

CHAPTER 1

INTRODUCTION

The introduction serves as a critical element of research, providing readers with an understanding of the study. It typically includes essential components such as the study background, problem statement, research questions and objectives, study significance, and organization of the study.

1.1 Background

In today's interconnected global stage, the once insurmountable barriers of geography have crumbled, opening pathways for seamless communication and interaction among individuals worldwide. This remarkable transformation owes its existence to the relentless advancement of communication technologies, particularly the monumental transition from conventional mobile phones to the omnipresent smartphones dominating our era. The proliferation of smartphones has sparked an explosive surge in users, as evidenced by Indonesia's staggering leap from 83.84 million in 2019 to an astonishing 190.03 million in 2023 (Statista, 2023) as depicted in Figure 1.1. This insatiable hunger for smartphones has ignited fierce competition among manufacturers on a global scale, each fiercely striving to introduce their pioneering innovations, all in a quest to satisfy consumer cravings and capture their purchasing passion.

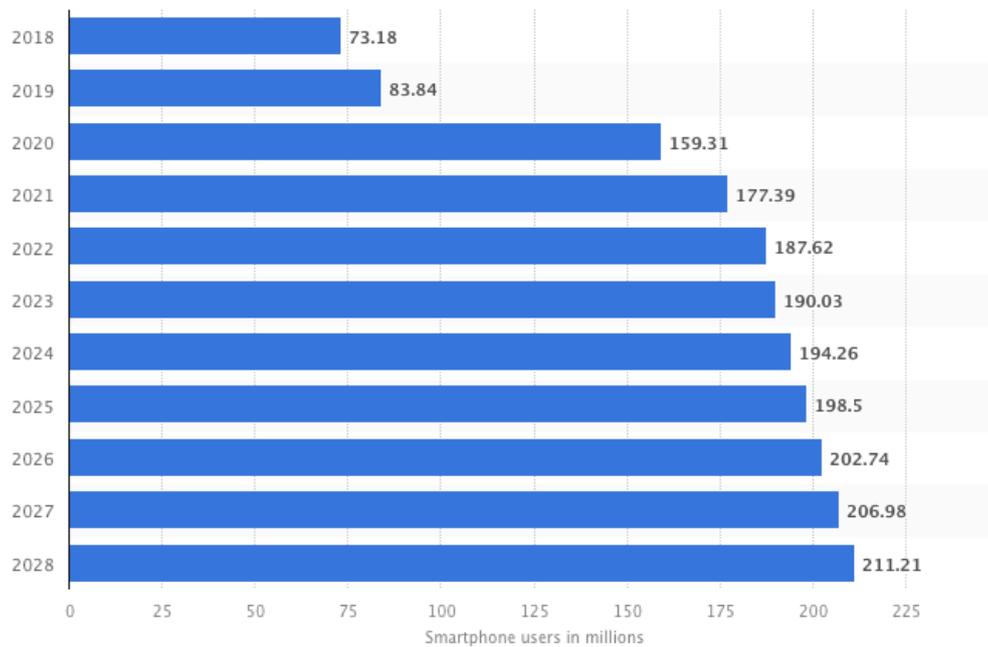


Figure 1.1 Number of smartphone users in Indonesia from 2018 to 2028 (in millions)
Source: Statista (2023)

According to Parlina (2017), some buyers consider a product's origin when making purchase decisions, often relying on the "made in" label. This label shapes their perceptions of the product's origin, influencing their decision-making process. Additionally, consumer behavior is influenced by brand image, which encompasses beliefs and impressions about a brand. Positive brand perceptions have a significant impact on customers' intentions to make purchases (Fauziyyah et al., 2018). As consumers learn more about a brand, they become more interested in purchasing its products (Mohamed et al., 2019). The purchasing intention of a client indicates their propensity to make more purchases (Assael, 2002).

Dinata et al. (2015) found that purchasing interest is favorably impacted by the country of origin, particularly for potential consumers who want to purchase iPads in Indonesia. Similarly, Gibran's (2018) claim that the country of origin influences purchase intentions favorably is corroborated by Rafida & Saino's (2015) study, which links perceived quality with interest in buying Samsung devices. Reiterating the conclusions of Rafida & Saino (2015), Gibran (2018) confirms that the country of origin has a positive impact on purchasing intentions.

South Korea has emerged as a prominent player in the smartphone industry, led by industry giants such as Samsung and LG. Renowned for their innovation and technological prowess, South Korean smartphones boast features like high-resolution displays, advanced camera systems, and powerful processors, solidifying their reputation for quality and reliability (Gary, 2023). These devices also showcase sleek design elements, reflecting the nation's dedication to superior craftsmanship. Samsung, in particular, dominates the global market, with its Galaxy series receiving widespread acclaim. However, despite these achievements, the South Korean smartphone sector faces challenges. Criticism of labor practices, including long hours and workplace stress, has tarnished the industry's reputation. Additionally, competition from Chinese manufacturers offering more cost-effective options threatens South Korea's market dominance. Nevertheless, South Korea remains a significant player in smartphone production, leveraging its technological expertise and brand recognition to maintain a competitive edge.

