The Effect of Country of Origin and Brand Credibility on Purchase Intention of Oppo Smartphone in Indonesia

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Abstract: Purchase intention reflects the consumer willingness to buy a product or service as a results of their evaluation process. Scholars agreed that country of origin play the important role to motivate the potential consumer to buy a product including smartphone, especially for those who do not have sufficient knowledge about the product. On the other hand, brand credibility also play important role as a driver for purchase intention as a results of company's marketing efforts. The present study tries to investigate the purchase intention of Oppo smartphone by considering country of origin and brand credibility as predictors. Data collected from 369 respondents had been analysed with multiple regression analysis. The present study found that both country of origin and brand credibility simultaneously and partially have significant effect on purchase intentions.

Keywords: country of origin, brand credibility, purchase intention, OPPO smartphone, Indonesia

1. Introduction

Even though Chinese brands dominate the market of manufacture products in Indonesia (and also all over the world), but the term 'Made in China' still has a long journey to obtain consumers' confidence and trust (Yunus & Rashid, 2016; Auriacombe & Vyas, 2019). Previous customer experience with Chinese motorbike that gain successfull acceptance due to the low price strategy, resulted in customer dissatisfaction. At the end, low product quality and performance couldn't meet customer expectation. The reputation of "made in China" products is still perceived as cheap, low quality, and perishable. This negative reputation is still widely embedded in the minds of consumers, especially in the Indonesian market.

However, nowadays, in accordance with China position as the second largest economy in the world, the product quality and brand also grow rapidly (Yunus & Rashid, 2016). For example, mobile phone brands from China such as Huawei, Oppo and Xiaomi successfully enter the Global market as well as in Indonesian market. In February 2021, gs.statcounter.com (https://gs.statcounter.com/vendor-market-share/mobile) reported six brands that dominate the world unit share for smartphone, namely: Samsung (market share: 28.52%), Apple (27.33%), Xiaomi (10.27%), Huawei (9.62%), Oppo (5.08%), and Vivo (3.84%). Four of them are Chinese brands and together they totally captured more-or-less 29% of global unit share. At the same period, Indonesian unit share for mobile phone is a little bit different. There are six brands captured 91.51% total Indonesian shipping for smartphone: Samsung (market share: 23.07%), Oppo (22.1%), Xiaomi (19.71%), Vivo (12.54%), Apple (7.76%), and Realme (6.33%). It shows that 61% of Indonesian smartphone unit market share was dominated by Chinese brands. This Chinese brands obtain great success in Indonesia because of several reasons as follow: cheap, complete and sophisticated specs and features, huge of product variances, massive and aggressive of marketing efforts, and intensity of their online sales (Amahoru (2019). Figure 1 shows the unit shipping share of top five smartphone brands in Indonesia from Q1/2018 until Q4/2020.

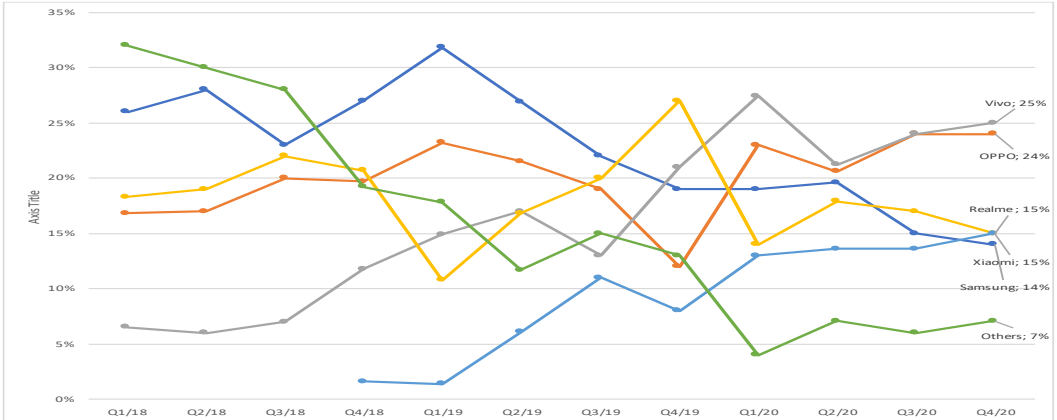

Figure 1
Top Five Smartphone Brands Unit Share in Indonesia Period of Q1/2018-Q4/2020
Source: IDC, 2020

