

CHAPTER 1: Introduction

Chapter 1 consists of sub-topics including background research that gives information about the phenomenon of laptops, especially during the COVID-19 pandemic, the market share of laptop players in Indonesia, the journey traces of one of the multinational companies, namely Hewlett-Packard, research problems related to variables that wish to investigate, research objectives, research benefits, research limitations, and research outlines.

1.1 Research Background

Availability of *Personal Computer* in the 21st century offered by many PC vendors in Indonesia are wider than before. PCs are becoming an essential tool in this digital era for school tasks, completing the works, and entertainment. In addition, Laptops have become essential occupational products in this digital era, and consider as worldly possessions. In addition, the Covid-19 pandemic and its continuation of “*new normal*” cause an increase in internet access and the number of PC usage by the number of society levels in various segments in Indonesia. In this situation, Indonesian people tend to choose affordable PCs, for example, people in big cities prioritize features, specifications, and design while outside the city choose the affordable prices (Tjhin & Aini, 2019).

Covid-19 pandemic and *work from home* activities have affected a significant impact on the percentage of PC vendor shipments around the world, entering the second quarter of 2020 at PC vendor, total shipments by brands (Lenovo, HP, Apple, Acer, Asus) increased, especially HP Inc with a percentage of

2.5%. The following is a table from pc vendor shipment share in the world throughout one decade.

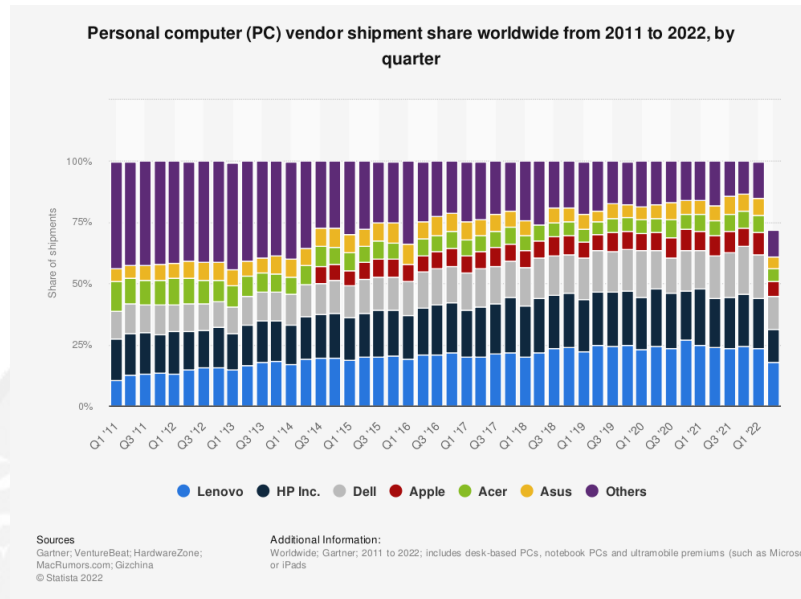


Figure 1.1 PC Shipment Worldwide in A Decade

Source: Statista, 2022

According to IDC taken from Novina (2021), in 2020, PC Market Share in Indonesia was dominated by Asus (30.7%), Acer Group (21.7%), Lenovo (20.2%), HP Inc (17.2%), and Dell Technologies (6.8%). In that year, revealed that HP experienced a sharp decline in desktops due to a shift in demand to notebook. In 2021, the large number of requests could not be fully met due to the lack of chips that are still occurs recently. The number of notebook shipment to foreign countries indicates the existence of a unique opportunity of globalization displayed within the company, and the dependency of notebook from the Indonesian market to the products of foreign countries shows the Indonesian participation in global market which can be through from globalization.

