

CHAPTER 1

INTRODUCTION

This chapter aims to present an insight into the research area by briefly discussing the background of the study, significance of the research, objectives, scope, benefit, and outline of study.

1.1. Background

In the globalization era right now, there are so many countries that do the international trade to survive. Companies and international marketers are also looking for more opportunities in the global market and multinational firms, which causes international competition between companies (Rezvani, et al., 2012). Indonesia also becomes the one that do the international trade and they also join the ASEAN Economic Community. The result is many imported products in Indonesia that come from many countries like Japan, US, and also China. According to Rezvani et al. (2012), country of origins can have a positive or negative impact on customer intention, according to every effect that the country of manufacture has on the perception of the buyers

Indonesia imported mobile phone from foreign countries like US for APPLE, Korea for SAMSUNG, and China for XIAOMI, because Indonesia still cannot makes that kind of mobiles phone industry in their owns country. APPLE which is come from US and SAMSUNG which is come from Korea has good brand image because the countries already known as a good developer or producer of mobile phone for years. XIAOMI which is come from China right know started

to come out with the good technology that even can almost equal with APPLE or SAMSUNG, but many people in Indonesia still do not want to buy mobile phone from China like XIAOMI.

The reason why many people in Indonesia do not want to buy XIAOMI which come from China maybe because according to Develd (2010), products made in China are known cheap but sometimes of poor quality, then this situation makes consumers think about purchasing on Chinese products especially in case of high involvement products. This research chooses XIAOMI mobile phone as the product to be researched, because even China can produce a good quality of mobile phone like the newest XIAOMI, but the Indonesian consumers still see the made in China products have low qualities.

According to Develd (2010), when consumers have previous experience or knowledge of products from a foreign country, they are likely to base their evaluations of a new product from that country on past experiences with or knowledge of products from that country. Consumers negatively evaluate the COO relative to brand name when the product is produced in a negative reputation country such as inefficient labor-ship, simulated product, poor quality etc (Develd, 2010).

The purpose of this research is to know the effect of country of origin towards Indonesian consumers' purchase intention on XIAOMI, so the importer can know about it and think twice to import the products especially mobile phone to Indonesia. There are some previous studies that talk about the same topics. According to Rezvani et al. (2012), country of origin is one of the extrinsic cues;

in addition, there is no doubt that country of origin has considerable influence on the purchase intention process. Alsughayir et al. (2012) also finds that the Saudi consumers match the country of origin concept to the quality of a product that they purchasing. According to IZMİR said that the possible explanation for the reason that country of origin image affects the quality perception the most can be made by the fact that automobiles are classified as a high involvement product. Mobile Phone also a highly involvement product, but the results could be different from the previous study. Mobile Phones have a different price with the automobiles, so how the customers will perceive it also different. The differences in the sample also become the factors that make the result will be different with previous research. Indonesian customers have the different behavior with the other countries customers.

1.2. Research Question

Based on the literature, some questions which are related to the country of origin are:

1. Does country of origin influence Indonesian consumers in perceiving the quality of XIAOMI?
2. Does country of origin influence Indonesian XIAOMI consumers' purchase intention?
3. Does country of origin influence Indonesian XIAOMI consumers' purchase intention through perceived quality as the mediating variable?

1.3. Research Objectives

In this globalization era, there are so many countries that sell and buy the products from another country. Indonesia also becomes one of the countries that do the international trade. Because of that, there are so many kinds of product from various countries in Indonesia, like XIAOMI which is come from China. Indonesian consumers have lot of choices to choose which countries' products that they should buy. Therefore the purposes of this study are:

1. To examine the influence of country of origin on Indonesian consumers in perceiving the quality of XIAOMI.
2. To examine the influence of country of origin on Indonesian XIAOMI consumers' purchase intention.
3. To examine the influence of country of origin on Indonesian XIAOMI consumers' purchase intention through perceived quality as the mediating variable.

1.4. Scope of the Research

The research aims to identify the effects of country of origin on Indonesian consumers' purchase intention towards XIAOMI. In order to retain the integrity of research and investigate the effects of country of origin, the questionnaires will be delivered to all Indonesian consumers who know where XIAOMI comes from.

1.5. Benefit of the Research

This research is expected to give both managerial and academic contributions, which are stated below:

1. Research contribution

The result of this research can help the business or firms especially that want to import their products especially mobile phone industry to Indonesia, so they can know about country of origin will affect the purchase intention or not for Indonesia customers. Then they can come out with good strategies to face the challenges or opportunities.

2. Academic Contribution

This research also can be used for any academicians or institutions as the reference for further study. This research can be used for those who want to do the same topics of research or those who want to develop further research about the effect of country of origin toward purchase intention.

1.6. Structure of the Research

This research was divided into five chapters; each chapter explained different part of the study.

Chapter I: Introduction.

This chapter presents the research background of this study, research question, research objective, research scope and benefits of this study.

Chapter II: Literature Review.

This chapter describes theories from the previous studies related to the research topic such as COO, Perceived quality and Purchase intention. Conceptual framework is also explained by developing the concept from the chosen literature review to be suitable for this research. The table of previous research is also written in this chapter. Furthermore Hypothesis was developed in this chapter.

Chapter III: Research Methodology

This chapter aims to explain in detail the methods which will be employed for data collection and analysis.

Chapter IV: Data Analysis and Discussion

This chapter will describe the data analysis and will be describing about the discussion of it. There will be the answers of research problem and proven hypotheses.

Chapter V: Conclusion and Recommendation

The last chapter of this study contained the findings of the research, conclusion, limitations of the research, managerial implication, and further research direction.