

# **CHAPTER 1**

## **INTRODUCTION**

In this chapter, it will be included research background, research questions, research objectives, research demarcation, research contribution, and the outline of the research presented in the following chapters.

### **1.1 Research Background**

Ever since smartphones become widely available in the early 2000's, the game plan for communicating devices has changed drastically for the better. Apple launches their new revolutionary product, iPhone in January 2007. It became the first smartphone to innovate a new model, a capacitive touchscreen with double common resolution than other smartphones in that time, which abandon the need for keyboards and stylus. Other gadget companies soon after followed this model for a smartphone, which became more preferable to consumers worldwide.

The Apple we know have a long history, with the founder Steve Jobs Steve Wozniak first create the “blue boxes” in 1971, which led to their venture in the technology world. Jobs later told his biographer that “there wouldn't have been an Apple” if it weren't for Wozniak's blue boxes (Isaacson, 2015). Through their journey in creating Apple Computers to their defeat to IBM PC, Jobs then left Apple but later on come back as interim CEO in 1997 and again resign his position as

chief executive officer of Apple due to his illness of pancreatic cancer and passed on October 5, 2011. On January 2007, Apple Computer, Inc. then change its name to Apple Inc. as Jobs' explained that with their mix of products, Apple's not just a computer company anymore. Apple then launched a new revolutionary product which is Apple iPhone, which later on become Apple's top selling product. There are approximately 1.5 billion iPhones sold worldwide after 12 years of its initial release in 2007, around 46.89 million units are sold too in the fourth quarter of 2018. (Statista, 2021)

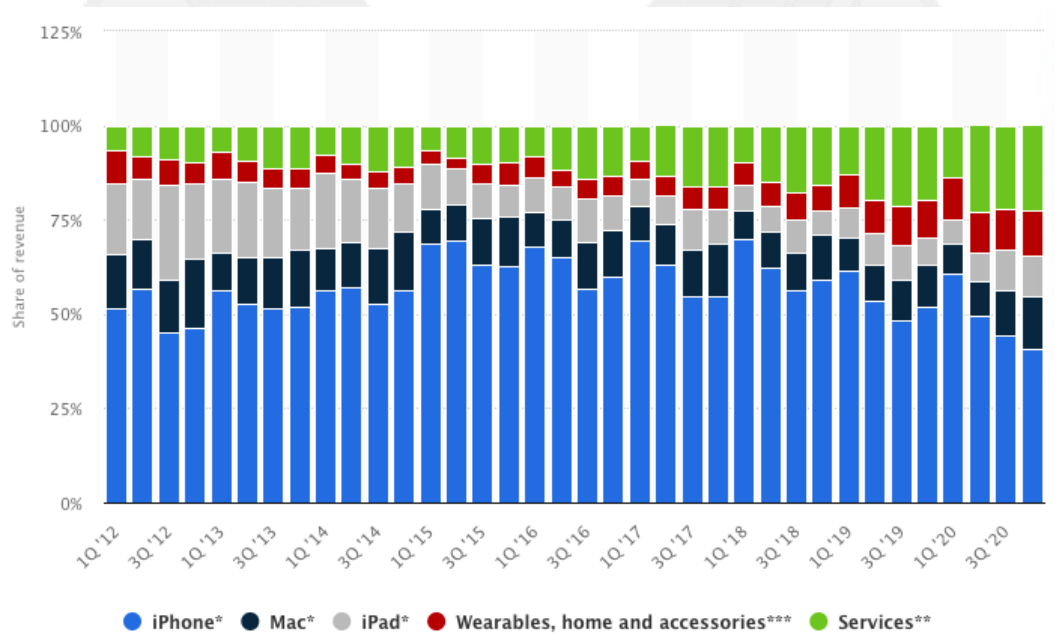


Figure 1.1 Unit Sales of Apple by Product Category

Source: Statista 2021

So how does iPhones become so desirable and sought after? Its elegant and luxurious design with a very simple user experience makes it iPhones' best features. Apple has consistently keep up the hype with new changes for their new launches, causing users to always update to the newest iPhones. Apple's advertising also

plays part in how users view them. Their way of advertising was to showcase how easy it is to use their products, and how cool and trendy it is to own an iPhone, this makes a great brand image. Apple has been consistent with their quality in new products, every launch they had has created a huge buzz and gather huge crowds that line up to purchase the newest iPhone, this happens not only in the United States but also in other cities such as Singapore, Sydney and Berlin (Schulze, 2019). With new designs and system updates in every new phones they launch, the appetite for having the most updated iPhone yet grew in consumers' mind.