Among the four main Chinese brands that have entered to Indonesia, Oppo is the oldest one (from 2004), and followed by Vivo (from 2009), Xiaomi (from 2010), and Realme (from 2018). Since Q3/2019, the top three brands experienced in surpassing Samsung. For example, Xiaomi in Q3-Q4/2019, followed by Oppo and Vivo in Q1-Q2/2020, then Oppo, Vivo, and Realme in Q3/2020. Recently all the four Chinese brands were surpassing Samsung in Q4/2020. From Figure-1, it can be seen that Oppo and Vivo have more stable graph in unit share. However, even though Oppo is the first Chinese brand that entered Indonesian market, from Q4/2019 Oppo never beat Vivo as the most preferred smartphone brands in Indonesia.

The present study tries to understand this phenomenon by investigating the purchase intention of Oppo in Indonesia. Purchase intention refers to the consumer's ability to plan or be willing to buy a certain product or service in the future (Yunus & Rashid, 2016). The present study tries to investigate country-of-origin and brand credibility as predictors of purchase intentions. The present study want to test the Oppo's reputation as a 'Made-in-China' product that will influence its purchase intention. This reputation is called country-of-origin (COO) which simply defined as "information pertaining to where a product is made" (Chattalas, Kramer & Takada, 2008). On the other hand, the present study also want to test the influence of brand credibility on purchase intention. Brand credibility is consumer trust in product information embedded in the brand as a result of consistent marketing mix through brand investments such as advertising (Erdem & Swait, 2004).

2. Literature review

Rashid and Yunus (2016) revealed that consumers in developing countries considered to be very sensitive to COO effects. As Kotler and Keller (2016) mentioned that the perception of COO can influence consumer decision making, either directly or indirectly, to choose and use products. Thus it is predicted that country-of-origin significantly influence purchase intention. The country of origin of a product will be considered by consumer as a representative of product reputation. One of the things that will get attention from consumer when they buy a product is the country of origin of the product. The country of origin of the product can lead to perceptions of the quality of a product. In addition, in order to drive consumers intention to buy, branding is also very important task for marketers together with service marketing actions (Seiders, Voss, Grewal, & Godfrey, 2002). Technically, a brand is the identity of a product which is reflected in the name, term, sign, symbol, design, or a combination of both (Sallam, 2015). Philosophically, a brand is a promise, a symbol of quality, and added value provided by companies to potential customers (Keller & Lehmann, 2006).

2.1 Purchase Intentions

Conner and Armitage (1998) noted that person's motivation to perform an activity can be predicted by their intention. Strong intentions lead to stronger behavior (Grewal, Monroe, & Krishnan, 1998). Purchase intention is about predictions of consumer beliefs that can be converted into buying behavior based on their attitudes and emotions (Kim, Chun, & Ko, 2017; Li, Wang, & Yang, 2011). Therefore, scholars believe that purchase intention predicts the actual purchase (Grewal et al., 1998). Although purchase intentions cannot be predicted accurately, this motivation encourages them to take buying action (Nguyen, Nguyen, Tung, & Le, 2020). According to Wei and Zhu (2020) the interaction of customers' needs, attitudes, and perceptions towards the product or brand indicate the purchase intention.

Previous literatures classify the drivers of purchase intentions into three categories, which are value-driven, cognitive information-driven, and emotional-driven (Wei & Zu, 2020). The value driven assumes that consumers will have the intention to buy when they perceive that what is received by them exceeds what is given (Zeithaml, 1988). The cognitive-information approach (Hansen, 2005) or 'cue utilization theory' (Richardson, Dick, & Jain, 1994) assumes that consumers use one or more indicators to judge the overall performance of a product. The emotional-driven assumes that consumers will judge a product or service according their emotional bound to the product (Hansen, 2005). The present study implement the cognitive-information approach since smartphone is a product that will be evaluated by consumer based on their product knowledge (either in low or high involvement) (Hansen, 2005). Many past literatures suggested some variables for example price, country-of-origin, brand name, brand credibility, and brand origin (for example: Kim et al., 2017; Li et al., 2011; Usunier, 2011; Wang & Yang, 2008; Wei & Zu, 2020; Yunus & Rashid, 2016).

