

CHAPTER I

INTRODUCTION

1.1 Research Background

These days people tend to depend on smartphones to support their daily activity. Smartphones are devices that can be used to communicate either calling or messaging, have PDA function in it, and could operate like a computer (Rakhmah, 2016). The first smartphone in the world appeared in 1992 was introduced by IBM (Wilantika, 2017). What makes smartphones different are, smartphones had a function suitable with the development of communication technology and have a compact size so it is easier to carry. When it comes to the development of smartphones technology and innovation, users could use smartphones to support their daily activities. Ever since 2010, the development of smartphone technology has been very fast (Ardi, 2015). There are many kinds of technological development and innovation that we could use in our smartphones. On top of that, nowadays smartphones have already become a part of people's lifestyle (Oklilas et al, 2015). In terms of smartphones, people find it hard to get rid of smartphones especially from their lives. Smartphones have already become another factor to consider as an essential thing to be carried every day. Without smartphones today's life felt so different and complicated.

Since the first computer was founded, as we can see the development of information technology is very fast. On the first encounter, technology moves rapidly faster than ever before. Among many other things smartphones are one of

the results of technological development. Technological development that is produced by the brand showed us how they want to compete in the market. Furthermore, we can see the competition from every brand to make the best smartphones in the market and reach the most customers. It has led to various brands making their innovation to their product to attract customers. Not only focus on developing, but also there are a lot of new brands emerging and competing in the market. According to experts, today's competition made manufacturers realize they need to reach every segment they could (Nasution and Syamsuri, 2016). The competition in the market showed us how promising and growing the market of electronic gadgets is. Another factor to be realized, there are various brands starting from the cheap price range until the expensive price range available in the market. In spite of talking about electronic gadget brands, it is important to recognize Apple's existence. It is often discussed that Apple to be one of the most famous and prestigious brands that produced smartphones (Sari, 2019).

Until today, many people claim that Apple Inc or well known as Apple to be the biggest information technology company in the whole world (Yulianti and Maulidi, 2017). Research has found that Apple also ranked in the first place in terms of technological brand (Yuliat, and Maulidi, 2017). As a result of the title above, we could conclude that Apple has the best company performance in their field. Apple Inc established their company in 1975. As started off, Apple Inc based in Cupertino, California. For instance, In the early days they only produced computers but these days they are rapidly producing a brand news variety of products to be sold in the market. Ever since 2007, Apple has released their first smartphone which

is known as 'Iphone'. Thus, Apple has already moved their manufacturing plant into China by doing *Contract Manufacturing* (CM) with Foxconn Technology Group (Utami, 2017). Apple enlarges their company and makes the best out of it by manufacturing their plant toward the Foxconn Technology Group.

Apple Inc established since April 1st 1976, the company founded by Steve Jobs and Steve Wozniak. At the early days, this company called Apple Computer, Inc., this company based on United States of America. The first product Apple Inc ever produced is Apple I computer, not long after that Apple Inc launched the most successful product at that time which known as 'Macintosh'. Not only Macintosh, Apple Inc also launched some of 'breakthrough' products at that time such as I-Pod, Macbook Air, and their best seller product I-Phone (Kompas.com, 2020)

When it comes to manufacturing, Apple started moving their manufacturing to China. Due to the low costed labor in China that has led to China having numerous engineers that apples can hire to fulfil the demand of the product. Having high productivity in China factories could benefit Apple and fulfil the demand in between of their products in the market especially without running out of the product supplies. In the aftermath, Apple could get more profit manufacturing in China than producing their product in their home country. Apple also included in the top 10 list of Top Ten Smartphones Vendors Based on Percentage Sales in The World (Yuliati and Maulidi, 2017). In terms of that title, obviously there are many loyal customers of Apple around the world and the demand for Apple products in the world is quite high.

With the performance of the company, Apple became ‘The First Trillion Company’ in terms of market value on August 2018 (Wu et al, 2019). The title showed us how big Apple’s customers are based around the world. For the last few years, it seems that Apple is one of the most competitive brands in the smartphones market. Their product is always highly awaited by their loyal customers. According to Yuliati and Maulidi (2017), Apple held 16,4% of sales percentage around the world. Not only held the second position of the sales percentage, but also Apple Iphone became the best-selling phone in 2016 (Sofiani and Colline, 2018). By the data from counterpointresearch (2020), in the last quarter of 2019 or Q4 Apple held 18% market shares, it is a huge percentage since Apple only sold a few products unlike other companies. The chart below showed market shares of Apple Smartphones for 2019.

