

CHAPTER I

INTRODUCTION

1.1 Background of the study

Technology is a driving factor in the process of globalization. Improvements in the early 1990s in computer hardware, software, and telecommunications greatly increased people's ability to access information and economic potential. While advancements in Internet-based tools over the past five to ten years, such as social networking websites, twitter, and other Web2.0 applications are changing the way people use and share information for personal, political, and commercial purposes. These developments have facilitated efficiency gains in all sectors of the economy. Information Technology (IT) drives the innovative use of resources to promote new products and ideas across nations and cultures, regardless of geographic location. Creating efficient and effective channels to exchange information, IT has been the catalyst for global integration. Globalization accelerates the change of technology. Every day it seems that a new technological innovation is being created. The pace of change occurs so rapidly many people are always playing catch up, trying to purchase or update their new devices. Technology is now the forefront of the modern world creating new jobs, innovations, and networking sites to allow individuals to connect globally (<http://www.globalization101.org>, retrieved on 6 September 2017).

Technology start accelerated from 25 years ago. Start from 23 years ago the first Internet commercialized, 22 years ago was created first mobile phone with Internet connectivity, 20 years ago Google named the search engine of choice by PC magazine, 17 years ago Blackberry launch their very first phone (Blackberry 850), Start from 14 (2003 or 2004) years ago several application launch into public. 14 year ago Facebook launched, 12 years ago: Twitter launched, 11 years ago iPhone, is the first smartphone introduce to the market (<http://www.globalization101.org>, retrieved on 6 September 2).

The spread of digital technologies has also been spurred by several unique attributes of information, which serves as the principal input and product of many IT industries. In contrast to more tangible products, like consumer goods, one person's "consumption" of a piece of information does not necessarily reduce or eliminate the possibility that another person might benefit from the same piece of information. Furthermore, networks built upon the exchange of information, like the Internet, tend to become more valuable to existing participants as new participants link up with them (<http://www.globalization101.org>, retrieved on 6 September 2017).

Nowadays Around 40% of the world population has and use an internet connection today, the number of internet users has increased tenfold from 1999 to 2013. The first billion was reached in 2005, the second billion in 2010, the third billion 2014 (<http://www.internetlivestats.com> , Retrieved on 6 September 2017).

Before, when people want to access internet they use computer but now the computer era already change (although people still used it also), change into Smartphone era. Smartphones are quickly becoming the most pervasive technological device on the planet. Along with keys and money, the smartphone is one of three survival tools most people carry with them. Access to mobile phone technology is rapidly expanding. Ninety percent of the world now lives in a place with access to a mobile network, and 80 percent of those living in rural communities have access (Global mobile statistics, 2011). As the world becomes increasingly interconnected, both economically and socially, technology adoption remains one of the defining factors in human progress. The growth of smartphone devices can be attributed to a number of factors. Technological innovation, improved usability, increased accessibility. The mobile has already become the most used technological device in the world, and the smartphone is fast becoming the most dominant technological device to be seen since the mobiles inception. Countless devices have already felt the wrath of the smartphone and with greater advances set to push its growth, this dominance will only continue with time. This is TOP 10 Smartphone penetration by Country (Krumins, 2015).



Figure 1
Smartphone ownership and usage penetration
Source: <https://thehub.smsglobal.com>, retrieved on 6 September 2017

Number of Smartphone Users (in million)	2015	2016F	2017F	2018F	2019F
China	525.8	563.3	599.3	640.5	687.7
India	167.9	204.1	243.8	279.2	317.1
Indonesia	55.4	65.2	74.9	83.5	92.0
Japan	51.8	55.8	58.9	60.9	62.6
South Korea	33.6	34.6	35.6	36.5	37.0
Philippines	26.2	29.9	33.3	36.5	39.2
Vietnam	20.7	24.6	28.6	32.0	35.2

Figure 2
Smartphone growth in Asia Pacific
Source: <https://www.indonesia-investments.com>, retrieved on 6 September 2017

Based on Figure 01 and 02, it can be seen that Indonesia ranked 7th in the world in the number of users and owners of the phone (smartphone or not smartphone), and Indonesia is also ranked 3rd in Asia Pacific as a country that has many smartphone users and ownership in it, and is expected to increase every year until 2019. The number of smartphone users in Indonesia has been growing between

30 and 50 percent each year and this growth momentum will remain intact due to the availability of affordable 4G smartphones on the Indonesian market and further development of Indonesia's 4G network (<https://www.indonesia-investments.com>, retrieved on 6 September 2017).

