

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Research Background**

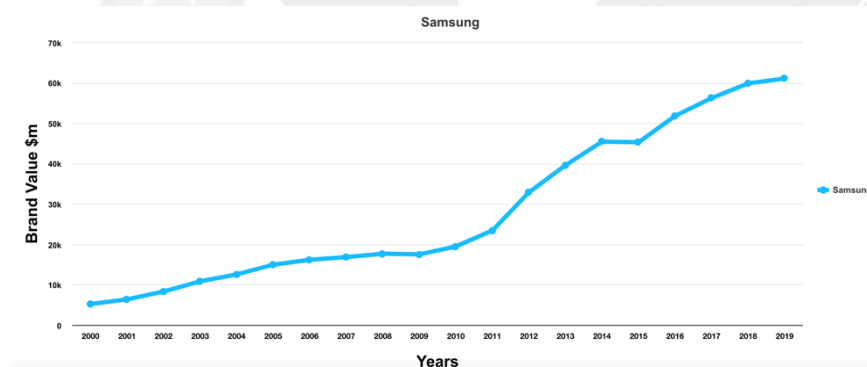
The use of gadgets is increasing rapidly every year, where information technologies really play an important role in our daily activities especially for millennial generation around the world who cannot imagine their life without the help of modern gadgets (Almira R. Bayanova, Kazan, 2019). High-tech gadgets are becoming part of everyone's everyday life. As technology advances today, the demand also advances of new technology devices in the marketplace. This is because, the innovation of products in this modern-digital era provides benefits, attributes and function for customers (Thakur, Angriawan & Summey, 2016).

Smartphones are devices that take the front end and play the main role of a universal mobile terminal. Smartphone was introduced in the market as a new class mobile phone that include integrated services starting from communication, computing and mobile sectors, such as voice communication, messaging, personal information management application and wireless communication capability (Sarwar & Soomro, 2013).

Smartphone then become everyone's essential needs because of the usefulness that can lead to a productive life since it is the combination of telephones and computer services that allows individuals to access internet, downloading and uploading, send and receive emails. However, smartphones came with so many features that people are no less interested, for instance the capabilities to display pictures, play videos and many more interaction with social media. Therefore, the use of smartphone has become an essential need in this digital era for daily living (Soukup, 2015)

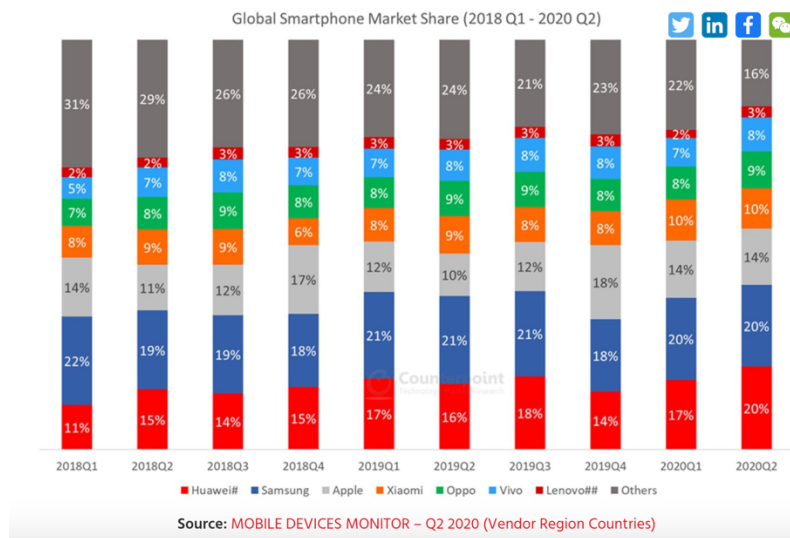
Smartphones manufacturers innovate in order to grow, by improving the product quality that leads to customer satisfaction and then it will affect the increase of sales. The focus in this industry is to developing an innovation strategy in order to compete with each other's new ideas, services and the product released to the marketplace (Moser et al., 2016) in (Jean, 2017). Strong innovation helps to meet customers' needs and wants and satisfy customer demands. As shown in figure 1.1, Samsung brand has a great performance globally, seen in the growth history from year 2000-2019, where it has a significant growth in 19 years (Interbrand, 2019).

