead (Dinnie, 2003). Consumers likely to link countries, the companies and products to perception about their origin, the effect is called with country of origin effect (Daye, VanAuken in Olsson, 2012). Consumers in developed countries have greater tendency rather than from developed countries while considering products made in less developed countries have less quality (Papadopopulos, Heslop in Olsson, 2012). Some previous researcher conceptualize the CoO as brand origin, defined as the place, region or country to which the brand is perceived to belong by its target consumers (Takhor, Kohli in Dinnie, 2003)

Brand image is a kind of impressions stored in consumers' brain; consumers' perceptions toward a brand can be evoked by proper brand-related associations or implications (Eunju, Kim, Zhang, 2008).

Consumers are likely to purchase well-known brand products with positive brand image because tend to have lower risks while brand with positive image does have the effect of lowering consumers' product perception risks (Shafique Gul, 2010). Through brand image, consumers able to recognize a product, evaluate quality, lower purchase risks, and obtain certain experience and satisfaction out of product differentiation (Thakor in Shafique, 2010).

Price is crucial and demands the user to find a competitive advantage by having higher and lower pricing at the right moment Price perception is vital to the perception of the brand (Healey, Ellwood in Olsson, 2012).

Brand image is often used as an extrinsic cue to make a purchase decision, as the consumer given limited time to have product knowledge the role of brand image is crucial; better a brand image is, the more recognition consumers give to its product quality (Grewal in Shafique, 2010).

There is a previous study of the effect of brand image, country of manufactured – which also close – to country of origin literature toward purchase intention, the result concluded when country of manufactured has no influence on purchase intention when researched in TVs and sweater product from Korea; while brand image has significantly influence on purchase intention on sweater but not on TVs (Chung, Pysarchik, Hwang, 2009).

Perceived quality is a critical element for consumer decision making; consumers will compare the quality of alternatives with regard to price within a category in process of decision making (Jin, Young in Yee, San, 2010). An argument about Perceived Price and Perceived Quality become a factor brand association to brand image (Korcha).

Perception of products is influenced by brand image. Country of origin, brand image, perceived quality and perceived price had been identified as one of most important antecedents of purchase intention. Therefore, based on the phenomenon on the market behavior and the previous study inspiration, this research is entitled, “The Influence of Country of Origin to Purchase Intention through Brand Image, Perceived Price and Perceived Quality on Toyota Car at Surabaya.”

1.2 Problem Statement

1. Does country of origin affect brand image for Toyota car in Surabaya?
2. Does country of origin affect perceived quality for Toyota car in Surabaya?
3. Does country of origin affect perceived price for Toyota car in Surabaya?
4. Does perceived quality affect brand image on for Toyota car in Surabaya?
5. Does perceived price affect brand image on for Toyota car in Surabaya?
6. Does brand image affect purchase intention for Toyota car in Surabaya?
7. Does perceived quality affect purchase intention for Toyota car in Surabaya?
8. Does perceived price affect purchase intention for Toyota car in Surabaya?
9. Does Purchase Intention affected by Country of Origin through Perceived Price for Toyota car in Surabaya?
10. Does Purchase Intention affected by Country of Origin through Perceived Price and Brad Image for Toyota car in Surabaya?
11. Does Purchase Intention affected by Country of Origin through Brand Image for Toyota Car in Surabaya?

12. Does Purchase Intention affected by Country of Origin through Perceived Quality?
13. Does Purchase Intention affected by Country of Origin through Perceived Quality and Brand Image?

1.3 Purpose of Study

1. Proving Country of origin affect brand image for Toyota car in Surabaya.
2. Proving Country of origin affect perceived quality for Toyota car in Surabaya.
3. Proving Country of origin affect perceived price for Toyota car in Surabaya.
4. Proving Perceived quality affect brand image on for Toyota car in Surabaya.
5. Proving Perceived price affect brand image on for Toyota car in Surabaya.
6. Proving Brand image affect purchase intention for Toyota car in Surabaya.
7. Proving Perceived quality affect purchase intention for Toyota car in Surabaya.
8. Proving Perceived price affect purchase intention for Toyota car in Surabaya.
9. Proving Purchase Intention is affected by Country of Origin through Perceived Price for Toyota car in Surabaya
10. Proving Purchase Intention is affected by Country of Origin through Perceived Price and Brad Image for Toyota car in Surabaya
11. Proving Purchase Intention is affected by Country of Origin through Brand Image for Toyota Car in Surabaya
12. Proving Purchase Intention is affected by Country of Origin through Perceived Quality.
13. Proving Purchase Intention is affected by Country of Origin through Perceived Quality and Brand Image.

1.4 Research Advantages

1. Theoretical Advantages

The result of the study is expected to be contributing to the understanding of the Country of Origin, Brand Image, Perceived Quality, Perceived Price and Purchase Intention and its effect as literature support in business and marketing area related to car brand.

2. Practical Advantages

This research is expected to give contribution to car producer especially for Toyota Surabaya, Indonesia and their sales distributor units. For the researcher, this research is as a media for the researcher to apply all the knowledge that the researcher have already had during college time.

1.5 Research Outline

The Research will be arranged in following outline:

CHAPTER 1 INTRODUCTION

Chapter one will comprise the Background, Problems Statement, Purpose of Study, Research Advantages and Research Outline.

CHAPTER 2 REVIEW OF RELATED LITERATURE

Chapter two will comprise Previous Research, Literature Review, Research Model, and Hypothesis.

CHAPTER 3 : RESEARCH METHODOLOGY

Chapter three will comprise Research Design, Research Variable Identification, Measurement of Research Variables, Data Collection, Scale Measurement of Variables, Data Testing, Data Analysis Technique.

CHAPTER 4 : RESULT AND DISCUSSION

Chapter four will comprise General Description of Toyota, Identification of Respondents, Description of Research Variables, Validity Test and Reliability Test, SEM Assumption Test, Goodness of Fit Analysis, Hypothesis Testing, Discussion.

CHAPTER 5: CONCLUSION

Chapter five will comprise Conclusion and Recommendation