One largest city in Indonesia is Surabaya. Surabaya is Indonesia's second largest city and the capital of East Java province. The name "Surabaya" is derived from the words Sura or Suro (shark) and Baya or Boyo (crocodile). As the capital of East Java province, Surabaya has better supporting infrastructure than most other cities in East Java. The city is well connected by land, air and sea transport infrastructure to serve local, regional and international trips. The amount of population in Surabaya itself is about 3.016.653 this year. This can open the opportunity to expand the mobile phone market (<https://www.iesingapore.gov.sg>, retrieved on 6 September 2017). One of the company and brand that can use this opportunity is Samsung.

Samsung is one the smartphone brand that common use by people. Samsung Company is among the biggest players in the smartphone market in the world. Samsung is Samsung established as a leader of home appliances back in 1969. Samsung has several type of Smartphone that lead Samsung to success. One of success product produce by Samsung are the Samsung Galaxy S. The Samsung Galaxy family is one of the biggest names in the smartphone market, not least because it offers a great many options. It is the first device of the third Android smartphone series produced by Samsung. It was announced to the press in March 2010 and released for sale in June 2010. Samsung offers phones and phablets to suit every user, from the top end Galaxy S-series to the mid-range A-series, budget J-series and plenty more. All Samsung phones run Android (the 2016 models run Marshmallow, while the Galaxy S8 and any phones that launch after it are expected to come with Nougat) with the Touch Wiz UI overlaid (<http://www.businessinsider.com>, retrieved 7 October 2017). At the 2014 Mobile World Congress, Samsung announced that it had sold over 200 million Galaxy S model phones since the line first launched in 2010. With such a staggering number of sales and positive reviews, it is no surprise that the most popular line of devices for Samsung is the Galaxy family. Samsung Galaxy S range: Samsung is best

known for its Galaxy S series of high-end smartphones. Launched in 2017, the Samsung Galaxy S8 and S8+ are the latest in the range. With sleek designs, lighting-fast processors and high-quality large screens, the S range is designed to compete with Apple iPhones. The Galaxy S8 is the first ever Mobile HDR Premium certified smartphone, so customer can watch shows and films the way they were meant to be seen. And the Quad HD+ Super AMOLED display brings films and shows, games and images to life in vivid detail. The Galaxy S8 is no wider than the Galaxy S7, plus its slim profile and curved design mean it fits easily into customer's palm. Samsung Galaxy S8 have special features which is only available on Samsung Galaxy S8, that is unlock with a look. Featuring iris scanning for enhanced security, face recognition for unlocking phone right away, and defense-grade security that stands guard around the clock (<https://www.samsung.com>, retrieved on 26 September 2017).

According to research by Wua, et al. (2011) there are several factors that affect Purchase Intention which are image, service quality, perceived risk and price consciousness. *Repurchase Intention* was also called the willingness to buy particular product in the future. It means the possibility of a consumer who wants to repurchase a product or services (Dodds et al. 1991). It also plays an important role in consumer's buying decision-making process. In a shopping situation, people who desire a product or have some special motivation could increase their intentions to choose a product and make a purchasing decision Samsung as the one brand that commonly use by people in Indonesia.

Brand	Country of Origin	Market Share
Samsung	South Korea	26%
OPPO	China	19%
Asus	Taiwan	9%
Advan	Indonesia	8%
Lenovo	China	6%

Figure 3

Number of Samsung marketshare

Source : <https://www.indonesia-investments.com>, retrieved on 7 September 2017

Based on Figure 3, it can be seen that most people in Indonesia commonly chose Samsung's product (Smartphone) as their first choice. This helps Samsung to gain opportunity by entering Surabaya market. Samsung is Samsung Established as a leader of home appliances back in 1969, Samsung Electronics is now endeavoring in the Infotainment business – information, telecommunication, and audio & video – as Samsung as in life care, business, including health care, environment & energy, and convenient services, to shape tomorrow's society into one complete picture, not limited to the excitement of modernity and the expectation of renowned quality for all. To enable all Samsung's worldwide customers to access a more convenient and 'smarter' life, Samsung three business divisions – Consumer Electronics (CE), IT& Mobile Communications (IM), and Device Solutions (DS) - serve as the main pillars for generating synergy and delivering products and services with unrivaled quality. As a recognized leader in the global IT industry with about 200 subsidiaries around the world, Samsung set them apart from the competition in manufacturing, Research and Development (R&D), marketing, and services with the help of their local subsidiaries in respective regions while tirelessly pursuing disruptive innovation and creating values (<https://www.indonesia-investments.com>, retrieved on 7 September 2017).

