

CHAPTER I

INTRODUCTION

1.1 General Description of Wuling Motors

Wuling Motors was established in Indonesia in August 2015, and is a child the company from SAIC-GM-Wuling Automobile Company Limited (SGMW). Is aa joint venture of three major shareholders of SAIC Motor Corporation Limited, General Motors, and Guangxi Automobile Group Co., Ltd.

SGMW was founded in China on November 18, 2002. In 2015, SGMW sells more than two million vehicles in one year and is a company first automotive with annual production exceeding two million vehicles in China. SGMW has occupied the first position in terms of sales volume for the company a single automotive for 10 years in China. The company sells more than one million MPV units in China within one year in 2015, with a market share of 46.9% in this segment.

Ministry of Industry informed that the factory investment for MPV production in Indonesia, given to the SGMW Motor Indonesia company through the Wuling brand. Spontaneous investment of Rp 9.34 trillion. Stock composition PT SGMW Motor Indonesia is controlled by SAIC, one of the largest automotive companies in the country China with a 50.1 percent shareholding, then there is General Motors China by 44 percent, and the remaining Guangxi Automobile Group (Wuling) with 5.9 percent stock. PT SGMW Motors Indonesia already has a 60-hectare factory in Greenland International Industrial Center (GIIC), Blok. BA No. 1 and 2 Sukamahi, Cikarang Pusat, Bekasi, West Java. The factory consists of 30 hectares for the factory, and 30 hectares other for park suppliers. Later, after officially operating, the production capacity a maximum of SGMW factories reaches 150,000 units per year. Construction of the factory in Indonesia is considered a strategic step, which is not only for the deep market country, but also made it an export base for the Southeast Asian market.

SGMW has brought 15 component suppliers who will occupy suppliers Park, which is located in the factory area as a localization strategy. Then in the future Upcoming, Wuling said he would continue to work together more local component

manufacturer. SGMW has also built 50 scattered dealers throughout Indonesia. The strategy taken by PT SGMW Motors Indonesia to ward off the longstanding negative view for Chinese brands in the country, which is have a small after sales service network or outlets.

For products that have been marketed in Indonesia, the SGMW to date has launched four products. The first product they launched at Indonesia is Wuling confero, then Wuling Cortez, Wuling Formo, and products the last one they just launched in the first quarter of 2019 is Wuling Almaz. Wuling Motors Indonesia recorded sales of 11,500 units throughout January - September 2018. This figure is up more 1696.88% compared to sales in 2017 there were only 640 units. That is, the average sales of cars per month in Wuling Indonesia in 2018 reached 1,416 units.

1.1.1 Company Logo

Each company has its logo as a corporate identity. The following is the Wuling Motors logo:



Figure 1.1 Wuling Motors Logo

Source: Wuling Motors Website

1.1.2 Company Vision Mission

- **Vision**
Become one of the important players in the Indonesian automotive industry.
- **Mission**
Drive for better life.

1.2 Research Background

Globalization has affected trade in the world. Various companies are developing strategies and programs to deal with markets that tend to be dynamic. Advances in various fields, such as science, telecommunications, information technology, transportation networks and other sectors of life have made information flow easier between individuals and groups. The geographical boundaries found in each country have not become an obstacle, it causes consumers to be more educated and demanding.

The development of the needs and desires of consumers is increasingly complex. Large global markets present opportunities and challenges for every company in a particular business. The effect of competition on various industries will vary. This makes every company needs a marketing strategy and program that is really good and is based on efforts to satisfy the needs and desires of the target market.

Indonesia has a fairly rapid development in the automotive world. This is also supported by research conducted by the joint Indonesian vehicle industry (GAIKINDO) which analyzes the development of automotive in Indonesia. The General Secretary of the Indonesian Automotive Industries Association (GAIKINDO), Noegardjito, said that automotive sales in Indonesia were around 100,000 units or 7.5% from Thailand and Indonesia's domestic sales growth was estimated to reach 23.6% per year. The following are vehicle sales in the ASEAN region 2013-2016:

TABLE 1.1
ASEAN CAR SALES PERIOD 2013-2016

Vehicle sales in the ASEAN region by market, 2013-2016					
	2013	2014	2015	2016	% change
Indonesia	1,229,901	1,208,019	1,013,300	1,060,000	4.6
Thailand	1,325,079	881,832	799,592	768,788	-3.9
Malaysia	655,793	666,465	666,674	580,124	-13
Philippines	212,682	270,372	346,865	452,751	30.5
Vietnam	96,692	133,588	208,568	271,833	30.3
Singapore	27,374	42,980	74,544	106,684	43.1

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Total	3,547,521	3,203,256	3,109,543	3,240,180	4.2
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Sources : justauto.com in Liputan6

Based on table 1.1, Indonesia is ranked first for car sales in ASEAN in the 2014-2016 period. That indicates that if the Indonesian state is indeed a potential market for companies to sell automotive products than other ASEAN countries.

In 2012 one of the Chinese car companies with the brand Chery expanding its business into Indonesia. But in 2013 according to data, the car Chery is no longer selling cars to dealers (www.tribunnews.com). The thing that the same is experienced by car manufacturers from China with the brand Geely. In 2010 Geely expanded its business to Indonesia but only lasted for three years in Indonesia (www.otomania.gridoto.com). Car consumers in Indonesia have doubt about Chinese cars is caused by several factors, in fact people prefer Japanese cars. The reason is durability, engine, after sell, spare parts, difficult China is rather difficult. For the city of Bandung itself there are two cars The Chinese who sell in this region are Geely and Chery, but they are has stopped their sales activities marked by the closing of their dealership in the Indonesia. Chery and Geely are unable to face competition with car companies from Japan and countries in Europe. This makes Wuling work hard to convince Indonesian consumers.

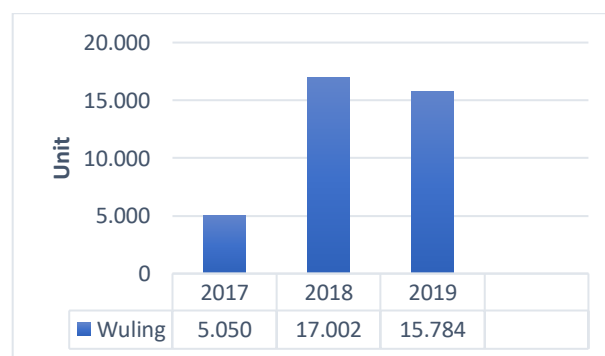


Figure 1.2 Sales of Wuling in Indonesia

Source: GAIKINDO

Based on figure 1.2, products Wuling Motors Indonesia recorded sales of 2017 is 5.050, in 2018 is 17.992, and 2019 (in quartal 1) is 15.784 units. This figure is show that Wuling Motors have a significant increase in selling cars. Therefore, purchase intention toward Wuling product is high. According to Koller (2009: 214) Purchase Intention is actions and social relations carried out by individual consumers, groups

and organization to assess, obtain, and use goods through an exchange or purchase process that begins with an exchange or purchase process that begins with the decision-making process that determines the actions these actions.

The progress of the time makes the evaluation by consumers of a particular product not only based on the attractiveness and physical characteristics of the product alone, but there is one thing that can affect a person's purchase intention that is based on the country producing it (country of origin). According to Permana and Haryanto (2014: 4) Country of Origin is any form of consumer perception of product from a particular country based on the perception of information about advantages or disadvantages of that country where the headquarters of a company. China is a country that has capable technology and high innovation level, but in the minds of consumers that products from China are considered priced cheaply.

After Country of Origin, there is another thing that becomes one of the considerations of consumers in determining the purchase of a product, namely brand image. According to Ranguti (2008: 43) Brand Image is a brand perception that is associated with brand associations inherent in consumers memories. Wuling are one of several vehicles from the China that are in demand by consumers because they are considered to have a pretty good brand image. Either assessed from promotions and services as well as from product excellence. The effort that Wuling did was in a way presents after-sales services throughout Indonesia by opening 50 dealers.