iPhones are known to be user friendly, they do not complicate their settings and very straight forward in the setup, they work the same way as it first came out in 2007. Aside from their "easy to use" quality, their camera is also one of the features users love the most. In this modernized era, taking pictures as a form of keeping a memory is a common practice. Not only pictures of landscape or special events are being taken, selfies are too becomingly more and more popular thanks to iPhone 4's newest innovation, by putting a built-in front-facing camera. With social media like Facebook and Instagram slowly replacing traditional media, people enjoyed posting their selfies to those platforms. Users prefer iPhone's camera to take selfies because the results look more natural and real, whereas android's results looked filtered and unrealistic. This adds up a huge point for iPhones, as selfie culture continue to grow and develop into important and the norm.

While in the United States iPhones dominate their market by having 100 million iPhone users, making up about 45% of overall smartphone users as in 2019 (O'Dea, 2020). According to business insider, iPhone user's median household

income comes up to \$85,000 per year, whereas android users \$61,000 average income per year (Greenough, 2014). Customers from developed countries such as United States of America tend to prefer products that manufactured locally, whereas customers from developing countries preferred products that are manufactured abroad, mainly from developed countries (Zahid & Omkar Dastane, 2016). Indonesia has become the fourth-largest smartphone market worldwide, coming up after China, India and Unites States. Estimated of 191 million users in 2020, with a total population of 270,07 million in 2020 (Gischa, 2020).

With Indonesia's rapid growth they manage to become one of the largest smartphone market worldwide, with 93 % of its smartphone users being android (Khoirunnisa, 2021). And in second place comes iPhones (Nurhayanti-Wolff, 2021), where iPhones dominate the middle-upper class citizens.



Figure 1.2 Indonesia Top Smartphone Vendors

Source: Selular.id

Different from United States, Indonesian consumers are dominated by Androids users. Considering the average income of Indonesian citizens are 56.9

million rupiah as of 2020, a drop from previous year 2019 59.1% million rupiah (Anggraeni, 2021), but the minimum wage per month has increased 8,51% from the previous year to 4,3 million rupiah (Niaga, n.d.). With this monthly income, Indonesians find Androids to be much more accessible and obtainable due to their broad range of prices given. Opposed to iPhones which doesn't cater their prices to the lower range.

Even with high prices a lot of Indonesians still find iPhones to be desirable and view them as the better smartphones to have. Apple has made it clear that they are a in the higher end of the price spectrum, ranging from IDR 12.999.999 for an iPhone 12 mini 64GB being the least expensive to IDR 26.999.000 for an iPhone 12 Pro Max 526GB making it the most expensive iPhone to come out. (prices are in Indonesia Rupiah, price details available at [ibox.co.id](http://ibox.co.id) website). With credit installment available in official seller stores, consumers benefited with this form of payment as they can pay their smartphones per month opposed to paying it fully up front. Yet with this existing form of payment, still majority of Indonesian citizens could not afford such high prices for a piece of smartphone device. Hence the admiration for owning an iPhone grew, and become one of the most desirable smartphones to have. The premium price tag of an iPhone bumps you up in the social ladder, rushing users to always have the newest iPhone.

Before iPhone 12 was officially released in Indonesian stores, people are more than willing to buy from unofficial stores/sellers with almost twice the price tag just to get their iPhones 12 faster than anyone else. These unofficial sellers are also becoming an issue to the government, as most of them sell black market

smartphones to their customers. APSI addressed that the potential loss of tax value from smartphone sales due to BM phones in the country could reach Rp 2.8 trillion per year (Haryanto, 2019). The government then enacted the regulation of IMEI (international mobile equipment identity) for every smartphones, gadgets and tablets starting from 15 September 2020, and deactivate the cellular activity of every Black Market smartphones in the country who haven't register their CEIR system (Franedya, 2020). The abundant demand of cheaper iPhones and smartphones in general is one of the reasons this issue exist. The other reason is that iPhone launches in Indonesia has always been delayed compared to other countries, resulting in Indonesia customer having to buy from personal unauthorized seller that can acquire the newly released phones faster than the official store could start selling. These customers feel the need to be the fastest in getting the newest iPhones, and got the satisfaction in doing so even if they had to buy from unauthorized sellers.