Corporate image: Corporate image is the overall impression of a corporate as perceived by consumers (Keaveney & Hunt, 1992). Baker, Grewal & Parasuraman (1994) give a more precise and formal definition: corporate is an individual's cognitions and emotions that are inferred from perceptions or memory inputs that are attached to a particular store and which represent what that store signifies to an individual. (Billekens, 2010). Samsung is Samsung established as a leader of home appliances back in 1969, Samsung electronics is now endeavoring in the Infotainment business – information, telecommunication, and audio & video, as Samsung as in life care, business, including health care, environment & energy, and convenient services, to shape tomorrow's society into one complete picture, not limited to the excitement of modernity and the expectation of renowned quality for all. To enable all Samsung's worldwide customers to access a more convenient and 'smarter' life, Samsung three business divisions – Consumer Electronics (CE), IT& Mobile Communications (IM), and Device Solutions (DS) - serve as the main

pillars for generating synergy and delivering products and services with unrivaled quality. As a recognized leader in the global IT industry with about 200 subsidiaries around the world, Samsung set them apart from the competition in manufacturing, Research and Development (R&D), marketing, and services with the help of their local subsidiaries in respective regions while tirelessly pursuing disruptive innovation and creating values (<https://www.indonesia-investments.com>, retrieved on 7 September 2017). Samsung won several award such as Samsung won the gold for digital marketing in the consumer good category for its customer service campaign. Samsung won the gold for digital marketing in telecom hardware category for its innovative instagram campaign. Samsung voted as the Most Trusted Brand in India in Consumer Durables category.

Product Quality: Quality of product is a collection of features and sharp brand product characteristic which have contribution to the ability to fulfilling specified demand (Garvin, 2007). It's the ability of the product to fulfil and meet the requirements of the end user. Which also mean product quality also how well the product does what it's supposed to do, and how well it holds up over time. With the almost same specification it better to choose Samsung Galaxy S8 rather than iPhone 7. Compared to the iPhone's lowly 65.6% screen-to-body ratio, most of the Galaxy S8's front is display. This was made possible by shifting the fingerprint scanner to the back and jacking up the size of the display panel to 5.8 inches (from a previous 5.1 inches). As a result, the Samsung Galaxy S8 has a much bigger screen than the 4.7-inch iPhone 7. Samsung Galaxy S8 has a better IP68 waterproof certification. This means it's been tested at depths of 1.5 meters for 30 minutes. By contrast, the iPhone 7 is IP67-certified, which means it survived a more shallow one meters dunk for 30 minutes and other specification (<http://www.trustedreviews.com>, retrieved on 5 October 2017). Samsung Galaxy S8 won the Asia Mobile Awards 2017 continued praising Samsung's latest Android phone and its infinity display. It was mentioned that it features an incredible end-to-end design thanks to which the screen spills over to the phone's sides. This results in the fact that the Galaxy S8 features a smooth design with a continuous surface that does not include any bumps or edges.



Figure 4

The feature of Samsung Galaxy S8

Source: <http://www.trustedreviews.com>, retrieved on 5 October 2017

Service Quality: According to Parasuraman et al. (1988), service quality can be defined as an overall judgment similar to attitude towards the service and generally accepted as an antecedent of overall customer satisfaction (Zeithaml & Bitner, 1996). Customers judge service quality relative to what they want by comparing their perceptions of service experiences with their expectations of what the service performance should be (Ramseook, 2010). Marketers described and measured only quality with tangible goods, where quality in services was largely undefined and un-researched (Parasuraman, et.al., 1985). Samsung providing the best service that they have to Samsung's customer. Samsung providing Service center that can easily found around Indonesia and also providing call center. Samsung attentively listens to customers' voice and provides various technical and quality support such as Qualification Support, Quality Improvement, Problem and Requirement Management.

(<https://www.samsung.com>, retrieved on 26 September 2017).



Figure 5
Samsung Service Center

Source: <http://updatehpandroid.com>, retrieved on 8 October 2017

Perceived Risk: When a consumer buys a product, the probability of his/her facing losses is the product's quality function (Bauer 1960). Samsung creates a new product that can eliminate the Perceived risk between performance and price. Samsung S8 Apps launch faster and battery life is longer. Galaxy S8 and S8+ are speedier and better-performing phones thanks to the innovation of the 10nm processor that runs on 20% less power. It's as efficient as you are (<http://www.samsung.com>, retrieved on 5 October 2017).