Samsung smartphones have garnered widespread acclaim globally, and this positive reception extends to Indonesia, where they enjoy a robust reputation. Recognized for their exceptional quality, innovative features, and reliable performance, Samsung devices have successfully captured a significant share of the Indonesian smartphone market. With a diverse product lineup catering to various consumer preferences and budgets, Samsung ensures accessibility across different demographics. Strategic marketing initiatives and collaborations with local influencers and celebrities further bolster Samsung's visibility and standing among Indonesian consumers. Additionally, Samsung's dedication to offering localized products and services, such as Indonesian language support and dedicated customer care centers, underscores its commitment to meeting the needs of Indonesian users. This combined with the brand's reputation for durability and value for money, sustains its popularity and positive perception in Indonesia amidst growing competition. Overall, Samsung's dominant presence as a leading smartphone brand resonates strongly with Indonesian consumers, making it their preferred choice for many.

Table 1.1 Smartphone Market Share in Indonesia

No.	Brand Name	Market Share		
		2022 Q4	2023 Q1	2023 Q2
1.	OPPO	26.10%	23.30%	17.60%
2.	Samsung	21.80%	24.00%	20.80%
3.	Vivo	18.20%	16.50%	16.50%
4.	Xiaomi	12.70%	13.70%	14.70%
5.	Others	21.20%	22.50%	30.40%
	Total	100.00%	100.00%	100.00%

Source: IDC report (2023)

The analysis of Table 1 reveals that Samsung did not secure the leading position in the smartphone market in Indonesia during Q4 of 2022. This situation prompts an exploration into strategies Samsung could employ to attain the top rank. One avenue of inquiry involves addressing and possibly dispelling consumer perceptions regarding the country of origin, especially considering the esteemed quality associated with South Korean products.

The decline in Samsung's market share in the Indonesian smartphone industry in 2023 provides information that there is a decline in sales, consumers no longer choose Samsung as the smartphone brand they buy or use. The data

results also show that there is a possibility that Indonesian Samsung consumers are switching to other smartphone brands. So, to maintain market share in the Indonesian smartphone industry and return Samsung's position as the number one smartphone brand with the biggest market share in the Indonesian smartphone industry (Angelia, 2022). Samsung must increase Indonesian consumers' purchasing intentions towards Samsung smartphones.

Previous research by Wibowo et al. (2021) stated that there are significant determinant factors of purchase intention, namely country of origin, brand image, and perceived quality. Hien et al. (2020) stated that consumer preferences in developing countries, including Indonesia, is to choose imported products. The country of origin from which product is imported also determines consumer perceptions of the product or brand which plays a role in determining consumer purchasing decisions (Degoma & Shetemam, 2014). Another important factor is brand image, how consumers feel and think about the brand, positive brand image created brand value. A good reputation of the brand's country of origin and a positive brand image of a brand tend to create a perception of product quality. So country of origin, brand image, and perceived quality become important determinant factors in determining purchase intention. Previous research has also found that country of origin, brand image, and perceived quality are significant in increasing purchase intention (Hien et al., 2020; Martati et al., 2020; Putera & Warmika, 2020).

Samsung as a smartphone brand originating from Korea has a fairly positive country of origin perception according to Indonesian consumers, the brand image and product quality of Samsung are also proven good. However, Samsung continues to experience a decline in market share in the Indonesian smartphone industry. This inquiry delves into the extent to which consumer perceptions impact purchasing decisions and whether perceptions of product quality outweigh any biases related to the country of origin.

1.2 Problem Statement

Despite the increasing popularity of Samsung smartphones in Indonesia, the company still holds the second position in the market. This highlights a significant gap in understanding how consumer perceptions of the country of origin and brand image influence their purchase intentions, with perceived quality playing a central role. Although Samsung is a prominent global brand and a key player in Indonesia's smartphone market, factors such as perceptions of the country of origin and brand image can significantly influence consumers' decision-making processes. However, there is a lack of comprehensive exploration into the specific dynamics of these factors and their interaction with perceived quality within the Indonesian context.

Thus, this study examines how Indonesian consumers' decisions to buy Samsung smartphones are influenced by their judgments of the device's perceived quality, brand image, and manufacturing location. By looking at these factors, the

research hopes to provide Samsung and other smartphone manufacturers with helpful information. With the use of this information, marketing strategies may be improved and adjusted to better suit the requirements and tastes of Indonesian consumers.