Hewlett-Packard Company is an American multinational IT firms based in Palo Alto, California, as the research centre of the main thing and leads to the new products and businesses. In addition, HP brand has 7 base centres located in different countries. The Palo Alto centre designs, develops, and produces a broad range of hardware components, software, as well as other services to consumers, SME businesses, and large corporations. In 1935, Hewlett Packard was founded by William Hewlett and David Packard in a garage and initially produced a number of electronic test equipment and measurement equipment. HP's garage located at 367 Addison Avenue is designed to be an official *California Historical Landmark*, and mentioned to as “*birth place*” at Silicon Valley. The development of the HP company led many other IT companies to construct buildings in this area. These companies are: Apple Computer, Xerox, Fairchild, Semiconductor. HP is one of the worlds ' s leading manufacturers of *PC* in the middle of the year 2007 - the second quarter of 2013. On November 1, 2015, there was a reconstruction in HP's corporate structure so that two independent companies were formed, namely HP Inc (involved in the consumer segment in electronics) and Hewlett Packard Enterprise (equipment for enterprises). On November 1, 2015, the company separated the HP's enterprise products and business services. Hewlett-Packard hold PC products and printer business which was later named as HP Incorporation. Bundling strategy involved in offering new products with already paid products or services. For example, HP provides give away the free printer with the purchase of a computer (Dini, 2011).

Although considered as product of America, HP laptops are produced in China, while HP in India has its own company for the domestic market. In 2019,

95% of products were manufactured by seven outsourcing, and third-party manufacturing. This activity leads to a global sourcing strategy that aims to combine the company's property and supplier competence based on competitive advantage in a number of different geographical locations to create a competitive advantage (Kotabe & Mudambi, 2009). HP's Global Sourcing of intermediate products is carried out by purchasing from independent suppliers located outside (offshore outsourcing) and focusing on global sourcing in manufacturing activities. From the background above, researchers want to find out whether the HP company's country of origin affects the level of purchase intention in Indonesia.

Globalization means the removal of restrictions on the international movement of products, services, capital, technology, and labor that affect integration in the worldwide. Globalization causes to get different types, better quality, and cheaper prices for us. The international business is defined as all commercial transactions (such as sales, investments, and transportation) between two or more nations, (Daniels et al., 2015). Building a global network of R&D centres, fundamental research that generally located in the area where valuable scientific knowledge is created and when there is a group of skilled talent in this field. Silicon Valley in the US, for example, is referred to as the central area of the technology industry because of the research and research by students from technical universities (Stanford and MIT University). The world centres on the corporate aspect of computers are located in proximity to firms, in these contexts of Silicon Valley region of California. Thus, this geographical location facilitates the collection of cutting-edge research and product development in computers and

semi-conductors (C. W. L. Hill et al., 2020). In addition to being located in America, various companies also have facilities and subsidiaries that are growing rapidly in Europe and other countries.

Laptop, as a commodity product, has low cost to switch from manufacturing companies to other companies. Thus, competition between Dell, Lenovo, and other computer companies is high, so each company is trying to differentiate their brand (Michael A. Hitt & Hoskisson, 1997). The strength of HP is R&D Group which based on subsidiaries in a country or region receiving products and redesigning them to enter the Asian market, namely customization. The PC world, including HP brand, applies transnational strategies around the world, the selection of these strategies is based on the figure listed below (Figure2).

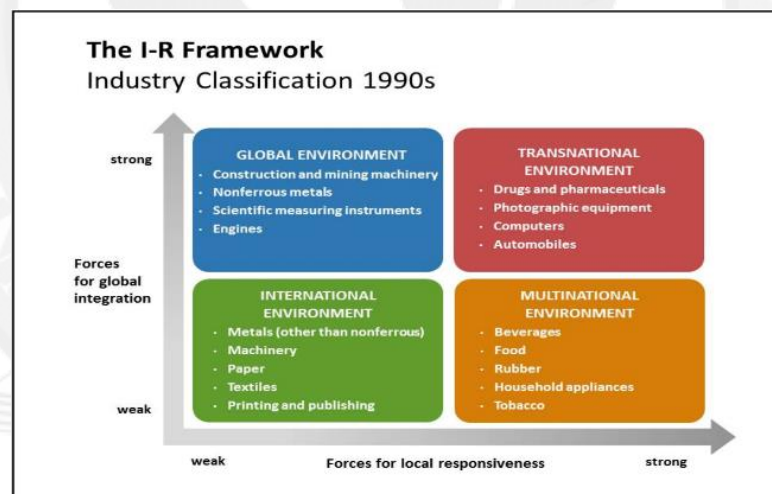


Figure 1.2 The Integration-Responsiveness Framework: Industry Classification 1990s

Source : (Michael A. Hitt & Hoskisson, 1997)

A transnational strategy, a strategy in which a company pursues efficiency in global scale and responses in local area. Transnational strategies are required due to the intense competition in the global market.