The users' social status revolves in who uses the newest iPhone, and to be accepted in the social construct they are in. Although other competitors have the same price tag as iPhones, they are still seen as "average class" compared to an iPhone (Dissanayake & Amarasuriya, 2015). iPhones' brand image is about lifestyle, how it will make users feel when they experience in using it. iPhone has that X factor no other competing smartphone has, they elevate your style and status at the same time. Famous A-list celebrities to regular people became accustomed to the idea of using iPhones as their smartphone, this brings the perception that iPhones is the best in the game. Becoming an iPhone user makes some feel that they



are “better” than others, just because iPhones are associated with being cool and luxurious.

According to Forbes, the average smartphone user in the United States spent 4.3 hours a day on their mobile devices, whereas Indonesian smartphone user spend an average of 6 hours a day on their smartphones during the Covid-19 pandemic (Koetsier, 2020). Indonesians and many other countries in the world has relied more on their smartphones for daily activities than ever before. The amount of hours spent in a day on a smartphone makes opening social media undeniably tempting. The average time Indonesians spent on social media is 3 hours and 26 minutes, making Youtube, WhatsApps, Facebook and Instagram the top four social media most visited by the Indonesians (Jayani, 2020). Another upcoming social media TikTok has also become one of the hottest application in 2020.

## Mobile Provides Unparalleled Reach and Access to Consumers on a Daily Basis

The Average User Spent 27% of Daily Waking Hours on Mobile in April 2020 — Up 20% from 2019

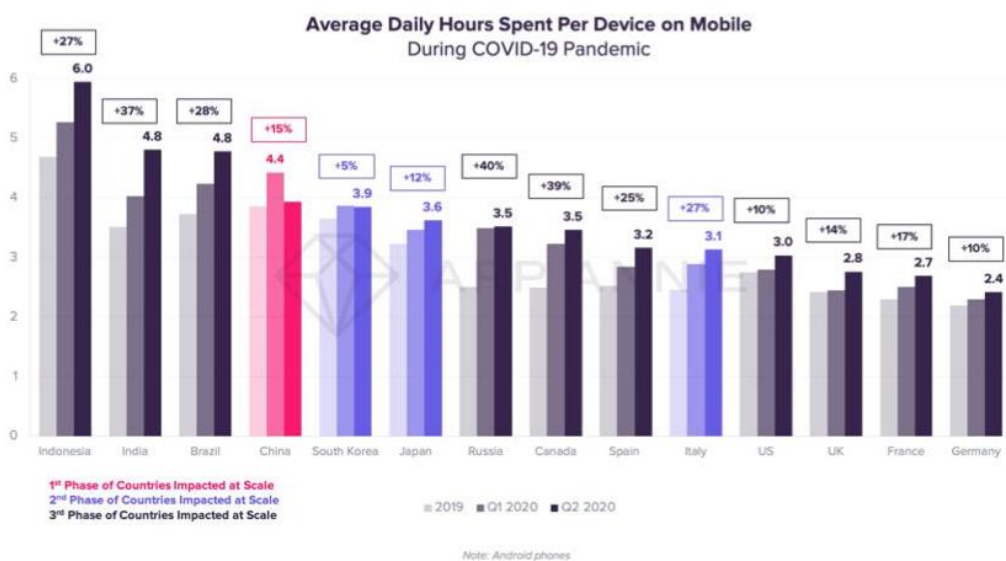


Figure 1.3 Average Daily Hours Spent Per Device on Mobile

Source: Forbes

The new phenomenon of being “viral” is the next best thing to being famous. A new social media named “TikTok” where users share their three seconds to 1 minute video as their content, has skyrocketed ever since the start of corona virus in the early 2019, which brings the world to an abrupt stop and goes into a quarantine. With 738 million downloads as of 2019 (Clement, 2020), this relatively new platform has quickly took a leading role in the social media world (Singh & Blase, 2020). TikTok users are mainly gen Z and millennials, making 29.5% of its users being 20-29 years old. TikTok contents are mostly for fun and comedy purposes, but they do showcase the hedonistic side of a creator’s lifestyle. Having a smartphone besides an iPhone becomes a laughing meme, making it seem that they are not as good as people who can buy an iPhone. It has become an untold rule that young and cool people always use an iPhone as their smartphone. Hence, people from the lower class and middle-class fight for their way to own an iPhone, doesn’t matter if it’s the older model as long as its an iPhone.

