

# CHAPTER I

## INTRODUCTION

### 1.1 Research Background

In recent years, smartphone sales in Indonesia become the largest in the Asia-Pacific region (Statista, 2024). With a population exceeding 277 million, Indonesia's young and digitally savvy generation has become a major force behind the increasing adoption of smartphones (World Bank, 2023). Many individuals rely on these devices to connect on social media, shop online, and stream entertainment, making smartphones an integral part of daily life. The development of mobile internet infrastructure, including widespread 4G coverage and the gradual rollout of 5G, has further strengthened connectivity, allowing smartphones to seamlessly meet the growing digital needs of the population (ITU, 2022).

### Pengguna Smartphone diperkirakan Mencapai 89% Populasi pada 2025

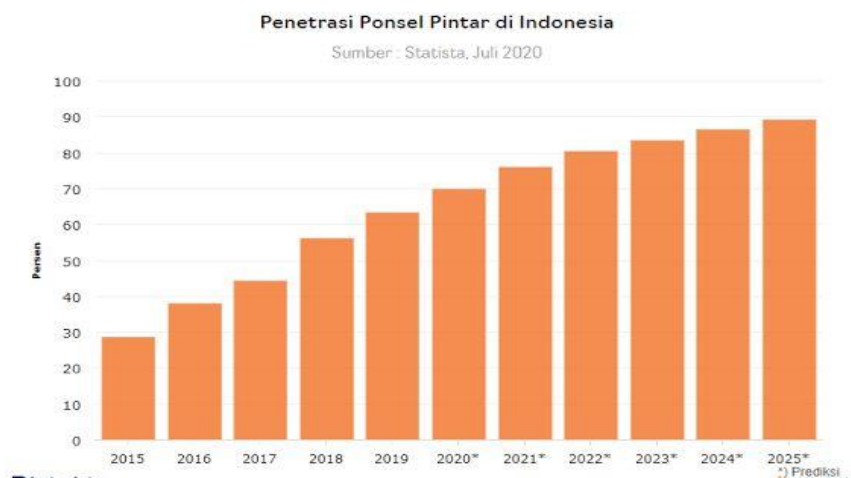


Figure 1.1 Smartphone Users Penetration in Indonesia

Source : Statista (2020)

Based on the statistics shown in the figure 1.1, there has been a consistent uptrend in smartphone user penetration in Indonesia from 2015 to 2025. It started at below 40% in 2015 and significantly increased to nearly 90% in 2025. The chart predicts that it will reach 89% of the population using smartphones by 2025. It shows that the growth of smartphone penetration users consistently increased each year.