However, as shown in figure 1.2, the percentage of global market of Samsung experience fluctuation in the past 2 years, from year 2018Q1-2020Q2, where every quarter of each year it happens to decrease and increase in the percentage (Counterpoint, 2020)



**Figure 1.1 Samsung Growth History**

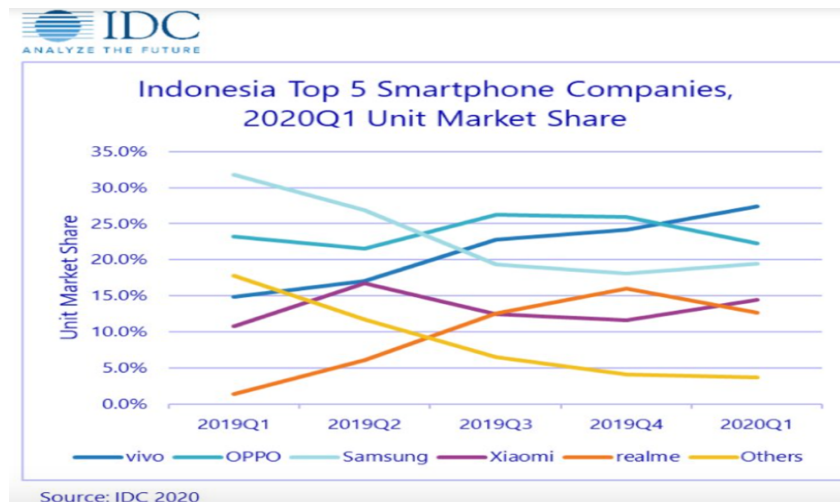
**Source: Interbrand (2019)**



**Figure 1.2 Global Smartphone Market Share by Quarter**

**Source: Counterpoint (2020)**

According to Maulidina and Ariyanti (2016), Indonesia is one of the country that has biggest growth in smartphone users other than China and India, with Samsung ranked the first place with the highest brand equity among other smartphone brand. As show in figure 1.3, which is the comparison of market share of Indonesia Top 5 Smartphones Companies that include Vivo, Oppo, Samsung, Xiaomi and Realme, Samsung was the first ranked in 2019Q1-Q2, however, Samsung experienced a decrease starting from the middle of 2019Q2. But, Samsung able to slightly increase their market share in 2020, in despite of the current pandemic of Covid-19 and still become the top 5 smartphone brand in Indonesia (IDC,2020).



**Figure 1.3 IDC Indonesia Top 5 Companies**

**Source: International Data Corporation (2020)**

Previous research according to Coelho, Bairrada and Coelho (2019) revealed that there is a relationship between brand innovation and brand experience theory where this theory reveals that there is a strong urge to maintain self-concept through feedback, also interactions through other people. According to research conducted by Coelho, Bairrada and Coelho (2019) found that the relationship between brand innovation and brand personality is found in self-verification theory which establishes a strong urge to maintain self-concept through feedback, interactions with others, and a collection of aspects. social interactions.

Selected brands can be used to strengthen, create and generate self-concepts. The concept of buying products from specific brands is not just only for their functional characteristics but also for their symbolic content (Kim & Sung, 2013; Sung, Choi, Ahn, & Song, 2015) in (Coelho, Bairrada and Coelho, 2019). Brand personality and brand experience both become the important topic related to brand management, where it determines the role in the consumers' choices (Elsend & Stokburger-Sauer, 2013) in (Coelho, Bairrada and Coelho, 2019) and how humans are related to brands through feelings of liking a specific brand (Carroll & Ahuvia, 2006; Rauschnabel, Krey, Babin, & Ivens, 2016) in (Coelho, Bairrada and Coelho,

2019). Therefore, from the background described above, the researcher wants to know the loyalty of Samsung brand device users in the declining market share of smartphone sales in Indonesia with the emergence of newcomers with cheaper price offers, although in terms of Samsung products still have high specifications, but Samsung users still make repeat purchases and haven't even switched to other brands.