Social media users today are conveying to their viewers that iPhone is a much more superior smartphone to have compared to Androids. This becomes one of the most effective marketing tool Apple has, electronic word-of-mouth (eWOM). Everywhere in the internet we can see celebrities, politicians and normal people owning an iPhone. Although not everyone favor in having an iPhone, but majority of them does not decline the idea of having one. According to (Thurau, Gwinner, Walsh, & Gremler, 2004) an indicator of an eWOM is platform assistance, where



users can vent their feelings whether it be negative or positive, concern for other customers, good self-enhancement, social benefits and financial rewards.

From the data obtained above, it is known that iPhones are very much desirable even though major number of Indonesians could not afford to get a hold of those premium smartphones. iPhone becomes a luxury to some and a necessity to others. Having an iPhone showcase your social status and how much you make, this can lead to how people view said users as a whole. Even with high prices people still flock over Apple products, having them is a necessity and changing to other brands seems like a downgrade. It almost seems like this high premium price is highly attached to a brand's image and why people choose them over other brands. The brand Apple is associated with easy and rich lifestyle, upper-class and simplicity. The qualities iPhone could give to their users are also one of the factors why users are very loyal to iPhones.

iPhone's brand user imagery is very clear, and as the result of this clarity a lot of people are attracted to the brand Apple Inc. It is important now that a brand has to have a clear brand user imagery for consumers to identify and associate themselves to each brand. Brand user imagery itself relies on a consumer's content memory of a certain product of a brand like their physical, demographic and psychographic and favorability (Frank, Meyer, Vogel, Weihrauch, & Hamprecht, 2013). Brand user imagery favorability is a other users positive view on a prototypical user of a certain brand, in this case how other users view iPhone users and favor them. As the result of Apple craze in the last 14 years, people grew the feeling of favoring them, resulting in they wanting to become one of the users itself.

iPhone brand user image is predominantly middle to upper class affluent people, other future consumers saw themselves as just like it and start preferring iPhone for the connection it has to other users as well. By having a brand user imagery clarity, users can recognize the prototypical user of a brand that will help future consumers to self-categorize themselves and develop a self-brand connection.

Self-brand connection is when a user of a certain brand have incorporated said brand into their self-conception. This is crucial and important because hardcore fans are an asset for the brand and they resonate and designate themselves to the brand loyally. Self-brand connection most likely happens to a higher-end brands, with good brand prestige and the product involvement itself. A huge brand like Apple has gathered their fair share of loyal fans, who refused to change their smartphones to other brands, being that they see themselves as an iPhone user.