2.2 Country of Origin

The effect of country of origin (COO) on consumer purchasing decision is subject that extensively studied by the scholars (Dinnie, 2004). It represents consumer's positive or negative perception of product that come from particular country. It can be described as the country or countries of manufacture, production, design or brand origin where a product come from (Chatallas et al., 2008; Johnson, Tian, & Lee, 2016; Nguyen et al., 2020; Yunus & Rashid, 2016). COO is the consumer's perceptions of a country that associate with a certain product or brand from where it is come from (Nguyen et al., 2020). With the globalization, according to Usunier (2011), COO become more complicated since a product is designed, produced, manufactured, or labelled in different countries. COO tends to bring the 'nationality bias'. However, when consumers do not recognize the product very well, then COO is attached to the products (Johnson et al., 2016). Thus, COO is used by the consumers as a primary clue in evaluating new products under several conditions depending on their knowledge of the products (Kinra, 2006). Furthermore, Kinra (2006: 17) elaborated that consumer perception about a country generates their opinion about the product come from that country. Consumer make several classification about this products such as technological superiority, value for money, sophisticated design, high credibility and so on.

2.3 Brand Credibility

The credibility of a brand is one of key success factor of company's success (Li et al., 2011). Credibility appears when a person believes and accepts all positive characteristics of messages manipulated and sent by the sender at a certain time (Wang & Yang, 2010). A brand has a credibility if consumers have a trust in product information embedded in a brand as a result of the consistency of the marketing mix and through brand investments such as advertising (Erdem & Swait, 2004). Furthermore, Erdem and Swait suggested that brand credibility comprises of two dimensions which are trust and expertise. Trust is the willingness of companies to deliver what they have promised, meanwhile expertise refers to a company's ability to deliver what is being promised by them

2.4 The hypotheses

According to Yunus and Rashid (2016), one of the important factor that might influence consumer purchase intention is country of origin (COO). Past studies confirmed that COO has a direct effect on purchase intention (for example: Kim et al., 2017; Kinra, 2006; Li et al., 2011; Nguyen et. al, 2020; Wang & Yang, 2008; Wei & Zu, 2020; and Yunus & Rashid, 2016). People concern about which country the product came from and where they were made. Wang and Yang (2008) and Li et al. (2011) found that COO have significant effect on purchase intention in automobile industry in China. Kim et al. (2017) also found that in fashion industry, consumers tend to give higher valuation for brand come from countries with strong COO. In Malaysian mobile phone market, Yunus & Rashid (2016) demonstrated that country image, perceived quality, and brand familiarity significantly relate with purchase intention. Wei & Zu (2020) also found that COO cues of China smartphone brand (reflected by perceived quality, price sensitivity, and product knowledge) is significantly affect purchase intention in European market.

Besides COO, the present study also tests the effect of brand credibility on purchase intention. Brand credibility is an important factor that influence consumers' attitudes and purchase intention (Li et al., 2011; Mathew, Thomas, & Injodey, 2012). Li et al. (2011) demonstrated that brand credibility significantly affects purchase intention. The brand credibility may provide consumers with greater and more specific assurance about quality and functions. It complements COO in motivating the consumers to generate higher intention to buy. Figure-2 shows the research framework for the present study.

Therefore, the hypotheses are:

H-1: Country of origin and brand credibility will have significant effect on purchase intention simultaneously.

H-2: Country of origin will have significant effect on purchase intention.

H-3: Brand credibility will have significant effect on purchase intention.

