

CHAPTER 1

INTRODUCTION

1.1 Background of the study

The current era of globalization has places considerable emphasis on aspects of international business and international marketing. Almost every country has witnesses the import and/or export of foreign goods and services. However, the acceptance or rejection of these are really vital for not only companies but also the countries producing them. The organizations that have a global presence need to be really vigilant regarding the management of manufacturing country associations. That is the reason why the concept in country-of origin (COO) is of high importance. This construct has been extensively researched over decades in relation to various other variables of product involvement, attitudes and consumer purchase decision (Josiassen and Harzing, 2008).

Telecommunication technology has been a fast developing thing from time to time. The development itself has created changes in global telecommunication industry. The trend does not only relate to adopting the latest telecommunication infrastructure it is also concerned with style discharging its officials in the community. For example, by using the high penetration of the new product, citizens easily change products, although it is the same brand or change the product with different brand. Nowadays media communication are grows. Many uses the smartphone to fulfill their needs in communications between one individual to another individuals. Smartphone is a media of communication to connect with friends and family, most people find that the good/trustable smartphone producers are from United States, China and Korea. Therefore in this research, smartphone from America (iPhone) will be the object of research.

The consumer decision making process has been the subject of much interest as the major determining factor of consumer's product choices. In accordance with Schiffman and Kanuk (2004) decision making model, consumers' choices are determined by their psychological make-up also using Fill (1999) and Lin (2006) theory saying that an understanding of the contextual elements that impact upon individual purchase decision making and the overall process through which individuals behave and ultimately make decisions is an important first stage in the development of any marketing communications plan the major interest has been the development of consumer attitudes and how they determine a consumer's product choices. Consumer attitudes toward products from different countries-of-origin (COO) which have revealed the country-of-origin as an attribute to product evaluation (Ahmed et al., 2004). Consumers have been known to make use of product information by involvement or cue within their product evaluations (Ahmed, et al., 2004). Therefore, this research using COO, product involvement, attitudes and consumer purchase decision as variables.

Users of iPhone in Surabaya are quite a lot because people in Surabaya assume that iPhone is a good product from a good country which is from America. Basically, this research are made to know what kind of lifestyle that people in Surabaya into from their purchase decision in mobile phone brand (apple/ iPhone), from that decision we know that Surabaya people are driven by some factors like prestige, affected by other people, perception, to exhibit/show off, and lack of patriotism in local product. This research also made to analyze how much the people in Surabaya really love product from foreign country rather than local product and what factors that willing them to purchase it.

Importance of country-of-origin image to the object are in case of choosing the smartphone people are using their perception (attitudes) automatically by knowing which country and brand are the best selection in smartphone sector which is America, Korea and China. COO are a reference to people who wants to buy a smartphone by knowing where the product are made from, people will not buy the phone if the country are not a good country that can produce a good smartphone. Besides the COO, product involvement also have a high importance to the object because smartphone is a personal and functional thing, people not always buy it every day, therefore in case of involving to the object people will cautiously picking the product/object.

The difference of previous research with this research are the previous research (Shirin, Hanzaee 2011) using country of origin image, consumer purchase decision, product involvement and product knowledge as variable while the other previous research Kamwendo, Corbishley and Mason (2014) using consumer purchase decision, consideration (attitudes) and country of origin images as variables. Through that two previous research this research combining almost all those variables by combining COO, product involvement, attitudes and consumer purchase decision. Combining those variables will make this research unique by knowing the effect/influences between those variables that rarely researched.

A lot of emphasis has been place on the country-of-origin of a product as and a cue of product information. The continued growth of globalization continues to highlight the need for more country-of-origin studies especially as the amount of product options available to consumers' increases. Consumers have find themselves faced with more product options to choose from, both foreign and domestic. With that, the complexity of each purchase process has increased and in the face of restricted cognitive

capacity, only a small amount of alternative choices can remain in the consumers' mind (Shocker et al., 1991).

The COO effect is refers to bias or influence on product risk perception, product evaluation and buying decision (Diamantopoulos and Zeugner-Roth 2011). The image of the COO is very important as it may be actual or just a perception of the consumer. Martin and Eroglu (1993) links the notion of COO-image to information pertaining to the image of the place where the product is made.

Consumers have been known to use a number of different elements to evaluate product during the pre-selection process. The rationale behind the focus on COO has been built on the premise that the COO acts as a predictor of consumer attitudes and consequently product choices (Martín and Cerviño, 2011). Consumer attitudes toward products as expressed through variables have been the subject of interest in a number of country-of-origin studies (Wall et al., 1991; Batra et al., 2000; Wilcock et al., 2004).