Price Consciousness: Lichtenstein et al. (1993) defined price consciousness as the extent to which consumers focus exclusively on paying lower prices and suggested that individuals' negative perceptions of high prices dictate their intention to search for lower prices (Noh et al., 2013). Samsung Galaxy S8 smartphone was launched in March 2017. The phone comes with a 5.80-inch touchscreen display with a resolution of 1440 pixels by 2960 pixels at a PPI of 570 pixels per inch. The Samsung Galaxy S8 is powered by 1.9GHz octa-core Samsung Exynos 8895 processor and it comes with 4GB of RAM. The phone packs 64GB of internal storage that can be expanded up to 256GB via a microSD card. As far as the cameras are concerned, the Samsung Galaxy S8 packs a 12-megapixel primary camera on the rear and a 8-megapixel front shooter for selfies. With all of these new features that Samsung S8 and S8 plus offer, customer can buy it only in the range price at 9 to 11 million.



Samsung Galaxy S8

REVIEW	Display 5.80-inch	Processor 1.9GHz octa-core	Front Camera 8-megapixel
KEY SPECS	Resolution 1440x2960 pixels	RAM 4GB	OS Android 7.0
NEWS	Storage 64GB	Rear Camera 12-megapixel	Battery Capacity 3000mAh
PRICE IN INDIA			

Figure 6

Samsung Galaxy S8 features

Source: <https://gadgets.ndtv.com>, retrieved on 8 October 2017

1.2 Research Problem

1. Does corporate image have a significant effect on Product quality of Samsung Galaxy S8 in Surabaya?
2. Does corporate image have a significant effect on Repurchase Intention of Samsung Galaxy S8 in Surabaya?
3. Does Service Quality have a significant effect on Product quality of Samsung Galaxy S8 in Surabaya?
4. Does Service Quality have significant effect On Repurchase Intention of Samsung Galaxy S8 in Surabaya?
5. Does Product quality have a significant effect on Perceived Risk of Samsung Galaxy S8 in Surabaya?
6. Does Private Label Brand have a significant effect on Repurchase Intention of Samsung Galaxy S8 in Surabaya?
7. Does Perceived Risk have a significant effect on Price Consciousness of Samsung Galaxy S8 in Surabaya?
8. Does Perceived Risk have a significant effect on Repurchase Intention of Samsung Galaxy S8 in Surabaya?
9. Does Price Consciousness have a significant effect on Repurchase Intention of Samsung Galaxy S8 in Surabaya?

1.3 Research Objective

1. To examine the effect of Corporate image on Product Quality of Samsung Galaxy S8 in Surabaya
2. To examine the effect of Corporate image on Repurchase Intention of Samsung Galaxy S8 in Surabaya
3. To examine the effect of Service Quality on Product Quality of Samsung Galaxy S8 in Surabaya
4. To examine the effect of Service Quality on Repurchase Intention of Samsung Galaxy S8 in Surabaya
5. To examine the effect of Product Quality on Perceived Risk of Samsung Galaxy S8 in Surabaya
6. To examine the effect of Product Quality on Repurchase Intention of Samsung Galaxy S8 in Surabaya
7. To examine the effect of Perceived Risk on Price Consciousness of Samsung Galaxy S8 in Surabaya
8. To examine the effect of Perceived Risk on Repurchase intention of Samsung Galaxy S8 in Surabaya
9. To examine the effect of Price Consciousness on Repurchase intention of Samsung Galaxy S in Surabaya

1.4 Research Contribution

The result of this project expecting can giving more information about corporate image, product quality, service quality, perceived risk, price consciousness, and repurchase intention based on theory and also practice. Especially the research will beneficial for:

1. Current and Future research:

This research can help the future research by giving them more understanding and information about the relation between corporate image, product quality, service quality, perceived risk, price consciousness toward repurchase intention.

2. The author

This research bring benefit and opportunity to author to learn more though textbook, lecturer, research, people experiences, And increase the analytical skill to write and analysis some cases.

3. Samsung

The result of this research can be used as the comparison, references to improve the quality of product and services that Samsung offer.

1.5 Research Limitation

Although the findings are encouraging and useful, the present study has certain limitations. This research only examine some variable which are about corporate image, product quality, service quality, perceived risk, price consciousness toward repurchase intention.

1.6 Research Outline

This research outline will describe the overview about the systematic of the writing:

Chapter 1

This chapter provide the research problem and it also provide the background information defining the issue and important terms. It specifies the research objective explored in greater detail to contribute to understanding the research problem.

Chapter 2

This chapter summarizes the major studies and findings that have been published on the research topic and how this study contributes or adds to what has already been studied. This chapter also states a clear description of theories that apply to the research problem, an explanation of why it is relevant, and how the modelling efforts address the hypothesis to be tested.

Chapter 3

This chapter explains the detailed technical and scientific activities which include the research design, sampling plan, instrumentation, statistical tools, and treatment of data.