

CHAPTER I

INTRODUCTION

1.1 Background

The current era, which is characterized by extraordinarily rapid technology advancements, is known as the era of globalization. In this era, the geographical boundaries that used to separate one country from another no longer serve as obstacles to communicating or engaging with one another. This is supported by the availability of smartphones that employ highly advanced technology, allowing any individual to communicate virtually through telephone or send brief text messages without difficulties (Budiyanto & Wiwaha, 2021). Some of the world's leading mobile phone brands such as Samsung, Apple, Huawei, Sony, Vivo, Oppo, Xiaomi and many more. Apple is included in the top five best-selling smartphone brands in the world (Fraser, 2023). Apple itself is one of the undoubted cellphone makers in the world where they have carried out careful planning to attract people to use their products for over a decades and compete with hundreds of other brand names (Modarresi & Asadollahi, 2020).

Apple Inc., formerly known as Apple Computer Inc., is an American company that manufactures Smartphones, personal computers, and other goods. Apple was started on April 1, 1976, by two individuals called Steve Jobs and Steve Wozniak who had dropped out of school and had a vision to alter the way people see computers by creating compact, easy-to-use computers for use in the home and business. After Wozniak's Apple I design was rejected by the Hewlett-Packard Company, Apple was founded and relocated its manufacturing operations into the

garage of the Jobs family. As early operating funds, they sold Steve Jobs' Volkswagen minivan and Steve Wozniak's calculator that could be programmable. The Apple II was debuted in 1979, and sales climbed from 35,000 to 78,000 in 1980 based on Dougherty (Johnson et al., 2012). In 1980, Apple, a corporation with around 1,000 workers, went public with a successful stock offering (Johnson et al., 2012). Throughout the 1980s and early 1990s, Apple sold 70,000 Macintosh computers owing to the popularity of the most recent version of the Macintosh and its expansion into the business office computer market (Dougherty, 2011 cited by Johnson et al., 2012).

Like every business obstacle in general, there was a power struggle among executives soon afterwards, which drove Jobs and several other executives to depart (Santa Clara Historical Society, 2012 cited by Johnson et al., 2012). This resulted in a financial loss for Apple in the mid-1990s, which might affect an unfulfilled order for its Power Macintosh computer line. Steve Jobs returned to Apple, Inc. in 1997 as an adviser after Apple made a transaction to purchase his new firm, NeXT, Inc. From there, Steve Jobs then became CEO of Apple, Inc. and unveiled his new product, the iMac, which sold for over 800,000 units of computers in 1998. Since then, Apple has continued to develop and release new products, such as the iPod, which was introduced in 2001. In 2008, Apple debuted the iTunes Store, which at the time sold faster than the largest music retailer, Walmart. Then, in 2010, it was continued with the introduction of the iPad, and up until today, Apple, Inc. has been regarded as the top corporation in the world by a large number of publications (Dougherty, 2011 cited by Johnson et al., 2012).

Apple devotes a great deal of attention to the features and technology of its goods and demonstrates that it really cares about the lifestyle and needs of its consumers by promoting a better life for customers and providing exceptional product functionality, qualities, and aesthetics. Apple introduces new goods every six to twelve months, and these items get instant advertising. Apple aiming to increase profits while also focusing on the quality of its products by releasing new products each year that are well-designed, user-friendly, and provide aesthetic value, special features, quality, ease of service, and suitability. As a consequence, sales of Apple's products, notably smartphones, are very fast, making Apple the number two brand in the world that leads the technology industry.