The concept of involvement has been described in many ways because it represents the key element in revealing an individual's identity in the marketing and retailing fields (Eastman and Liu, 2012; Zaichkowsky, 1985). High involvement consumers are more motivated to look up to information from a variety of sources before the purchasing. Moreover, consumers who have high involvement level tend to purchase more frequently and spend more time to searching for product price and information than low-involvement consumers (Shim and Kotsiopoulos, 1992; Seo et al., 2001; Warrington and Shim, 2000). When consumers are purchasing for their phone or products, they prefer to buy the national or well-known brand name products familiar with them (Carpenter and Brosdahl, 2011; Ogden-Barne, 2011).

Consumers with high enduring product involvement conduct ongoing information search (Bloch et al. 1986) and are expected to have greater prior product knowledge (Lichtenstein et al. 1989). Thus, in addition to affecting the response to new information, prior knowledge and product involvement should have an interactive effect. The effect of prior knowledge and product involvement on the consumer's use of new information in a purchase decision will be influenced by the consumers' ability to process the information. In general, it can be argued that the more complex the information is, the more difficult it will be for consumers to assimilate it into their decisions.

On the other hand, when the consumer product involvement level is high, they actively search for product related information regarding its intrinsic attributes, such as four characteristics, benefits, and its extrinsic attributes such as price, COO-image etc. These high involvement products are usually associated with high costs and risks, which is why considerable thought and evaluation is involved in their purchase decision making. The buying behavior associated with this kind of purchase is information seeking.

It's interesting to see how all these variables function, what kind of associations and relationships they have among them, and what kind of effects they have on each other. To fill the gaps in the existing body of research, this research has taken the consumer purchase decision, as dependent variables. By exploring COO with reference to its macro and micro aspects, a huge gap is filled in Indonesia business research especially in mobile phone business. Indonesia is a huge market with promising market share for foreign companies and this kind of research can help those companies to better understand the consumer attitudes, perception and purchasing decision with reference to the COO.

1.2 Problem Statement

In this research the problems encountered in the process research can be formulated as follows:

1. Does COO have effect on Consumer Purchase Decision for iPhone product in Surabaya?
2. Does Product Involvement have effect on Consumer Purchase Decision for iPhone product in Surabaya?
3. Does COO have effect on Attitudes?
4. Does Product Involvement have effect on Attitudes?
5. Does Attitudes have effect on Consumer Purchase Decision for iPhone product in Surabaya?
6. Does Attitudes become an intervening variable between COO and Consumer Purchase Decision for iPhone product in Surabaya?
7. Does Attitudes become an intervening variable between Product Involvement and Consumer Purchase Decision for iPhone product in Surabaya?

1.3 Objective of the Study

The objective of this research are:

1. Analyze COO effect on Consumer Purchase Decision for iPhone product in Surabaya.
2. Analyze Product Involvement effect on Consumer Purchase Decision for iPhone product in Surabaya.
3. Analyze COO effect on Attitudes.
4. Analyze Product Involvement effect on Attitudes.
5. Analyze Attitudes effect on Consumer Purchase Decision for iPhone product in Surabaya.

6. Analyze the intervening effect of Attitudes between COO and Consumer Purchase Decision for iPhone product in Surabaya.
7. Analyze the intervening effect of Attitudes between Product Involvement and Consumer Purchase Decision for iPhone product in Surabaya.

1.4 Significance of the Study

The usefulness of this study are as follow:

1. For academic, this research can gives the information about the effect of country-of-origin-image, product involvement and attitudes on consumer purchase decision.
2. To the researcher, this study can contribute to the development of research literature about the effect of country-of-origin image on consumer purchase decision.
3. For the practical, this research has implications for consideration in the marketing field especially to increase knowledge about foreign products by taking into several factors that affect consumer decision in purchasing and to know the reason why Indonesian people especially in Surabaya tend to buy foreign product instead of local product.

1.5 Systematic of Writing

The systematic of this research is divided into five chapters.

Chapter 1: Introduction

This chapter discusses the background of study, problem statement, objectives of study, significances of study, and systematic of writing.

Chapter 2: Literature Review

This chapter contains previous research that is relevant to the present study, theoretical background, relationship between variables, and hypothesis of the study. The theoretical background will explain about country-of-origin image, product involvement, attitudes and consumer purchase decision.

Chapter 3: Research Methodology

This chapter explains the research design, variable identification, operational definition, variable measurement, types and source of data, tools and data collection methods, population, sample, and sampling techniques, data analysis and data analysis techniques.

Chapter 4: Analysis and Discussion

This chapter consists of research data description, data analysis, and discussion, also discussing about respondent description, research variable descriptive statistic, and hypothesis testing.

Chapter 5: Conclusions

This chapter presents the conclusion of the study and suggestions