

CHAPTER I

INTRODUCTION

The research introduction is an essential part in the study. The purpose of research introduction is to present the nature of the research and to clarify the center of the study problem. Therefore, this introduction part will consist of research background, problem statement, research problem, research aim and objectives, benefits of the research, scope of study and chapter outline.

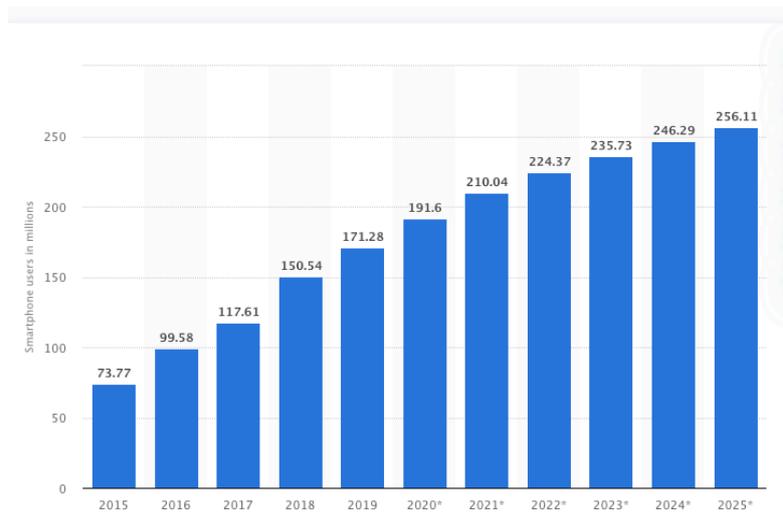
1.1 Research Background

These days smartphone could not be set apart from human life. The invention and development of smartphone has created huge benefits for human life especially in the business aspects. As it consists of advanced features compared to the ordinary phone, it has a several advantageous in it. The function of smartphone is not limited only to create communication connectivity among people, instead it allows us to save time in doing payments, increase people's productivity as it helps people to perform their job through their phone, provide entertainment and enable people to fulfill their needs and wants through smartphone features (Lakshmi 2016).

The first smartphone boom happened in 2007 when the first iPhone was launched and become the most innovative invention in a smartphone. Since that day, the trend of a smartphone as a must-owned device arises. The trend of smartphone has created a significant increase in the sales of the smartphones globally (Arthur, 2012). It is represented through the research done by Statista

(2020), where in 2007 there was sold 122.32 million units of smartphones and it increases significantly each year to 1524.84 million units sold in 2019. The trend in the increase of the sales also creates positive relationship in the emerging of the smartphone brands. The emerging of new brands increase the rivalry competition in the market. IDC Worldwide Mobile Phone Tracker (2017), found that there was an increase in smartphones brand in around the world. In 2007, it was reported that there are 7 notable brands ranges from Samsung, Apple, Lenovo, Motorola, HTC, Nokia and Blackberry, while in 2010 there is an addition of one brand called Huawei. Then, in 2013 it was also reported that there are 2 additional brands in the global market called LG and Xiaomi and furthermore, in 2016, 2 brands which is Motorola and Nokia step out from the global smartphone market.

Indonesia also becomes one of the notable markets for smartphones company, as we are the fourth biggest population in the world. Currently, Indonesia has become one of the largest smartphones market in Asia (Müller 2020). The growth of smartphone users also increasing rapidly each year. Through **figure 1.1** below we can see that the number of smartphones users keep increasing each year and it is forecasted to reach 256.11 million users in 2025.



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Source: Statista.com (2019)

The trend in the increase of Indonesian smartphone users also followed with the tight competition of smartphone brands in Indonesia. According to the research done by IDC, there are five major players ranges from Vivo, Oppo, Samsung, Xiaomi and realme. These brands compete rapidly in the Indonesian market to enlarge their market share.



Figure 1.2 Indonesian Top-5 Brand Highlight

Source: IDC.com (2020)

The rapid competition in the Indonesian market has brought Samsung into the third place while in the past 6.5 years Samsung succeed to hold the biggest market share in Indonesia. According to the **figure 1.2** above, Samsung's position in the market share starts to decline since the first quarter of 2019 after Vivo and OPPO succeed to become the first and the second biggest market share holder in Indonesia (Franendya 2019).