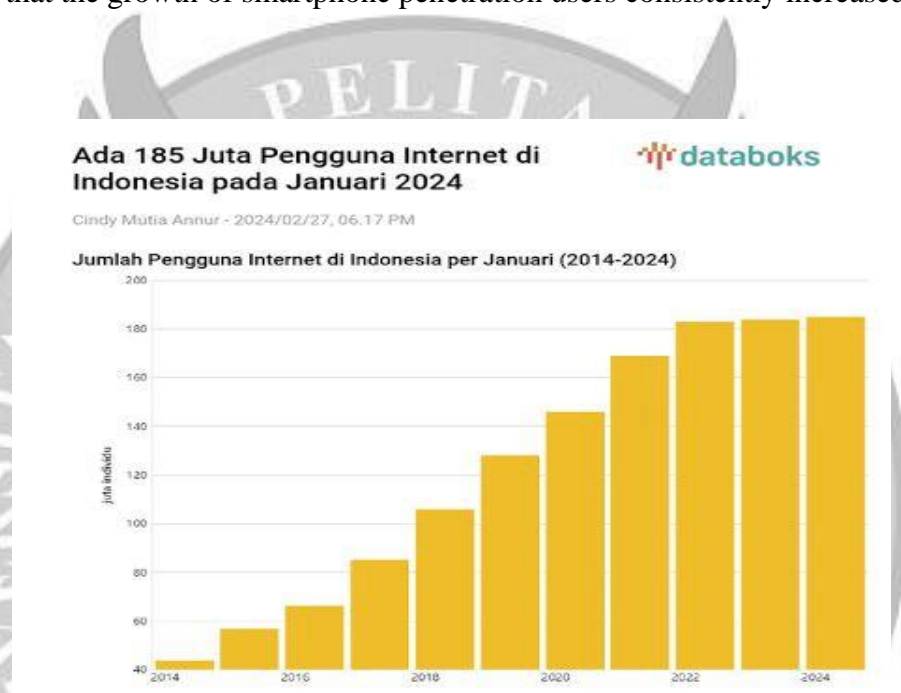


Figure 1.2 Numbers of Internet User in Indonesia as of January

Source: Databoks

Based on the table in this figure 1.2, We Are Social reported there are 185 million internet users in Indonesia as of 2024 which is 66.5% of Indonesia's population. Studies highlight that if individuals gain access to the internet, they are more likely to prioritize purchasing smartphones for their convenience and connectivity (Anwar et al., 2023). The increasing number of internet users in Indonesia is a driving force behind the rapid growth of smartphone users. This trend

reflects the integration of digital technology into daily life, emphasizing the importance of connectivity in shaping consumer behavior.

Due to international business, multinational companies demand to increase their operations to get the consumer across international borders. In the era of globalization, some factors have played an important role in influencing consumer purchase intention in international markets. Country of origin becomes the crucial role for the product which refers to the country where the product has been manufactured and designed. The country of origin remains an important consideration when assessing a product, particularly in a marketplace saturated with international brands (Sevanandee & Damar-Ladkoo, 2018). This study looked at the relationship between nation of origin and brand image, brand evaluation, and purchase intention as well as how these factors mediate this relationship (Hien et al., 2020).

Some marketing researchers and practitioners are concerned about the concept of nationalization in the context of international marketing, especially since country of origin is often directly associated with a product's image. Country of origin has evolved into a symbolic indicator that represents the quality, reliability, and reputation of a product in the eyes of consumers. For example, products originating from Germany are often associated with superior engineering, while products from Japan are associated with innovation and efficiency. According to research by Pharr (2005), a product's country of origin functions as an extrinsic cue or external clue that helps consumers assess the quality of a product, especially when internal information about the product is limited. For example, research by Ahmed et al.

(2019) found that positive perceptions of a product's country of origin significantly increase purchase intentions, especially in the context of international trade where consumers face many choices from various countries. Therefore, country of origin is considered an important factor in global marketing strategies, especially when the brand is not yet well known by the target market.

In today's highly competitive smartphone market, consumers are increasingly making purchasing decisions based on careful comparison of product specifications and prices across brands. Vivo, a leading Chinese smartphone manufacturer, has positioned itself as a brand that offers innovative features at competitive price points. According to Counterpoint Research (2023), Vivo is ranked among the top five global smartphone brands by shipments, reflecting its growing popularity, especially in the Asian market. Vivo's smartphones are often praised for their camera technology, sleek designs, and advanced audio capabilities, with models like the Vivo V and X series competing directly with brands like Samsung, Xiaomi, and Oppo. Compared to competitors, Vivo often provides similar hardware at a slightly lower price point. For example, while Samsung's mid-range Galaxy A series offers AMOLED displays and multiple camera setups, Vivo's V series often matches these features while slashing the price by 10–20% (IDC, 2022).

Additionally, Vivo's MediaTek and Snapdragon chipset integration offers comparable performance to Xiaomi and Realme products in the same segment, but Vivo often enhances the user experience through its Funtouch OS, which is optimized for battery performance and gaming (GSM Arena, 2021). However, price is not the only deciding factor. Brand perception, software updates, and after-sales

service play a significant role. While Vivo offers value in hardware, brands like Samsung and Apple still dominate the premium market due to stronger ecosystem integration and brand loyalty. As a result, Vivo's strategy seems to be focused on attracting price-sensitive but feature-demanding consumers, especially in emerging markets (Statista, 2024).