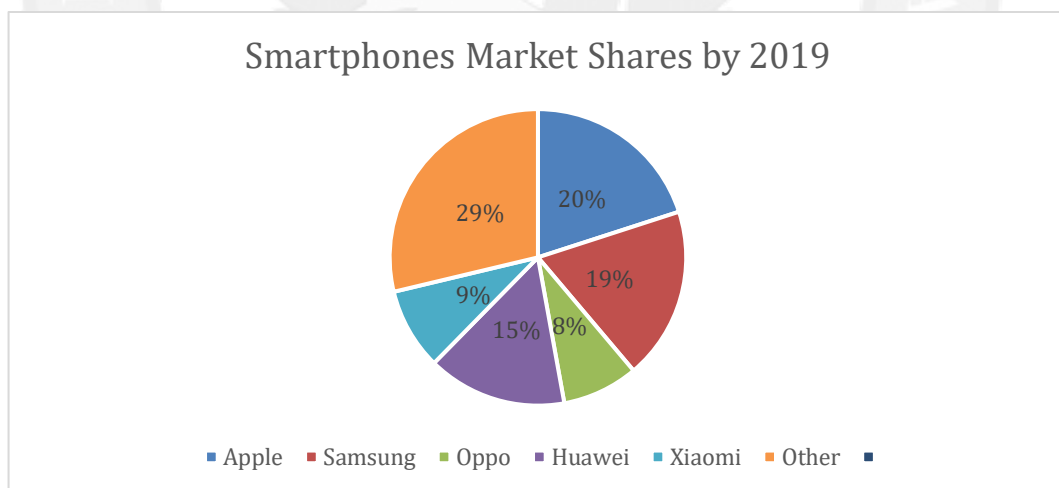


Figure 1.1 Apple Smartphone Market Share
Source: T4.ai (2020)

From the achievement we can conclude that even though the price of Apple products is slightly expensive, there are many people willing to pay for their product

without considering the prices and Apple smartphones market can keep growing based on the data shown.

However, there is an explanation why Apple only ranked on the second position, it is because they are only selling one kind of smartphone, unlike their rivals which sold many varieties of smartphones.

Apple also played in another segment such as personal computer (PC), smartwatch, and tablet PC. For the last two segmentation mentioned, Apple managed to dominate the market segmentation. Below are the data of Apple market share by segmentation for the last year (2019). The data shown below are provided by T4.ai.

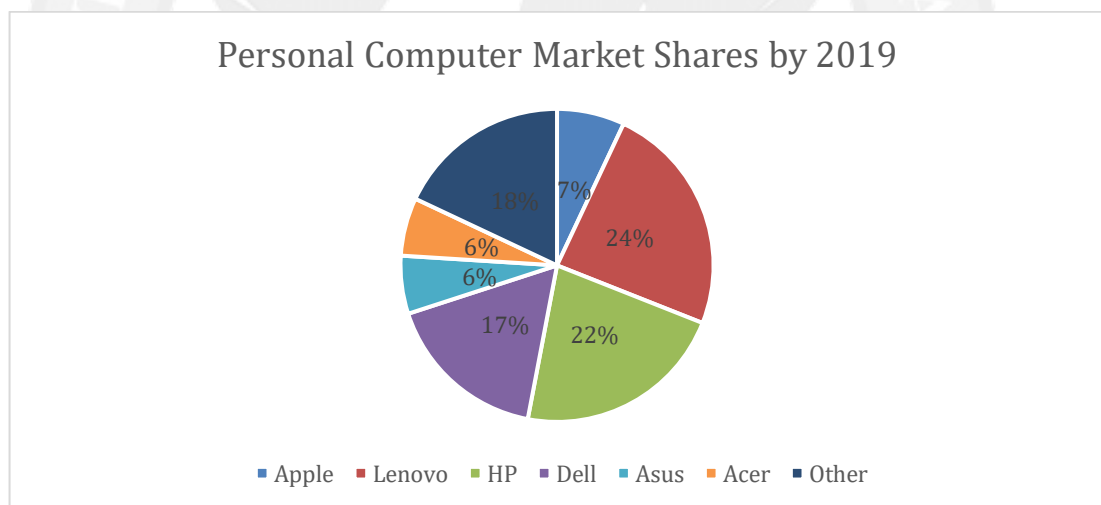


Figure 1.2 Personal Computer Market Share (2019)