In line with the HP vision statement. Moreover, the corporate culture at HP brand must be appreciated by the existence of "HP Way Management" which is a culture leads to a whole collection of business practices which support innovation and knowledge sharing (Sieloff, 1999). From the statement, there are two aspects that are emphasized, namely innovation and global reach. However, HP also deals with the obstacles seen in Table 1.

Table I Traditional approaches		
	Informal	Formal
Global	Provider: not my problem Receiver: NIH	Centralization Corporate meddling
Local	Traditional HP strengths	Bureaucracy

Table 1.1 Traditional Approaches

Source: (Sieloff, 1999)

The HP way can be an obstacle when growth and competition between laptop industry quite intense called for more global knowledge management strategy. Secondly, speed to reach competitive advantage by running fast and reacting responsively compared to competitors (Sieloff, 1999). As a result, there is a decrease in HP's shareholder value. Ensuring business sustainability in the market cross-border different needed strategic agility management in operation (Riad Shams et al., 2020). In the IT area, becoming critical for computer enterprises is becoming "agile multinationals". Strategic agility is defined as the capability to be

flexible in dealing development of product, continuously adjust the direction of the company's strategy, and establish state-of-the-art ways to create value.” (Weber & Tarba, 2014), as cited in (Ivory & Brooks, 2018 p. 348).

1.2 Research Problem

HP is a laptop from a well-known American company/brand and became a pioneer in the emergence of many Silicon Valley IT companies, however the assembly process must be done in an outsourced manner to maintain a competitive advantage. Such as the manufacturing process in various countries where components or parts on HP laptops are primarily made in China to enter the Asian market, in 2021 China have become one of the countries with the largest economy in the world; however, China faces a competitive disadvantage due to the negative country of origin effect and is considered an inferior product, here researchers want to analyze whether country of origin has an impact on purchase intention of laptop for Indonesian people considering that in the laptop industry generally laptop assembly is carried out in China or India.

HP laptop as a global brand marketed on the international scale, it generally modifies the product through adjustments as a requirement in order to compete with local competitors and background noise (Bennett & Koudelova, 2000). On Asian markets, HP laptops effectively applies mass customization by dramatically increasing product types, reducing the time needed to fulfill customer orders, and reducing costs. The success of HP laptops as highly customized products demonstrates the power of integrating product designs, processes, and supply networks. Its product design is the most modular in the electronics industry. Its

production process is also very modular. A manufacturer has various choices over how and where to build a laptop.

A study revealed that Asian consumers feel good when using western brands (Kapferer, 2012). Particularly, consumers in developing countries prefer to choose foreign goods (Zhou et al., 2010). In addition, brands originating from Asia are considered somewhat to have low perception than those originating from Western countries; this is what Lenovo has experienced in entering the global market (Makovsky, 2012). In 2022, although HP still being in top 5, Lenovo's sales, namely the Chinese company's laptop products, are higher than HP and occupy the first position in Indonesia. Still, other laptop brands such as Acer and Asus can be superior in sales numbers. From the explanation above, researchers want to analyze whether the brand image has an impact on purchase intention.

Perceived quality, is defined as one of the components of brand equity but does not fully point to goods or services. The study of Budiyanto dan Sari (2016) found that perceived quality has a significant effect on purchase intention. Similarly, Kotler and Keller (2016) revealed that an individual's perception can diverge, the reason why it happens because there is a selection process of various active stimuli. A study conducted by Reppi, Tumbel, and Jorie (2015) aims to examine the influence of perceived quality, motivation, and consumer attitudes put together toward purchase intention for Iphone smart phone products, and the results of the research indicate that perceived quality is found to be significant toward purchase intention for Iphone mobile phone at IT Center Manado.