Brand image impact demonstrates that a stronger brand image increases purchasing intention (He et al., 2012). It will significantly increase customer buying interest with positive brand perceptions tend to be preferred. Brand image is the impression and idea for the product (Nurdin & Simamora, 2023). It will refer to the consumer's attitude towards the brand. A positive image can advantage the company and easier for the company to attract and persuade purchase. A strong brand image also influences consumer perception and attitude towards the brand or product (Kenneth & Baack, 2018).

**Table 1.1 Indonesia's Smartphone Market 2024**

Company	2024 Market Share	2024 Market Share	Growth
1. Transsion	18.3%	13.1%	61.7%
2. OPPO	17.8%	19.1%	7.6%
3. Samsung	17.2%	20%	-0.6%
4. Xiaomi	16.5%	14.8%	28.4%
5. Vivo	15.3%	16.2%	9.2%
Others	14.8%	16.7%	2.3%
Total	100%	100%	15.5%

Source : IDC Quarterly Mobile Phone Tracker (2024)

The data in the table 1.1. shows the market share of the top five smartphone companies in 2024, along with a comparison to the previous year and their growth rates. Transsion, a Chinese company that houses brands such as Tecno and Infinix,

is in first place with a market share of 18.3%, up significantly from 13.1% the previous year. This reflects the highest growth of 61.7%, which is likely driven by aggressive market penetration in developing countries such as Africa and South Asia. OPPO is in second place with a market share of 17.8%, down slightly from 19.1% the previous year. Despite its share decline, the company still showed positive growth of 7.6%, which could mean that its sales volume increased, even though competitors grew faster. Samsung, although still a big player, saw its market share decline from 20% to 17.2%, with negative growth of -0.6%, indicating pressure from Chinese manufacturers in the lower-middle segment. Xiaomi showed strong performance with its market share increasing from 14.8% to 16.5%, and growth of 28.4%, thanks to its aggressive pricing strategy and high-spec products. Vivo recorded steady growth of 9.2%, although it saw a slight decline in market share from 16.2% to 15.3%. The “Others” category includes brands outside the top five, with its market share decreasing from 16.7% to 14.8%, but still growing 2.3%. Overall, the smartphone market grew 15.5% year-on-year, reflecting the recovery in global demand after the pandemic and increasing market penetration in emerging markets. This data shows a shift in dominance from global brands such as Samsung to Chinese brands that are more competitive in terms of price and distribution strategies.

According to market share data illustrated Vivo, a Chinese smartphone brand, experienced a notable decline in Indonesia’s market share rankings, dropping from second place to fourth place in 2024. In contrast, Samsung, originating from South Korea, consistently maintained higher rankings than Vivo, although Vivo has been

known for its aggressive marketing strategies and innovative features, making it a strong competitor among global brands. In Q3 2024, VIVO led the market with a 19% share in China, supported by its diverse product range across various price segments (Counterpoint, 2024). This disparity in performance highlights a potential difference in purchase intention of Indonesian consumers between the two brands. By theory, purchase intention is influenced by their COO and the strength of their Brand Image and Attitude towards the Brand. Therefore it is interesting to research Vivo as one of the Chinese mobile phones that present in the Indonesian smartphone market, despite its recent decline in market share. But the change in its market position, as evidenced by the statistics, begs the question of how elements like Country of Origin and Brand Image affect how customers behave toward the brand. With a focus on Vivo, this study seeks to understand the brand's difficulties and how these elements affect Indonesian consumers' intents to buy (Setiawan & Kusuma, 2022).

Based on the background above, the researcher wants to conduct a study entitled, this study explores "The Influence of Country of Origin on Purchase Intention in the Indonesian Market Mediated by Brand Image and Attitude towards the Brand: A Case Study of Vivo".