Source: T4.ai. (2020)

Even though Apple only held 7% from the total of market share, we need to remember that Apple only sell 'High-end' product and not targeting all segment like other companies. The number showed us that even the price of Apple PC product quite expensive, there are some people willing to pay for the price.

SmartWatch Market Share by 2019

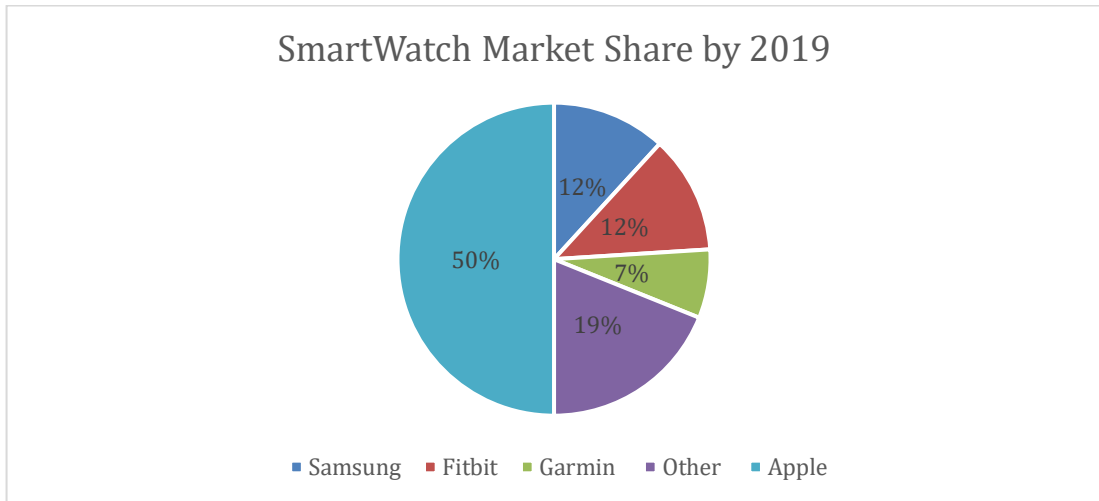


Figure 1.3 Smartwatch Market Shares (2020)

Source: T4.ai. (2020)

For this segment, Apple managed to dominate the market with their Apple Watch product (50% market shares). It is because they managed to produce a product that became the trendsetter and others product level of benchmark, in this case is Apple Watch series. They managed to beat their closest rival in this segment, which is Samsung and Fitbit. The domination of Smartwatch market told us that Apple really produced a high quality and attract attention to their customer. Not only Smartwatch, Apple also managed to dominate the tablet PC market. The chart below showed us that Apple held 34.6%, it is nearly twice of their nearest rival, Samsung.