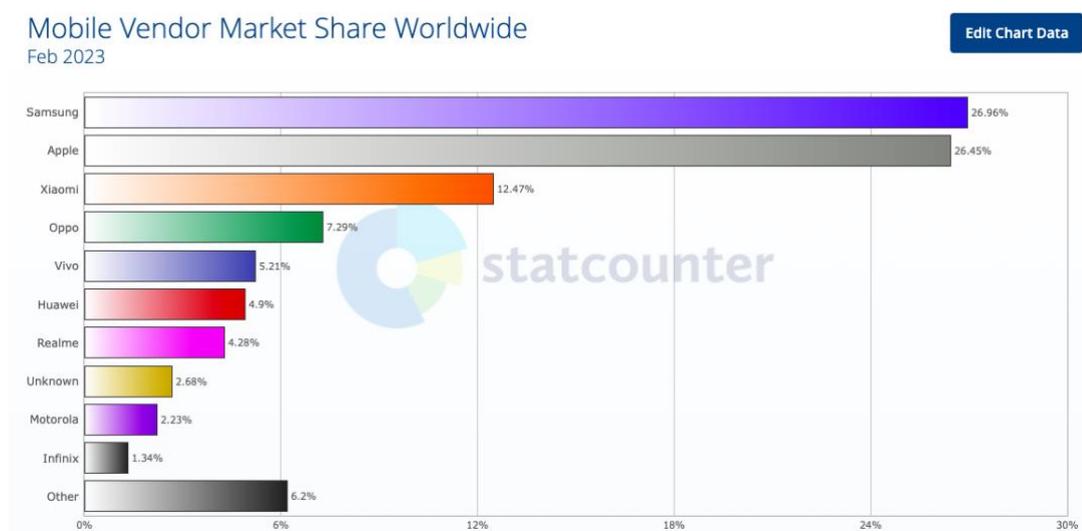


Figure 1. 1 Mobile Vendor Market Share Worldwide
 Source : (Statcounter, 2023b)

The purpose of this study is to determine whether brand experience influences brand loyalty of Apple brand in Indonesia via brand trust and brand satisfaction. Using information available in Indonesia, There has been a very substantial increase in the number of people using smartphones within the borders

of Indonesia during the past few years. Where, according to statistics from data research institutes, residents of Indonesia spend the most time on their mobile devices, specifically smartphones (Dewi, 2022). The information that will be shown below will demonstrate that Indonesia has a significant number of smartphone users worldwide.

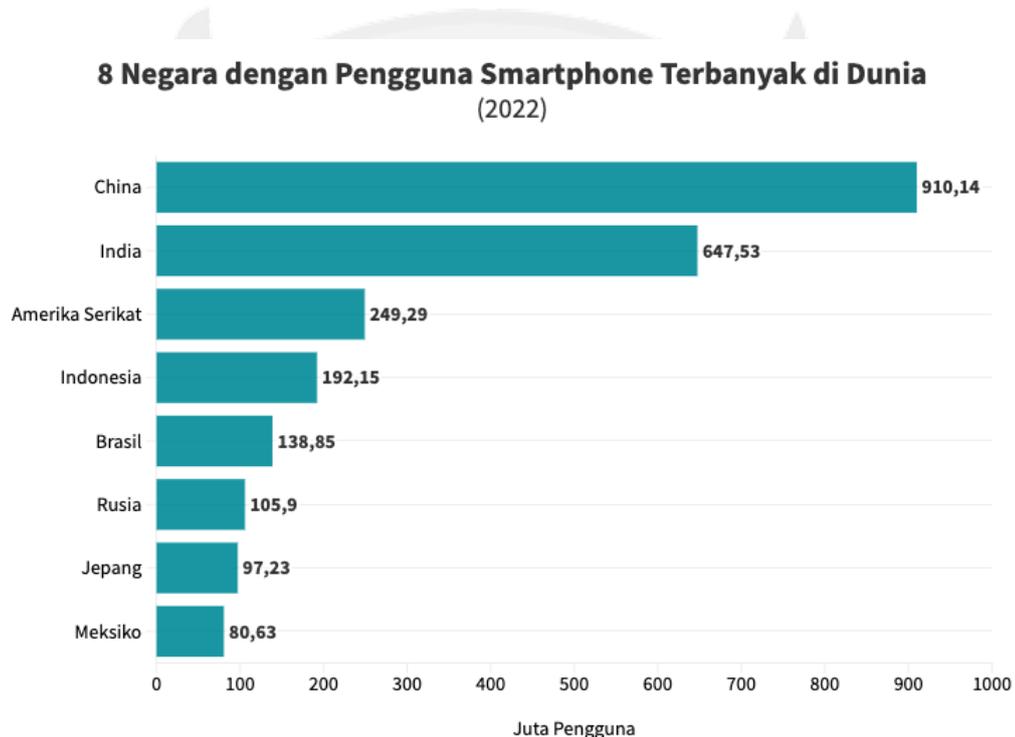


Figure 1. 2 Most smartphones users in the world data for Indonesia
Source: (Sadya, 2023)

Based on these results, we may get the conclusion that the growth of smartphone usage in Indonesia is quite rapid and is expected to continue to climb. Records from the Ministry of Industry show that Indonesia is ranked fourth on the list of the eight countries with the most smartphone users in the world. Indonesia has a population of 250 million people, and 192.15 million of those people are smartphones users, which is equivalent to 89 percent of Indonesia's population

(Sadya, 2023). With the facts described above, the smartphone market share in Indonesia is as follows:



Figure 1. 3 Mobile Vendor Market Share in Indonesia
Source : (Statcounter, 2023a)

Based on data in Indonesia, Apple has 11.51% users. It can be concluded that Apple did not win market share in Indonesia, While Oppo is top with a percentage of 20.93%, Samsung ranks second with a percentage of 20.73%, followed by Xiaomi and Vivo with percentages of 17.82% and 14.38%. Apple is known to has a relatively high pricing for the iPhone, an iOS-based smartphone, in order to retain brand exclusivity and the quality of their goods. As a result, there are fewer Apple consumers than Android-based smartphone devices.