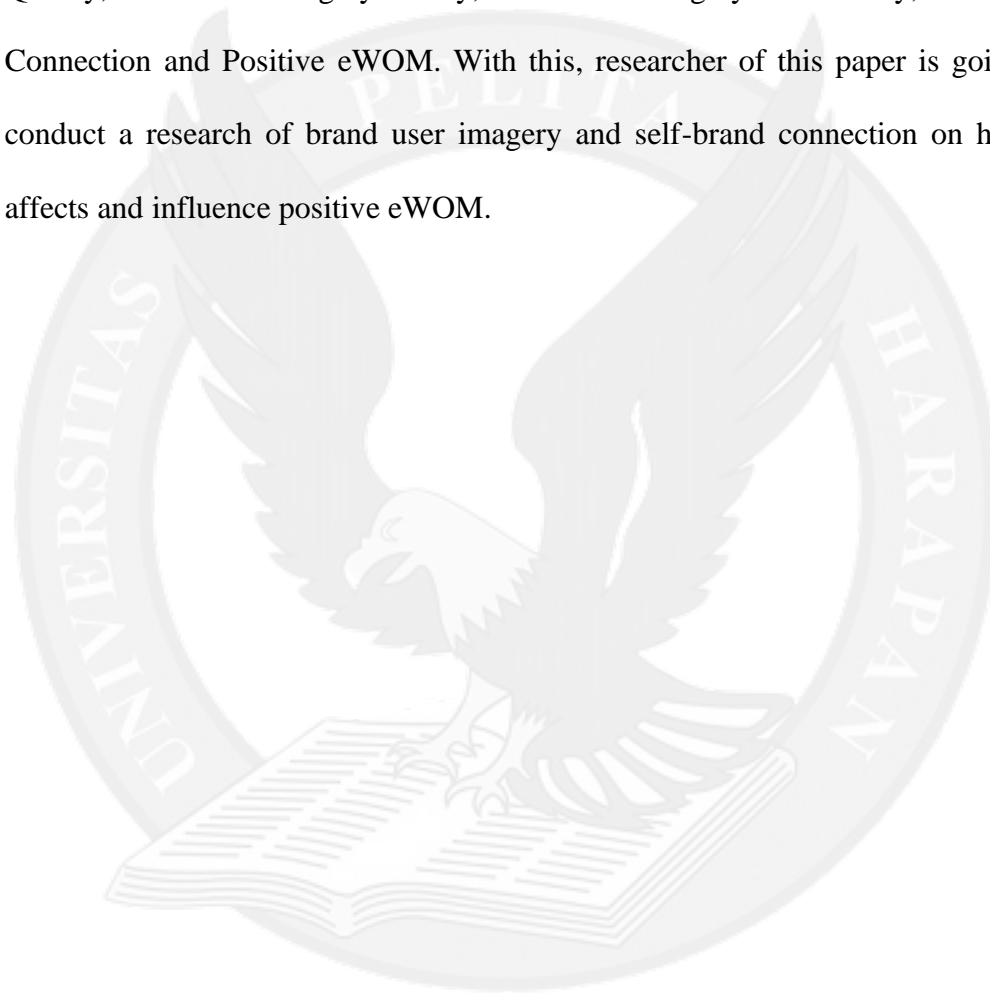
Although the major population in Indonesia uses Androids as their smartphone, iPhone still has the better name in the world of smartphones. They have generated a massive Positive eWOM through other user's commentary about their experience in using one. iPhone users showing others that they are using iPhones through their social media story or post helps iPhone to make an image of themselves. Reviews and commentary on YouTube too are a form of Positive eWOM in today's time.

## 1.2 Problem Statement

With smartphones becoming a necessity in today's time, Apple iPhone has become one of the most expensive smartphones to date to this day. Costumers from around the world and Indonesians too have been very involved and enthusiastic in every new iPhone launches that they held every couple years. In 2020 alone, Apple has generated \$274 billion revenue, which 50% of it comes from iPhone sales (Curry, 2021). Apple has also managed to sell as much as 194 million units of iPhone (Curry, 2021). Although the numbers seems a lot, it is actually a decline on year on year compared from previous year which is 2019. Sales for iPhones decreased by 20.7% Year on Year to US\$26.44 billion at the end of last September (Wareza, 2020). Overall, iPhone sales in 2020 have fallen by 3.2% compared to 2019, with US\$ 137.8 billion in 2020 and US\$142.3 billion for 2019 (Clinten, 2020). This decline is very unusual for Apple, but due to the worldwide pandemic every business even big corporation got the harsh impact in this sudden drop. The problem can also be seen in Indonesia, where majority of smartphone users are Android users where they made up 93%, and the rest 7% uses iPhone (Khoirunnisa, 2021). The small percentage of iOs users could also be the result of the economic crash that happen due to global pandemic caused by Covid19.

In this study, researcher examines how positive eWOM could help in increasing favorable reviews for other users to see and engage with, so it could generate more iPhone sales in Indonesia, especially in big cities like Jabodetabek areas. As Indonesians today are very reliant on smartphones and spent most of their

time using one (Koetsier, 2020). Ways to increase eWOM activities will be discussed further in upcoming chapter, how brand user imagery and self-brand connection can play a big role in achieving the positive eWOM results. The constructs that will be entailed in this research are: Premium Pricing, Product Quality, Brand User Imagery Clarity, Brand User Imagery Favorability, Self-brand Connection and Positive eWOM. With this, researcher of this paper is going to conduct a research of brand user imagery and self-brand connection on how it affects and influence positive eWOM.