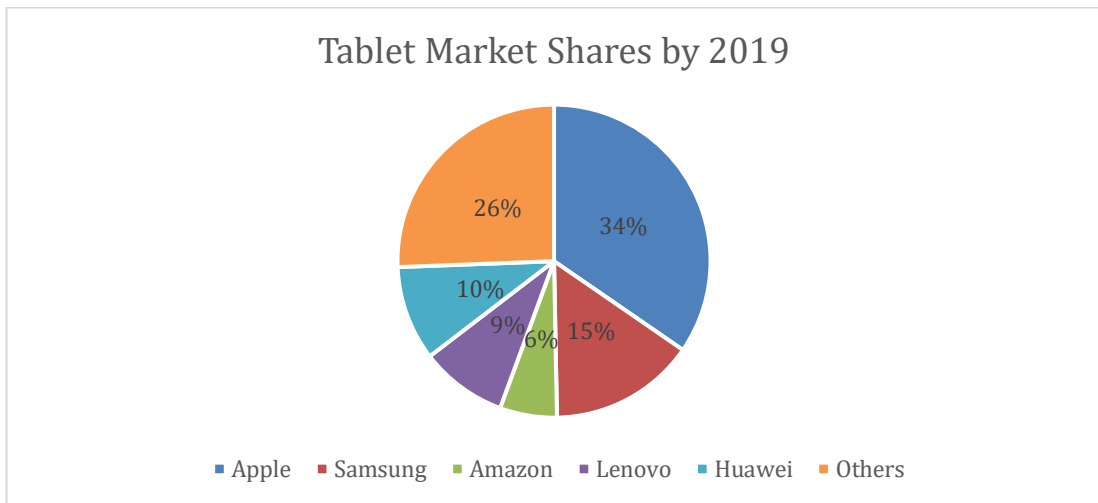


Figure 1.4 Tablet PC Market Shares (2020)
Source: T4.ai. (2020)

The growing market of gadget devices also happening in Indonesia. This phenomenon marked by the huge demand for gadget devices in Indonesia. Due to the huge demand for gadget devices, of course Indonesia is one of the most promising countries to manufacture for selling their variety of product. On the daily basis, we can see people tend to bring smartphones anytime anywhere through the day. Therefore, we can conclude that people mostly depend on smartphones to support their daily activities because they are giving more benefits than using a feature phone. Of course, because of this phenomenon every brand sees Indonesia as a good market opportunity and encourages them to dominate Indonesian market. There are a variety of gadget brands that are sold in the market. The price range also started from the affordable one until the expensive one, every market segment has their own customers.

When it comes to gadgets brand, we cannot forget about Apple existences, even in Indonesian market. As a result of how good Apple made their products, Apple's good reputation is also well-known in Indonesian market. According to

Aprilia (2016), people see Apple as a high-quality brand. It seems that Apple products are more special than other brands. Therefore, a lot of Indonesian people uses Apple devices as their daily devices to support their activities. But the sales performance of Apple in Indonesia is not as good as the global market. Apple only held 5.1% share of the Indonesia market and only ranked in the fourth place (Yuliati and Maulidi, 2017). From the data we could conclude that unlike any other competitors, Apple products only could be afforded by some market segmentation. This means some people assume that Apple is an exclusive and prestigious brand. It also showed us that Apple has a strong brand image that people are willing to pay a high price just for their product, even if the product is not produced from the home country since the production now is handheld by Foxconn in China. Even though the production was moved into China, Apple still managed to produce high quality products.

The phenomena of Apple devices also occurred in the capital city of Indonesia, DKI Jakarta. However, the trends also affecting other cities around DKI Jakarta such as Bogor, Depok, Tangerang, and Bekasi. On the daily basis, we can see many Apple devices user in public. The users tend to use the devices as a daily companion to support their daily activities. Based on the event, Apple products have capabilities to fill the needs of their users in term of technological needs. We can easily saw many Apple devices users around the cities, started from their most selling product such as Iphone and Macbook. The age of the products also has many varieties from the oldest model until the newest model. The event showed us that Apple has a loyal user of the products.

Based on the development technologies of gadget devices, the author wanted to research the effect of product quality, brand image, country of origin, and customer satisfaction affecting the purchase decision of apple products and the phenomena of Apple devices trend in Jakarta regional area. Author wanted to prove that the good reputation of the country of origin of could affect the buying decision because based on the data from Kompas.com (2017), the same type of product manufactured by two different countries revealed different volumes of sales.

Author want to prove that *Country of Origin* have a capability to positively affect the *Buying Decision* because according to the previous research conducted by Budiarti et al (2019) *Country of Origin* do not have an effect towards *Buying Decision*. The similar result also shown by Kinasih (2020), which stated *Country of Origin* positively affect *Buying Decision* but does not gave a significant effect. However, author thought that *Country of Origin* capable to give effect towards *Buying Decision* for some products, in this case is Apple products.