3. Research methodology

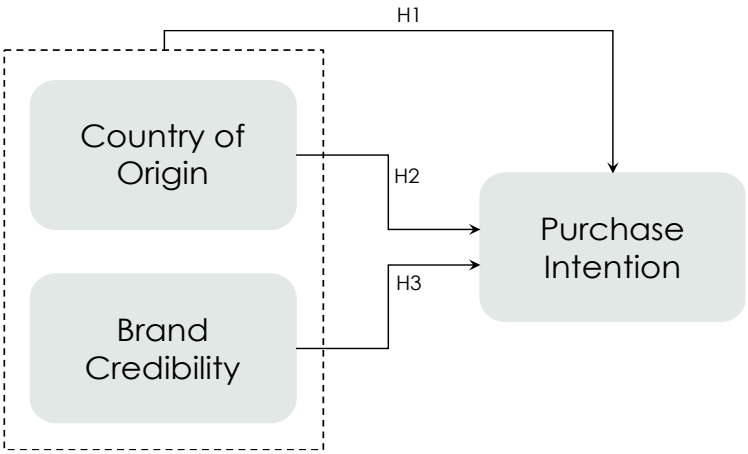

Figure 2
Research Framework

The present study implements quantitative study in a cross sectional research setting with one dependent variable (purchase intention) and two independent variables (country of origin and brand credibility). Table-1 shows the construct, sources, questionnaire items, validity test and alpha scores. The present study conducted face validity (involving academicians, marketing experts and practitioners) to check the questionnaire items to make sure that all of the questions are correct, valid, and understandable.

All the questionnaire items is developed by adapting from previous literatures. The COO employed Listiana's (2012) measurement with totally eight items. The brand credibility employed the Matthew et al.'s (2012) construct with seven items. Whereas, the purchase intentions utilized the Nguyen et al.'s (2020) measurement with 5 items. Since the corrected item scores are more than .300 and all the Alpha Cronbach scores are more than .700, then the variable construct are valid and all the items are reliable.

Table-1
The construct of variables, sources, items measures, corrected item-total correlation score and alpha score

Variable	Sources	Items measures	Corrected item-total correlation	Alpha
Country of origin	Listiana (2012)	1. China where the Oppo brand comes from, is an innovative country in manufacturing 2. China where the Oppo brand comes from, is a country with high level of education and mastery of technology 3. China where the Oppo brand comes from, is a country with excellence at product design 4. China where the Oppo brand originates comes from, is a country with good reputation (respectable) 5. China where the Oppo brand comes fro, is a developed country 6. China where the Oppo brand comes from is a country with creative workforce 7. China where the Oppo brand comes from, is a country with high quality workforce 8. China where the Oppo brand comes from, is an ideal country to visit	.498 .468 .572 .535 .496 .439 .493 .584	.800
Brand credibility	Mathew et al. (2012)	1. Oppo smartphone delivers what it promises	.440 .464 .340	.714

		2. All product claims of Oppo smartphone are believable 3. I just believed that Oppo smartphone has a good quality 4. I have nothing to regret with my experience with Oppo smartphone 5. Oppo is the name of smartphone that you can trust 6. Oppo is at the forefront of using technology to deliver a better product 7. Oppo reminds me of someone who is competent and knows what he/she is doing	.489 .304 .469 .478	
Purchase intention	Nguyen et al. (2020)	1. I will purchase Oppo smartphone immediately 2. I will purchase Oppo smartphone in the near future 3. I would like to posses Oppo smartphone 4. I am confident of purchasing Oppo smartphone regardless of time 5. I will introduce Oppo smartphone to my friends and family	.544 .649 .616 .541 .742	.822

Note: KMO=Kaisser-Meyer-Olkin measure; ev=eigen value; %var=% variable explain

The present study distributed 500 questionnaires to all potential buyers of smartphone in 12 big cities in Indonesia using Google Form in period of December 2020 until January 2021. By the end of January 2021, 372 questionnaires returned (74% response rate), several questionnaires are not valid and finally 369 questionnaires was analysed further

Table-2 shows the bivariate correlation between all variables under study. According to Bagozzi and Edwards (1998), the constructs are all good enough because all the correlations among the latent constructs were significantly less than one.

Table-2
The bivariate correlation between all variables

	COO	Brand credibility	Purchase Intention
COO	1		
Brand credibility	.607**	1	
Purchase Intention	.496**	.589**	1

*Significant at α = .01; all correlations are significantly less than 1.00.