The lifestyle of millennial generation influenced the development of smartphone technology in Indonesia. Where this group of consumer is known as the most socially connected generation and dominated the number of smartphone users in Indonesia. The better the reusability level of an interface, the easier it is for users. Therefore, it will creates loyalty to the product of a brand (Orshella, Saputro, 2018). Since Samsung now is the producer of Android smartphones in the world, the company always try to innovate with new product updates to improve product quality and in order to meet the consumers' need (Wardani, Sunarso, Susanti, 2017). However, as the time goes by, there are a lot of other smartphone producers came to Indonesia with their products that gave higher expectation to the customer. It is shown that in 2016 Samsung with the highest sales volume of 81,9 units, followed by Apple, able to sell 51.2 million units and Hwawei with 27.5 units and so on. (Salopos,2016) in (Wardani, Sunarso, Susanti, 2017).

Because of the background above, it is shown that even when there are a lot of other competitors, Samsung still able to be in the top 5 position when it comes to the sales volume and market share. Although Samsung faces a decline, but able to make a slightly increase in 2020Q1, in the middle of pandemic covid-19. Therefore, the research wanted to look at the factors that influence consumer perceived value to the Brand Samsung.

## 1.2 Problem Statements and Research Questions

In this globalization era, the development of smartphone increase rapidly. The increase of smartphone company leads to an increase of smartphones choices available in the market. The competition of smartphone brands became extremely difficult since there are a lot of new brand entered the market such as Oppo, Vivo and Huawei. This will become a challenge for Samsung to maintain their existence as the market leader in the smartphone industry.

The research questions of this research study are:

1. Does brand innovativeness has a positive impact on perceived quality of Samsung smartphones for Millennial Generation in JABODETABEK?
2. Does brand innovativeness has a positive impact on brand experience of Samsung smartphones for Millennial Generation in JABODETABEK?
3. Does brand innovativeness has a positive impact on brand personality of Samsung smartphones for Millennial Generation in JABODETABEK?
4. Does brand innovativeness has a positive impact on perceived value of Samsung smartphones for Millennial Generation in JABODETABEK?
5. Does perceived quality has a positive impact on brand experience of Samsung smartphones for Millennial Generation in JABODETABEK?
6. Does perceived quality has a positive impact on brand personality of Samsung smartphones for Millennial Generation in JABODETABEK?
7. Does perceived quality has a positive impact on perceived value of Samsung smartphones for Millennial Generation in JABODETABEK?
8. Does brand experience has a positive impact on brand personality of Samsung smartphones for Millennial Generation in JABODETABEK?
9. Does brand experience has a positive impact on perceived value of Samsung smartphones for Millennial Generation in JABODETABEK?



10. Does brand personality has a positive impact on perceived value of Samsung smartphones for Millennial Generation in JABODETABEK?

### **1.3 Purpose of Study**

The purposes of this research study are:

1. To determine whether brand innovativeness has a positive and significant impact on perceived quality of Samsung smartphones for Millennial Generation in JABODETABEK.
2. To determine whether brand innovativeness has a positive and significant impact on brand experience of Samsung smartphones for Millennial Generation in JABODETABEK.
3. To determine whether brand innovativeness has a positive and significant impact on brand personality of Samsung smartphones for Millennial Generation in JABODETABEK.
4. To determine whether brand innovativeness has a positive and significant impact on perceived value of Samsung smartphones for Millennial Generation in JABODETABEK.
5. To determine whether perceived quality has a positive and significant impact on brand experience of Samsung smartphones for Millennial Generation in JABODETABEK.
6. To determine whether perceived quality has a positive and significant impact on brand personality of Samsung smartphones for Millennial Generation in JABODETABEK.
7. To determine whether perceived quality has a positive and significant impact on perceived value of Samsung smartphones for Millennial Generation in JABODETABEK.
8. To determine whether brand experience has a positive and significant impact on brand personality of Samsung smartphones for Millennial Generation in JABODETABEK.
9. To determine whether brand experience has a positive and significant impact on perceived value of Samsung smartphones for Millennial Generation in JABODETABEK.
10. To determine whether brand personality has a positive and significant impact on perceived value of Samsung smartphones for Millennial Generation in JABODETABEK.

#### **1.4 Research Benefits**

The benefits from conducting this research study are:

1. In the perspective of Samsung customer, this research study will give information to understand some factors that have power to influence their attitude to Samsung smartphones hence will create loyalty toward the brand. For smartphone users in Indonesia who has no experience in using Samsung smartphones, this research provides insight to help them in building positive attitudes toward the quality of Samsung smartphones today. Therefore, this might lead them switching from other brand of smartphones to use Samsung smartphone.
2. In the perspective of the company, this research study can be a reference for Samsung to innovate in order to produce better smartphone quality that will meet the needs of consumers especially in Indonesian market. Thus positive brand experience and personality will give Samsung high perceived value. This research study might be considered as a source that can help Samsung Company team to development their business strategy to maintain their existence in the global market, especially in Indonesia. Therefore, Samsung will be able to compete in this smartphone industry.

#### **1.5 Research Contribution**

1. Theoretical contribution, this research study is expected to be useful in the educational sector as it will help the readers in understanding the importance of brand innovativeness, perceived quality, brand experience, and brand personality towards perceived value of Samsung smartphones.
2. Practical contribution, the results of this research study can be inputs for the company as in two matters:
  - a) The research results can be used as references for the company in developing the perceived



values of brand innovation in term of brand personality and experience and technological advancement factors so the goals of the company can be maximized.

- b) The research results can be implemented as information for the company to analyze the market demand in Indonesia and to set further marketing strategy for business expansion hence perceived value can be maintained.

## **1.6 Research Outline**

This research paper is written systematically through five main chapters where every chapter has sub-chapters to provide deeper explanation. The details of each chapter is explained below

### **CHAPTER I: INTRODUCTION**

The first chapter consists of research background, problem statements and research questions, purpose of study, research benefits, research contributions and research outline. In this chapter, researchers aim to tell the readers the motive of conducting this research topic that will be supported by several data and diagrams.

### **CHAPTER II: LITERATURE REVIEW**

The second chapter consists of various literature review and theoretical framework which divided into seven main parts which are: brand innovativeness, perceived quality, brand experience, brand personality, perceived value, previous research, and theoretical framework & hypothesis. At this chapter, researchers explain theoretical foundations that support the variables in this research study and the data of the previous researches that have correlations.

### **CHAPTER III: RESEARCH METHOD**

The third chapter deals with the applied methodology in collecting data. This chapter has

eleven main parts which are: research object, unit analysis, type of research, variable measurement, measurement scale, method of data collection, questionnaire creation technique, sample design, data analysis, descriptive statistics, inferential statistics, and partial least square. In this chapter, researchers will not only determine how they will obtain data for the research analysis, but it is also explained the theory of the chosen methodology tools.

#### **CHAPTER IV: RESULT & DISCUSSION**

The fourth chapter contains questionnaire data that have been generated with statistical software, which are: pre-test, respondents' profile, descriptive statistics analysis, inferential statistics analysis, and discussion. In this chapter, researchers aim to give report the results of the questionnaires that already answered by the respondents, also researchers will give explanation based on the obtained data in the discussion section.

