

# CHAPTER 1

## INTRODUCTION

### 1.1 Background

In every business, plans, goals, is aiming at customer Repurchase Intention. Repurchase Intention is an important factor that every business segmentation in the world make the Repurchase Intention as “basic achievement” and every business performer should learn the Repurchase Intention as the most important factors. Many industries need to consider higher competition in a business also including an interest in repurchase the product. But, by judging the customer segmentation we can conclude how high or fast the market demand. In this consumptive days, many market individuals are trying to consider the repurchase of their product or services to pursue the feedback of what their offer or sold to the customers.

But, by learning the “Repurchase Intention” as the most important factors it doesn’t give a reason it occurs, there’re other factors that influencing the “Repurchase Intention” is called “Perceive Value” is one of the important factors that occurring the “Repurchase Intention” happens. “Perceive Value” is a value or effect after consuming or using the product or services that have been bought from a seller, company, etc. Many comments on management practices that are oriented directly to customers have not understood really about a value or value In the business of marketing, value is anything that can be related to monetary, technical problems, services and social

benefits received by the consumer in exchange for the price paid by the consumer. In the globalization era, customers also have a higher expectation.

Also, the buyer's perception of value is illustrated an exchange of good quality or any other benefit they receive in a product that is worth the price they paid. "Perceive Value" occurs the customer to make a response to the goods or services that we offer to the other people or customers. The response from a customer it may be variant depends on the products or services that we offer.

But, the goal we observe as the sellers from the response of the customer is a response to re-purchase the goods or services from the seller or company. The other 2 sub – factors that usually have an effect to the *Perceived Value* are "*Brand Image*" and "Country Of Origins". "*Brand Image*" is a foundation that every companies must build to make the customers frequency of buying are high or increasing significant. With "*Brand Image*" the companies already gain "trust" from the customer that they believe the quality of our products. Otherwise, "Country of Origins" is an interesting factors that affect the customer "*Perceived Value*".

Because, now a days "Country Of Origins" is reflect the image of the company output in that country. The main output that usually customer rate from is general is about the quality of the product. So, it creates the image of the brand also the stereotype of product quality on that country.

The Repurchase Intention is closely related to the concept of brand loyalty, usually indicating that the product meets the consumer's consent and is willing to use it again and in larger quantities (Kanuk & Schiffman 2004). Factors that meet consumer expectations will be creating consumer satisfaction, so consumers are interested in repurchasing.

Customers determine the final decision on the quality of the products in the market. Based on Keller (1998) and Aaker (1991) stated that, perception of quality can be defined as consumer perception to the overall quality or relative superiority of a product or services to the relevant alternatives according to the intended purpose achieved. So, the perceived quality cannot be set objectively because these perceived qualities are the same perception involving what is important to the customer. Therefore, the perception of quality is a global assessment based on the consumer perception what they think that can shape a product's quality and how well the brand level in that dimension (Owen. S. in Aaker *et al*, 1993).

Brand is a name, term, design, symbol or traits that indicate the identity or image of a product or service. With the existence of a brand it will show the image, the name and the quality of the product, the way the producer runs the business, and how the producers convince their customers. With the existence of a brand will make it easier for people to recognize a product. Branding is a collection of communication activities conducted by brand owners in order to build and enlarge the brand. Without a well-planned and well-planned

communication to the consumer, a brand will not be known and has no meaning whatsoever to the consumer or its target customers. *Brand Image (brand image)* is the perception and beliefs made by consumers, as reflected in the associations that occur in the consumer's memory. If the company succeeds in creating a positive and strong image then the result will be felt in the long run, especially if it is able to maintain it by always providing and fulfilling the promise attached to the deliberately formed image. Brands that have a good image will trigger consumers to do word of mouth because consumers believe in the brand (Ismail and Spinelli, 2012).

Country Of Origin will create a certain perception of a product brand, where perception can be positive negative, until the next level of positive perception will be encouraged the creation of actual purchases (Lin and Kao, 2004). Increased economic globalization resulting in the decline of the trade barriers between countries, so the availability of foreign products in the local market is wider than ever. In these circumstances, many products and services are evaluated with attention to COO as a potential competitive differentiator in the local market each country. COO is being understood as an emerging effect in consumer perception influenced by the location where product is produced (Czinkota & Ronkainen, 2011).

The results of previous research conducted by Permana (2013) entitled "The Influence of *Brand Image*, Country of Origins on Customer Purchasing Decision " Case Study at FISIP University Students of Satya Wacana Chrisitan University of Salatiga by

conducting a sampling to the people who using or become the Lenovo laptop users. He stated that from various analysis of hypothesis processing, the conclusion shows that country of origin can give positive assessment to *Brand Image*, perception of quality and intention of purchase. This means that the country of origin of the product gives a significant contribution to the community in providing an information to the product where the actual 23 people have not known as a whole against the attributes of the product.

Another research was conducted to support this research was conducted by Aninda (2017) entitled “Pengaruh Kualitas Produk Dan Harga Terhadap Keputusan Pembelian Smartphone Xiaomi Redmi 1S (Studi Pada Pengunjung WTC Surabaya)” translated as “The Influence Of Brand Quality And Price On Purchasing Decision Of Xiaomi Smartphone At WTC Surabaya” case study at WTC Surabaya students of Economic Department at Country University Surabaya by conducting a sample to the 210 people who were in WTC Surabaya who never used and involved in purchasing decision of Xiaomi Redmi 1S. She stated from various analysis of hypothesis and processing and gain a conclusion there’re influence between product quality on purchase decision on Xiaomi Redmi 1S. Another factors such as price also influencing the purchase decision. The more competitive prices its more influencing the purchase decision on the Xiaomi Redmi 1S.