4. Research result & discussion

4.1 Characteristics of respondents

Table-3 below shows the characteristics of respondents. It shows that the respondents is dominated by male, 20-30 years old, hold diploma/bachelor degree, as employees, and about 2-7 million rupiahs (about USD130-460) as their monthly income. Most of the respondents reported that they know the product from social media and internet and also from family and friends.

Table-3
The characteristics of respondents

No	Characteristics	Detail	%
1	Gender	Male	62%
		Female	38%
2	Age	≤ 20 years old	10%
		>20-30 years old	64%
		>30-40 years old	13%
		>40-50 years old	10%

		>50 years old	3%
3	Educational background	High School and below	23%
		Diploma & bachelor degree	65%
		Master degree and above	12%
4	Occupation	Students	22%
		Entrepreneur	11%
		Employees	67%
5	Income per month	Below Rp2 million	9%
		Rp2-4 million	35%
		Rp4-7 million	46%
		More than Rp7 million	10%
6	Source of Information	Social media & Internet	57%
		TV	11%
		Printing advertisement	5%
		Outlet	7%
		Family & friends	20%

Source: Data analysis

4.2 Hypotheses testing results and discussion

The present study proposes two partially and one simultaneously hypotheses to be tested. All hypotheses are direct relationships between independent variables (COO and brand credibility) and dependent variable (purchase intention). Table-4 shows the results of hypotheses testing of simultaneous and partial direct relationships. All the hypotheses (H1, H2 and H3) are accepted.

Table-4
Direct hypotheses test results

Hypotheses	Hypotheses	Standardized Beta	Results
1-COO to Purchase Intention	H2	.189**	Accepted
2-Brand credibility to Purchase Intention	H3	.481**	Accepted

R2= .381; Adjusted R2= .377; F Change= 112.447**; Sig F Change= 0.000
*Note: Significant levels **p < .01; *p < .05*

Hypothesis-1 states: *Country of origin and brand credibility will have significant effect on purchase intention simultaneously,* is accepted. The SPSS found that the F Change is 112.447 with significant level of $p < .01$. It can be concluded that simultaneously both independent variables (COO and brand credibility) hava significant effect on purchase intention. Thus, the potential consumer of Oppo thinks that country of origin and brand credibility together drives their purchase intention.

Hypothesis-2 states: *Country of origin will have significant effect on purchase intention* is accepted. The SPSS found that the beta is .481with significant level of $p < .01$. It can be concluded that brand credibility has significant effect on purchase intention. It supports previous research results for example: Kim et al. (2017), Kinra (2006), Li et al. (2011), Nguyen et.al (2020), Wang and Yang (2008), Wei and Zu (2020), and Yunus and Rashid (2016).

Hypothesis-3 states: *Brand credibility and purchase intention will have significant relationship* is accepted. The SPSS found that the beta is .189 with significant level of $p < .01$. It can be concluded that COO significantly has an effect on purchase intention. It supports previous researches for example: Li et al. (2011), and Mathew et al. (2012).

The R^2 shows that the linkage of COO and brand credibility can explain purchase intention by .381. It indicates that COO and brand credibility may explain 38% of variances in purchase intention of Oppo's potential consumers and another 62% being affected by other factors. The present study also reveals that brand credibility is stronger than COO in motivating consumers' intention to buy Oppo smartphone.

5. Conclussion & future research

The present study demonstrates that COO and brand credibility are among the important drivers of purchase intention. Both simultaneously affect consumers' purchase intention positively. Furthermore, the present study

also discovers that brand credibility is more important than COO in motivate consumer to purchase the product, especially for smartphone product. Perhaps, it can be explained that the potential buyer of Oppo smartphone are those who have already well informed with the product. The negative stereotype of "Made-in-China" is no longer influence the consumer perceptions and inhibit them to buy smartphone. The present study also clarifies the shift from COO to brand origin (Thakor & Kohli, 1996). Some scholars (for example: Basfirinci, 2013; Thakor & Lavack, 2003; Usunier, 2011) argue that the brand origin concept should replace COO, country of design (COD), country of manufacture (COM), country of parts, country of assembly (COA), and other similar terms.

The present study reveals that COO and brand credibility only explain 38% of purchase intention variance. It means that other variables could drive more on purchase intention. Future study could involve other variables such as: brand trust, price, product quality, service quality, etc.

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