### 1.3 Research objective

As the background of this research has been stated above, in this study will be included research questions that help the researches to achieve research objectives, as below:

- a. To examine whether premium pricing have positive influence on brand user imagery clarity.
- b. To examine whether premium pricing have positive influence on brand user imagery favorability.
- c. To examine whether product quality have a positive influence on brand user imagery clarity.
- d. To examine whether product quality have a positive influence on brand user imagery favorability.
- e. To examine whether brand user imagery clarity have a positive influence on self-brand connection.
- f. To examine whether brand user imagery favorability have positive influence on self-brand connection.
- g. To examine whether brand user imagery clarity have an influence on Positive eWOM.
- h. To examine whether brand user imagery favorability have an influence on Positive eWOM.
- i. To examine whether self-brand connection have an influence on Positive eWOM.

## 1.4 Research Question

After stating the research objectives above, here are the following research questions that are formed and explained as below:

- a. Does premium pricing have positive influence on brand user imagery clarity?
- b. Does premium pricing have a positive influence on brand user imagery favorability?
- c. Does product quality have a positive influence on brand user imagery clarity?
- d. Does product quality have a positive influence on brand user imagery favorability?
- e. Does a clear brand user imagery clarity (BUIC) have a positive influence on self-brand connection?
- f. Does brand user imagery favorability have a positive influence on self-brand connection?
- g. Does brand user imagery clarity have an influence on Positive eWOM?
- h. Does brand user imagery favorability have an influence on Positive eWOM?
- i. Does self-brand connection have an influence on positive Positive eWOM?



## **1.5 Research Demarcation**

The demarcation of this research will be limited to these conditions below:

- a. This study will explore the linking between premium pricing, product quality, brand user imagery clarity, brand user imager favorability, self-brand connection and Positive eWOM.
- b. This study will be conducted in Indonesian consumer, especially in urban areas/cities (Jabodetabek).

## **1.6 Research Contributions**

Researches expect that in this research can contribute to theoretical views and practical implications that can be explained as below:

### **a. Theoretical Contribution**

This research wants to make a theoretical contribution to the marketing theory in consumer behavior regarding on brand user imagery clarity which is described and explained through a research design between the independent variables. It is hoped that this research can help in understanding brand user imagery clarity in full detail with the topic regarding Apple iPhone which are implied in Indonesian society with different standard of living, social and cultural conditions from western countries.

### **b. Practical Contribution**

In hope of this research to help practically by making this research as a reference for marketers and brands in making marketing strategies and to know more deeply

about consumer behavior, especially in the context of premium priced smartphones discussed that located in Indonesia. Furthermore, the researcher hope that this research will provide a broad perspective for foreign marketers in terms of brand user imagery clarity that affects the customers behavior and ensuring to know more on their behavior.

### **1.7 Outline of the research**

The research paper will consist of an outline divided into five chapters, explanation of these contents of each chapter will be in this following:

#### **a. CHAPTER I - INTRODUCTION**

In the introduction chapter there will be seven sub-chapters, each section consisting of research background, research problems, research objectives, research question, research demarcation, research contribution and lastly the outline of the chapters in this research.

#### **b. CHAPTER II – THEOETICAL BACKGROUND**

The second chapter will consist of theoretical background of each variable in this research, literature review, developing hypothesis in between variables, and conceptual design of the search model.

**c. CHAPTER III – RESEARCH METHODOLOGY**

The third chapter will be a research methodology, which describes the methods used to test the hypotheses (relationship between variables), research design and methods of collecting data quantitatively. Quantitative study also applies the pre-test proposed in this chapter.

**d. CHAPTER IV DATA ANALYSIS AND DISCUSSION**

The fourth chapter, data analysis and discussion, layouts the results of the test that have been carried out by researches. It also explains the relationship between each variable in the test results of this study. The test results were collected from respondents using quantitative research and data were checked statistically. The results are discussed and concluded.

**e. CHAPTER V – CONCLUSIONS AND RECOMMENDATIONS**

The fifth chapter contains conclusions and recommendations to conclude and close the research by giving the researcher with insights, theoretical implications, managerial implications, research limitations, and recommendations for the following future research.