In the era of international business, where the people, products or services and information mobilization freely moves across the national boundaries, it results to the widening of the variation in consumer choice of products or services. As the consequence, it enhances the business competition in around the world. In facing the condition where the rapid competition happened in the market, it is important for the company to be able to attract consumer to trigger consumer purchasing intention towards company's product.

Samsung, a multinational company headquartered in Korea, which has decided to enter Indonesian market since 1991 (Prihadi, 2016). As a Korean company which try to expand their business to Indonesia, Samsung faces several challenges especially in terms of cultural differences aspects. Hofstede Insight (2020) reveals some differences between Indonesian and Korean culture which are in terms of masculinity vs femininity and also the uncertainty avoidance index. The culture of Indonesia belongs to low masculinity which means that the majority of society belief that being success is important, but it is not always focus on capital gain. Then, in terms of uncertainty avoidance index, Indonesia belongs to low uncertainty index category which means that Indonesian people tend to have a high

tolerance which is shown through how Indonesian people see the importance of relationship in the work environment (Artina et al. 2020). Looking at the differences in cultural aspects, Samsung strives to do global marketing and has never stopped to study the consumer purchasing behavior (Zfat, 2019).

From the previous research, the researchers found out that in making a purchase intention that leads to consumer purchase decision, usually consumer will do information search from different sources regarding product quality, price and the information of product brand (Schiffman & Wisenblit 2015). Alam (2020) reveals that product quality become an essential factor in consumer purchasing intention. Hulu et al. (2018) explain that the quality of a product will determine the level of customer satisfaction and belief which results to the customer purchase intention.

Researchers also reveal that the information search of product price plays an important role in the decision making. Some researchers explain that the price will provide product information and reveals the product perceived quality in the consumers mind. However, the businesses should be able to treat price as their tool to capture and create customer value (Kotler & Keller 2016).

Furthermore, according to the research done by Guliyev (2017), it is important for the company to play with physical and social factors through the company's brand. A company should equip them with the brand as their instruments for their products or services to be identified by customers and as the way company communicate with customers (Ukaj 2016; Kotler & Armstrong 2016). The existence of brand itself has been put into practice since 5.000 BC under

the “mark” term in the Lascaux Caves of Southern France (Briciu & Briciu 2016). As time goes by, the use of brand has evolved from focusing on ownership into emphasizing quality (Yang et al. 2012) and as an attribute to identify products or services (Briciu & Briciu 2016).

Kotler & Keller (2016) defined a brand as a *name, term, sign, symbol, design or a combination of them to identify company outputs to differentiate them from their competitor*. The researcher claims that brand has played an important role in the consumer purchasing decisions (Chovanová et al. 2015). It facilitates the consumer choice process from the similar offerings in the market by simplifying their choice experience in their purchasing decisions (Gunawardane 2015). Moreover, the researcher also believes that by brand could be a valuable intangible asset to the company (Kotler & Armstrong 2016) as it serves as an attribute which it will create a higher return for the company and increase shareholder value (Bonnici 2014).

Looking at the current trend where Samsung has lost its position as the biggest Indonesian smartphone market share holder has challenged the researcher to conduct a research on the phenomenon where the shifting smartphone preferences happen in Indonesia. In conducting this research, the researcher uses several references and read the study from Tran (2018) which discuss about factors affecting the purchase and repurchase intention of smartphone of Vietnamese staff. Then, the researcher also put its attention on the research done by Yaseen & Mazahir (2019) with the topic of the impact of corporate credibility, brand awareness, brand image and brand loyalty on purchase intention with corporate credibility, brand awareness, brand image and brand loyalty and purchase intention.

The researcher would like to focus the research on the Generation Y which the subject of the sample will be consisted of the age ranges from 20-43 years old. The researcher feels interested to study this group age because the characteristics of the Millennials consumer behavior, which they tend to spend more but less loyal to a brand (Ayaydin & Baltaci 2013). Ordun (2015) explains that the loyalty of Generation Y only remains from six to eight months.