1.2 Research Problem

As stated on the research background above, according to Yuliati and Maulidi (2017) Apple only held 5.1% market shares in Indonesia. However, even though the number that Apple held is quite small, their market also kept growing in Indonesia. Based on the data stated by *GlobalStats* (2020), on 2019 Apple held 5.9% of market shares in Indonesia. However, the number that Apple held is counted big since their product line up do not have variety of product like other electronic brands. The data proves that even though that Apple products have a

higher price unlike another electronic gadget brands, there are some individuals that willing to pay for using their product.

According to the statement above, it can be said that Apple already has their own market in Indonesia although their price is quite expensive compared to the same product sold in the market. Even though that Apple products have their loyal customer in Indonesia, some of them are not aware that nowadays Apple products are not produced on their home country (United States of America) but produced by their affiliate company *Foxconn* in China.

Based on the problem author explained earlier, author has formulated the research problems as:

1. Do Apple customer aware that the product is not produced in their home country?
2. Do Apple customer aware of the *Country of Origin* of Apple products?
3. Do *Country of Origin* of Apple products fulfill the expectations of Apple users?
4. Do *Country of Origin* of Apple products meet the Apple user standard?
5. Do *Country of Origin* of Apple products have a good reputation in customer perspective?
6. Do *Country of Origin* of Apple products reputation determine the quality of the product?

1.3 Research Questions

The research questions of this research are:

1. Does Product Quality have an impact towards Customer satisfaction of Apple Devices in Jakarta Regional area?
2. Does Product Quality have an impact towards Buying Decision of Apple Devices in Jakarta Regional area?
3. Does Brand Image have an impact towards Customer satisfaction of Apple Devices in Jakarta Regional area?
4. Does Brand Image have an impact towards Buying Decision of Apple Devices in Jakarta Regional area?
5. Does Customer Satisfaction have an impact towards Buying Decision of Apple Devices in Jakarta Regional area?
6. Does Country of Origin have an impact towards Buying Decision of Apple Devices in Jakarta Regional area?

1.4 Research Objectives

Based on the research background, research question and research problem stated above, there are six research objectives listed.

The objectives of this research are listed below:

1. To examine the effect of Product Quality towards Customer Satisfaction of Apple Devices in Jakarta Regional area.
2. To examine the effect of Product Quality towards Buying Decisions of Apple Devices in Jakarta Regional area.

3. To examine effect of Brand Images towards Buying Decisions of Apple Devices in Jakarta Regional area.
4. To examine effect of Brand Images towards Customer Satisfaction of Apple Devices in Jakarta Regional area.
5. To examine the effect of Customer Satisfaction towards Buying Decisions of Apple Devices in Jakarta Regional area.
6. To examine effect of Country of Origins towards Buying Decisions of Apple Devices in Jakarta Regional area.

1.5 Research Benefits

In this study obtained two different types of the research benefits such as:

1) Academic benefits

Through this research, Author hope to provide considerations for consumers in order to contribute increasing knowledge of useful empirical evidence in the form of references included in the course.

Through this research, it is hoped that it can provide business owners with guidance and other information about the influence of how product quality, brand image, customer satisfaction, country of origin affecting the purchase decision of Apple devices in Jakarta region.

2) Practical Benefits

Through this research, Author hope to provide understanding for consumers to acknowledge and known product quality, brand image, customer satisfaction, country of origin affecting the purchase decision of Apple devices in Jakarta region.

Through this research, it is hoped that the Author can become a reference for the implementation of future research.

1.6 Research Outline

CHAPTER I: INTRODUCTION

In this chapter, the Author discusses and explains the research background, research problem, research objective, research benefit, and research outline.

CHAPTER II: LITERATURE REVIEW

In this chapter, both dependent and independent variables will be used as the basis of the research along with the theories that support these variables, along with the research model.

CHAPTER III: RESEARCH METHODS

In this chapter, the Author describes the analysis methods used in research that are attached to the data and data source.

CHAPTER IV: RESULT & DISCUSSION

In this chapter, the Author will explain the results of the relevant research and data analysis, which are obtained based on speculation and hypothesis on assumptions provided by previous attempts to describe the relationship between variables.

CHAPTER V: CONCLUSION & RECOMMENDATION

In this chapter, the Author will present the conclusion and recommendations for future research.