## **1.2 Problem Statement**

Although Vivo has been known for its aggressive marketing strategies and innovative features, making it a strong competitor among global brands, Vivo experienced a decline in Indonesia's market share, dropping from second to fourth

place in 2023. In contrast, Samsung, a South Korean brand, maintained a stronger market position. This discrepancy implies that elements like the nation of origin and brand perception could affect consumers' intentions to buy. Therefore, the research problem formulations are identified as follows:

1. Does Country of Origin positively affect Purchase Intention in buying VIVO in Indonesian market?
2. Does Country of Origin positively affect Brand Image in buying VIVO in Indonesian market?
3. Does Country of Origin positively affect Attitude towards the Brand in buying VIVO in Indonesian market?
4. Does Brand Image positively affect Purchase Intention in buying VIVO in Indonesian market?
5. Does Brand Image positively affect Attitude towards the Brand in buying VIVO in Indonesian market?
6. Does Attitude towards the Brand positively affect Purchase Intention in buying VIVO in Indonesian market?
7. Does Country of Origin Influence Purchase Intention with Brand Image as a Mediating Variable?
8. Does Country of Origin Influence Purchase Intention with Attitude toward the brand as a Mediating Variable?

### **1.3 Objective of the Study**



The following research questions are included in this study to serve as a basis for the analysis previously offered and to direct researchers in accomplishing the study's goals:

1. To investigate the connection between purchase intention and country of origin while purchasing VIVO in the Indonesian market.
2. To investigate the connection between brand image and country of origin while purchasing VIVO in the Indonesian market.
3. To investigate how country of origin and brand attitude relate to VIVO purchases in the Indonesian market.
4. To investigate the connection between purchase intention and brand image when purchasing VIVO in the Indonesian market.
5. To investigate how attitudes regarding the brand and brand image relate to VIVO purchases in the Indonesian market.
6. To investigate how brand attitude and purchase intention relate to VIVO purchases in the Indonesian market.
7. To investigate whether Country of Origin has an effect on Purchase Intention with Brand Image as a Mediating Variable.
8. To investigate whether Country of Origin have an effect on Purchase Intention with Attitude toward the brand as a Mediating Variable.

#### **1.4 Research Contribution**

##### **1. Theoretical Benefits**

Provide valuable insights that contribute to the advancement of economic knowledge, particularly regarding the factors influencing consumer purchasing decisions.

## **2. Practical Benefits**

The findings of this research can serve as a future reference for businesses in designing effective product strategies. These strategies aim to enhance sales performance and improve product appeal, ultimately boosting consumer purchasing power for VIVO products in Indonesian market.

### **1.5 Research Outline**

In this study, the writing structure is divided into five chapters, as outlined below:

#### **Chapter 1 : Introduction**

The study's topic and issues are covered in the first chapter, which also acts as an introduction. The research background, problem identification, research aims, study advantages, research scope, and general writing format are all included in this part.

#### **Chapter 2 : Literature Review**

The theories presented in this chapter are compiled from a variety of sources, including earlier pertinent research, and serve as the basis for the supporting evidence. Additionally, it explains the connections among the variables and provides more details on the study model that will be applied.

#### **Chapter 3 : Research Methodology**

The third chapter explains the research methodology selected to support the processes of data collection, processing, and analysis. This section covers the research paradigm, the quantitative research methods employed, data collection techniques, data analysis methods, and the preliminary testing stages undertaken during the study.

#### **Chapter 4 : Analysis Results and Discussions**

A discussion of the outcomes follows the presentation of the data analysis and testing results in the fourth chapter. The study's responder profile, the findings of the inner and outer model evaluations, and the conclusions of the hypothesis testing are all included in this chapter.

#### **Chapter 5 : Conclusions**

The final chapter provides the conclusions drawn from the study's findings. It also includes recommendations for relevant stakeholders and highlights the limitations encountered during the research process.