Among the competition in the smartphone business in Indonesia which became one of the attention of consumers is Xiaomi

smartphone products. Xiaomi smartphone product is a product of Chinese origin that became known in the year 2011. Then began to be known by the people of Indonesia in 2013 and began to develop from 2014 to 2015 with superior products that Xiaomi smartphone. Smartphone Xiaomi managed to get into the top five smartphone companies China, This statement is in accordance with the results of research conducted by International Data Corporation (IDC) presented in the Table 1.1 as follows:

**Table 1.1**  
**Sales 2015 – 1016**

NO	Vendor	4Q2016 Shipment Volumes	4Q2016 Market Share	4Q2015 Shipment Volumes	4Q2015 Market Share	Year- Over-Year Growth
1	OPPO	24,5	18,1%	11,7	10,2%	109,2%
2	Huawei	22,9	16,9%	17,9	15,7%	27,7%
3	Vivo	21,7	16,0%	11,0	9,7%	96,4%
4	Apple	14,9	11,0%	17,1	15,0%	-12,8%
5	Xiaomi	10,1	7,4%	16,9	14,8%	-40,5%
6	Other	41,6	30,7%	39,7	34,7%	5,0%
	<b>Total</b>	<b>135,7</b>	<b>100%</b>	<b>114,3</b>	<b>100%</b>	<b>18,7%</b>

*Source: IDC Worldwide Quarterly Mobile Phone Tracker, 2016*

From the table above, indicates that in the fourth quarter of 2016, the total number of salespeople reached 135.7 million units, an increase of 18.7 percent compared to the 2015 period of 114.3 million 4 units, although Xiaomi declined in sales smartphone sales of 10.1 million units compared to 2015 with smartphone sales of 16.9 million units and a market share of 7.4 percent in 2016 compared to 14.5 percent in 2015 and a decline in growth by 40.5 percent. The decline

in sales, market share and growth are due to an increase in competition for similar smartphone products with large shipping volumes of competitors such as Huawei, Oppo, Vivo, Apple, and others. This makes an opportunity for Xiaomi to improve and develop products offered to consumers in the form of product quality improvement.

From the study that has been conducted before, researcher would like to analyze The Impact of *Brand Image* and Country of Origin through Perceive Quality to Customer *Repurchase Intention* On “Xiaomi” Brand in Surabaya”.

## **1.2. Problem Statement**

From the background stated above, the problem statement for this study formulated as:

1. Does *Xiaomi Brand Image* have effect on perceived quality in Surabaya?
2. Does *Xiaomi country of origin* have effect on perceived quality in Surabaya?
3. Does *Xiaomi perceived quality* have effect on repurchase intention in Surabaya?
4. Does *Xiaomi Brand Image* have effect on repurchase intention through perceive value in Surabaya?
5. Does *Xiaomi country of origin* have effect on repurchase intention through perceive value in Surabaya?

### 1.3 Objective Of The Study

The objective of this research to analyze the effect of:

1. Determine the impact of *Xiaomi Brand Image* on perceived quality in Surabaya.
2. Determine the impact of *Xiaomi Country of Origin* based on perceive quality in Surabaya.
3. Determine the impact of *Xiaomi Customer Perceived Quality* on repurchase decision in Surabaya.
4. Determine the impact of *Xiaomi Brand Image* on Repurchase Intention through Perceive Value
5. Determine the impact of *Xiaomi Country of origin* on Repurchase Intention through Perceive Value

### 1.4 Significance of the Study

From the elaborated objectives, this study is expected to provide significance theoretical and practical benefit.

#### 1. Theoretical Benefit

- a. This research is expected to improve understanding of “The Impact of *Brand Image* and *Country of Origin* through *Perceive Quality* to *Customer Repurchase Intention* On “Xiaomi” Brand in Surabaya”.
- b. The result of this study are expected to be learning materials and the application of science in the field of management, in particular field of marketing management.

- c. This research can increase the knowledge and understanding of the researcher regarding marketing management especially concerning Country of Origin, *Brand Image*, and the perception of quality towards repurchase decision.

## 2. Practical Benefit

The result of this study are expected to give practical contribution and useful for smartphone sellers in order to formulate their marketing strategy to maintain a competitive advantage and continue to develop the latest innovations.

### 1.5. Writing Structure

To make it easier to understand research in writing thesis there are 5 chapters and contains as follows:

#### CHAPTER 1. INTRODUCTION

This chapter explain about the pervious research, problem statement, significance of the study, objective of the study, and the writing schematics.

#### CHAPTER 2. LITERATURE REVIEW

This chapter explain about theoretical based of *Brand Image*, country of origins, perceived quality, *Repurchase Intention*, also the relation between variables, research framework and hypothesis.

### CHAPTER 3. RESEARCH METHOD

This chapter explain about research design, type of data and source of data, data measurement, tools and sampling method, population, sample.

### CHAPTER 4. DATA ANALYSIS AND RESULT

This chapter explain about respondent profile, hypothesis and variable testing.

### CHAPTER 5. CONCLUSION

This chapter contain the conclusion of research result, critics and suggestion from the analysis that it hopes can be useful for academic or company.