Furthermore, as the preparation in conducting this research, the researcher did a preliminary study to the few subject samples. Through the preliminary study, the researcher found that 5 out of 10 respondents have shifted their preferences from Samsung smartphone. Looking at the result of the preliminary data, the researcher tried to ask further regarding their reasons both for those who still use Samsung Smartphone and also who prefer to shift to the other brand. The researcher concludes that through their various reasons, for those who shifts their preferences they feel that the other brand could offer them more affordable price rather than Samsung, while for those who still use Samsung said that they satisfy with the product quality, price which worth with the quality and also with the brand. Therefore, by looking at the preliminary result, researcher would like to analyze further on the factors affecting purchase intention towards Samsung Smartphone especially in terms of product quality, price, brand image and brand loyalty in Millennials, in order to help Samsung to increase its competitiveness to become the largest market share again in Indonesia.

1.2 Problem Statement

Currently, due to the rapid competition, Samsung has failed to maintain its position as the largest market shareholder to the third. Based on the phenomenon discussed in the research background, several previous studies and the preliminary study result, researcher would like to analyze several factors in the consumer choice of Samsung Smartphone specifically for product quality, price, brand image and brand loyalty to Indonesian Millennials.

1.3 Research Questions

Based on the research background discussion above, the researcher formulates some questions for this research as follows:

- 1.3.1 Does product quality have a positive relationship with purchase intention?
- 1.3.2 Does price have a positive relationship with purchase intention?
- 1.3.3 Does brand image have a positive relationship with purchase intention?
- 1.3.4 Does brand loyalty have a positive relationship with purchase intention?

1.4 Research Aim and Objectives

Based on the problem stated above, this research aims to:

- 1.4.1 Investigate the correlation between product quality with purchase intention
- 1.4.2 Investigate the correlation between price with purchase intention
- 1.4.3 Investigate the correlation between brand image with purchase intention
- 1.4.4 Investigate the correlation between brand loyalty with purchase intention

1.5 Benefits of Research

Through this research, the researcher hopes that it could benefit:

1.5.1 The researcher

Through this research, the researcher hopes that it could create an understanding of the relationship between product quality, price, brand image, brand loyalty and consumer purchase intention specifically for Samsung smartphone products.

1.5.2 UPH Business School

The researcher hopes that the research will also benefit UPH Business School by advancing the organizational knowledge in the understanding of relationship between product quality, price, brand image, brand loyalty and consumer purchase intention and also to increase the Business school & other business school research collections, thereby it also could be used to enrich the current curriculum.

1.5.3 Indonesian Samsung

The researcher aims to benefit the Indonesian Samsung Indonesia & other smartphone company in Indonesia by collecting the current thought of Samsung users which can be used to improve their business & competitiveness in the future also to achieve business excellence and help them to become the largest market shareholder in Indonesia.

1.5.4 The future research

Through this research, the researcher hopes that it could be used as an additional reference for future research. Therefore, it could also give

enrichment for future researchers who wish to do further research with similar or related topics with the new variables related to smartphone purchase intention.

1.6 Chapter Outline

This research will consist of 5 main chapters as follow:

1.6.1 Chapter I Introduction

This chapter consists of research background, problem statement, research problem, research and objectives, benefits of research, research limitation and also chapter outline. In conclusion, this chapter will depict the topics that will be discussed topic.

1.6.2 Chapter II Literature Review

This chapter will discuss all required theories as the basis of knowledge in explaining all the variables, variables correlation, and also the theoretical framework in doing this research.

1.6.3 Chapter III Research Methodology

This chapter will deliver the methodology that is used by the researcher in conducting the research which includes research strategies, research interference, study setting, scope of study, unit analysis, time horizon, data collection, sampling, and also measurement.

1.6.4 Chapter IV Results and Discussions

This chapter will discuss and present the research outcome which will be processed further by doing data analysis such as validity test, reliability test, descriptive analysis, PLS-SEM analysis, inner model, outer model, multicollinearity test and hypothesis testing.

1.6.5 Chapter V Conclusions and Suggestions

This chapter will present the conclusion of the research outcome and provide useful feedback for the sake of the Indonesian Samsung and also future research needs and its managerial implication to Indonesian Samsung to improve their business success in Indonesia.