Brand Image and Country Of Origin, both encourage consumers' perceptions. Many found that the companies try to create a good and strong brand image by creating a brand that is as unique as possible that can be profitable and use positive associations with Country Of Origin to give advantages in marketing their products. To be able to equate local brands with global brands, often local products in a country mimic the design or product brands that are already well-known. For example Wuling Motor Indonesia exports the Chevrolet Captiva to Vietnam, even though the car is from Wuling Almaz which is marketed in Indonesia.

Bandung City is one of the potential markets of automotive companies. Thing This is evidenced by the growth of motorized vehicles on the streets of Bandung an increase of 11% every year or there are 1.5 million vehicles in the city of Bandung (www.pikiran-rakyat.com). This makes Wuling making Bandung one of their main

focus areas because they value it Bandung is one of the regions with automotive development in Indonesia (www.pikiran-rakyat.com). To prove the seriousness of Wuling in Bandung, Wuling often holds events to introduce their products and maintain relationships with their customers. One of the events that Wuling did in the City Bandung is the Wuling Experience Weekend. The event is an event that will be conducted throughout Indonesia and the city of Bandung became the first city chosen by Wuling to carry out the event.

Based on once product from that country, researchers are interested in researching Wuling car manufacturers. Products from China have gained popularity as they are now branded with a brand image attached to the product and do not lag behind the influence of the country of origin which can lead to consumer perceptions. At a time like this, the country of origin and brand image of a product are needed. So companies must be able to use brands as a tool to develop strategies and programs to dominate markets that tend to be dynamic because of the effects of technology and globalization.

Research conducted by Aschalew Dagoma and Elias Shetemam under the title *The Effect of Country Origin Image on Purchase Intention: a case study on Bahir Dar University Instructor*, shows the effect of country of origin on the interest in buying products domestically or abroad in Ethiopia.

Research conducted by Mohd Amirul Adenana et al (2018) in the title *Country of Origin, Brand Image, and High Involvement Product Toward Empirical Evidence of East Malaysian Consumers*. Shows the great importance of a brand image and country of origin in the purchase intention of the East Malaysia community.

How the country of origin and brand image of car manufacturers from China are viewed from the viewpoint of interest in the product so that it can influence consumer purchasing intention will be examined in this research. Based on the description above, researchers are interested in conducting research with the title “ **The Country of Origin and Brand Image Effect on Purchase Intention of Wuling in Bandung – Indonesia** “.

1.2 Problem Statement

Based on the background above, this researcher's problem is formulated as follows:

- a. Does country of origin influence purchase intention of Wuling?
- b. Does brand image influence purchase intention of Wuling?
- c. Do country of origin and brand image together influence purchase intention of Wuling?

1.3 Research Objective

The objectives to be achieved in this research are:

- a. To find out the influence of country of origin on purchase intention of Wuling.
- b. To find out the influence of brand image on purchase intention of Wuling.
- c. To find out the influence of country of origin and brand image that together affect purchase intention of Wuling.

1.4 Research Benefit

Every research is carried out in order to obtain useful benefits for all parties concerned.

The benefits expected by the authors in conducting this research include the following:

- a. For researches

The results of this research are expected to be used as one of the new knowledge in the field of global marketing, brand equity, and consumer behavior, especially regarding the influence of country of origin and brand image on consumer purchase intention.

- b. For the company

This research is expected to be able to provide input in the form of advice and information to the company management to pay attention to the desires of consumers so that the brand of the company is maintained its existence and is able to get even more trust from consumers of their brands.

- c. For business administration studies program

This research is expected to be an additional reference for those interested in researching with problems in the country of origin and brand image of consumer purchase intention.

1.5 Writing Structure

This systematics is made to provide a general overview of research. Systemstics writing as follows:

CHAPTER I Introduction

In chapter I contains an overview of the object of research, background of research, formulation of the problem, the purpose of the research, the benefit of research, and the systematic writing of the thesis.

CHAPTER II Literature Review

In chapter II contains the literature review of research, previous research and research framework.

CHAPTER III Research Methods

In chapter III contains the types of research, operational variables, stage of research, population and samples, data collection, and data analysis techniques.

CHAPTER IV Research Result and Discussions

This chapter describes the characteristics of respondents, the result of research and discussion of research.

CHAPTER V Conclusions and Suggestions

This chapter describes the conclusions and suggestions regarding the result of research.