Bloch (1982) said, “involvement means internal state reflects the amount of interest or attention for consumers towards a product, as it relates to product involvement. The level of involvement is related to individual needs and motivation within a selection or the context of intention to buy. Consumers with high product involvement have a high level of product information, comparison of product attributes, hold a more favorable belief about product feature and shows a higher level of purchase intention (Zaichkowsky, 1985). Furthermore, high-involvement products are products where the consumer utilizes time and effort to make purchase decisions (R. Bell & Marshall, 2003). In contrast, low involvement products are types where individuals do not pay attention to purchase intention as important and minimal information searching (R. Bell & Marshall, 2003). However, another research gives a contradict results that as for high product involvement has a significant negative effect, meaning that when the high-involvement product increases, there is a decrease in purchase intention. The reason is that consumers who want to buy goods with product involvement are more sensitive to potential risks in shopping, this is because they look for product information and make comparisons, and evaluate alternative brands. Thus, the decision-making process is more complex than for consumers with low-involvement products that are able to promote consumers’ purchasing decisions (Geng & Chen, 2021). Another factor is when consumers know that the item has a high value, they will be considerate in buying because of the greater risk than the low-involvement product (Hameed et al., 2020)

An online pretest is conducted to measure product involvement on a laptop, and the results M laptop: 60.80 (B. Li et al., 2021).

1.3 Research Questions

Based on the explanation of the problem above, the formulation of the problem in this study is:

1. Does country of origin affect purchase intention of HP laptop for Indonesian consumers?
2. Does brand image affect purchase intention of HP laptop for Indonesian consumers?
3. Does perceived quality affect purchase intention of HP laptop for Indonesian consumers?
4. Is the effect of country of origin towards purchase intention moderated by product involvement?
5. Is the effect of brand image towards purchase intention moderated by product involvement?
6. Is the effect of perceived quality towards purchase intention moderated by product involvement?

1.4 Research Objectives

1. To determine if country of origin have an impact on purchase intention of HP laptop for Indonesian consumers.
2. To determine if brand image have an impact on purchase intention of HP laptop for Indonesian consumers.

3. To determine if perceived quality have an impact on purchase intention of HP laptop for Indonesian consumers.
4. To determine if product involvement has moderation effect on country of origin impact of purchase intention of HP laptop for Indonesian consumers.
5. To determine if product involvement has moderation effect on brand image of purchase intention of HP laptop for Indonesian consumers.
6. To determine if product involvement has moderation effect on perceived quality of purchase intention of HP laptop for Indonesian consumers.

1.5 Research Benefits

Here are a number of benefits that researchers expect through this study, namely:

1. For practitioners or other researchers to be able to understand international business, especially in elements of country of origin, brand image, perceived quality, product involvement, and purchase intention.
2. For readers who interested in the field of technology adoption to further understand purchase intention in a case study of country of origins to HP in Jabodetabek Area.

1.6 Research Limitations

Here are a number of limitations in the study, namely:

1. This research is only limited to the people located in the Jabodetabek Area Indonesia in the period of September-November 2022.

2. This study has some limitation that the study is specifically of HP laptop/ brand.

1.7 Research Outline

Chapter 1: This chapter explains the research background and phenomena that occurs, research problems, research questions, research objectives, research benefits, and research limitations.

Chapter 2: This chapter explains the theories that are the foundation in the research including the main theory, supporting theories, and the results of previous research to build hypotheses, and the relationship between these variables that researcher wants to investigate, and conceptual model.

Chapter 3: This chapter describes the research paradigm, type of research, measurement (DKDO table), unit of analysis, sample design & number of samples, data collection method, and analysis data method.

Chapter 4: This chapter shows and describes the results of the research that has been carried out, provides analysis and discussion of the results obtained.

Chapter 5: This chapter consists of conclusions, limitations, and recommendations for in-depth research or subsequent research.