1.3 Research Questions

1. Does country of origin have a positive influence on perceived quality?
2. Does brand image have a positive influence on perceived quality?
3. Does country of origin have a positive influence on purchase intention?
4. Does brand image have a positive influence on purchase intention?
5. Does perceived quality have a positive influence on purchase intention?
6. Does perceived quality have a mediating role in the interaction between country of origin and purchase intention?
7. Does perceived quality have a mediating role in the interaction between brand image and purchase intention?

1.4 Research Objectives

1. To examine whether there is a positive influence of a country of origin on perceived quality.
2. To examine whether there is a positive influence of brand image on perceived quality.
3. To examine whether there is a positive influence of the country of origin on purchase intention.

4. To examine whether there is a positive influence of brand image on purchase intention.
5. To examine whether there is a positive influence of perceived quality on purchase intention.
6. To examine whether there is a mediating role of perceived quality in the interaction between the country of origin and purchase intention.
7. To examine whether there is a mediating role of perceived quality in the interaction between brand image and purchase intention.

1.5 Significance of the Study

1.5.1 For the Researcher

This study holds significant implications for researchers as it contributes to the academic understanding of consumer behavior in the smartphone market by investigating the roles of the country of origin, brand image, and perceived quality in purchase intention. By addressing gaps in existing literature and providing insights into consumer decision-making processes, this research enriches the academic discourse in this field. Moreover, the findings offer valuable guidance for developing effective marketing strategies, not only for Samsung but also for other companies operating in the smartphone market.

1.5.2 Business School

The research exploring the influence of country of origin and brand image on Samsung smartphone purchase likelihood, with perceived quality acting as a mediator, holds significant value for business schools. It enhances marketing and consumer behavior classes by incorporating real-world examples and showcasing research expertise. This approach not only attracts a diverse range of students but also fosters partnerships with companies like Samsung, thereby enriching academic reputation, stimulating student engagement, and strengthening industry connections.

1.5.3 For the Future Researchers

This study illuminates the impact of country of origin and brand image on Samsung smartphone purchase intention, with perceived quality serving as an intervening variable, thus offering valuable insights for future researchers. It establishes a framework for comprehending consumer behavior within the smartphone market and encourages further exploration into related factors and variables. Additionally, it underscores the significance of integrating both country of origin and brand image considerations into market strategies, paving the way for future research across diverse product categories and industries.

By introducing perceived quality as an intervening variable, this study prompts subsequent investigations into its role across various consumer behavior

contexts. Ultimately, it lays a robust foundation for future research endeavors, facilitating a deeper understanding of consumer decision-making processes.

1.5.4 Theoretical Contribution and Business Contribution

Theoretically, this research aims to deepen understanding of consumer behavior in the smartphone industry by investigating how Country of Origin and Brand Image influence purchase intention. By Exploring perceived quality as a mediating variable, this study seeks to uncover the underlying mechanisms that drive consumer perceptions and decision-making processes, thereby enriching existing theoretical frameworks and contributing to academic knowledge in the field. The result of this study can be used for other researchers to conduct further study about it, even though area or variable might differ.

From the business perspective, this research promises valuable strategic insights for smartphone manufacturers. By understanding the impact of Country of Origin and Brand Image on Purchase Intention, companies can refine their branding and advertising strategies to enhance their competitive advantage in the market. For instance, Samsung can utilize insights from this research to identify ways to differentiate its products based on positive brand image and perceived quality, thereby strengthening its market position, and driving business growth. Moreover, by recognizing regional differences in consumer perceptions, Samsung can tailor its marketing efforts to engage diverse consumer segments effectively, contributing to both academic knowledge and practical industry applications.

1.6 Organization of the study

1.6.1 Chapter I: Introduction

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1.6.2 Chapter II: Literature Review

In the second chapter of the study, the variables under investigation are introduced and defined. Moreover, this chapter presents the conceptual model utilized in the study, delineating the relationships between the variables. It also discusses various theories that have been employed by previous researchers.

1.6.3 Chapter III: Research Methodology

This chapter provides an overview of the techniques utilized by the researchers, covering aspects such as the research subject and object, research paradigm, purpose of this study, types of research, and the extent of research interference of the researchers. Moreover, it discusses the research setting, unit of analysis, time horizon, variable measure, mediation analysis, data collection ethics and method, sample design and sample size, measurement of scale, and data analysis.

1.6.4 Chapter IV: Results and Discussions

This chapter offers a thorough exploration of multiple facets, encompassing the profile of the study participants, specifics regarding the pre-test study, the results obtained from the actual study, the outcomes of hypothesis testing, mediating analysis and an extensive discussion delving into the findings of the study.

1.6.5 Chapter V: Conclusions and Suggestions

This chapter acts as the conclusion to the entire investigation, providing a summary of its findings. Furthermore, it offers advice and recommendations for future scholars who may be interested in further exploring this case study.