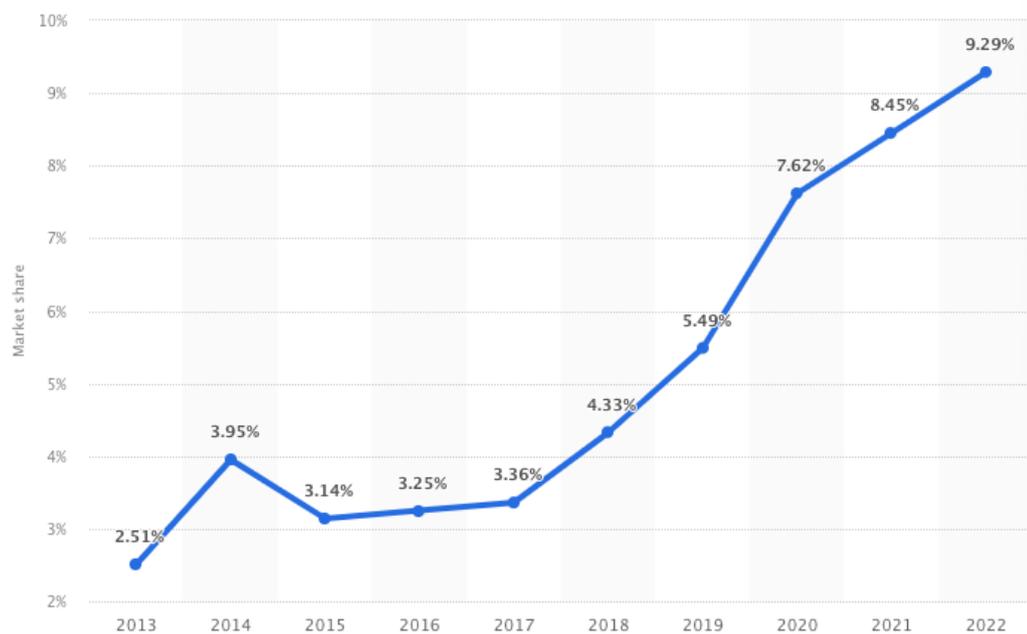


Figure 1. 4 Apple market-share in Indonesia from 2013 to 2022
 Source: (Statista Research Department, 2022)

Based on figure 1.4 above, Apple has experienced an increase in sales in Indonesia from year to year even though in 2015 its sales had decreased but Apple managed to increase its sales again in 2016. Even though it did not increase significantly, Apple's sales in Indonesia continued to increase slowly but surely from year to year. With support from figures 1.4 and 1.5, it raises the issue of why Apple consumers continue to use and remain loyal to Apple products, specifically iPhones.

This will be determined by analyzing whether brand experience influences Apple's brand loyalty by mediating Brand Satisfaction and Brand Trust. Brand experience is described as an internal, subjective response from a consumer (Brakus et al., 2009). When a brand provides an exceptional brand experience, it will be differentiated from other brands and preferred; this fosters brand loyalty and encourages the spread of the brand to other people (Brakus et al., 2009). Based on

Delgado-Ballester et al, Brand experience is where customers feel if the brand can be accepted or not; via this, consumers will feel whether the brand can have an impact on its users; and from there, consumers will determine for themselves whether the brand can be trusted; this is also known as brand trust (Huang, 2017). According to (Brakus et al., 2009), a brand can earn customer loyalty and satisfaction if it generates experience from the brand. This research will evaluate the influence of brand experience on brand loyalty for apple brands in Indonesia, using brand trust and brand satisfaction as mediators. This study is a Modified Research Model from Akoglu (Akoglu & Özbek, 2021) And Chung (Chung & Welty Peachey, 2022).

1.2 Research Problem

According to figure 1.1, Apple leads the number-two market in the world, but this is not the case in Indonesia. It is shown in Figure 1.4 that Apple sales increased during the COVID-19 pandemic, from 2020 to 2022. However, as shown in Figure 1.3, Apple remains in fifth place in Indonesia and is inferior to its competitors such as Samsung, Oppo, etc. Despite this, Apple users continue to utilize and be loyal to the brand. Therefore, the research question is:

1. Does Brand Experience have a positive impact on Brand Satisfaction for iPhone in Indonesia?
2. Does Brand Experience have a positive impact on Brand Trust for iPhone in Indonesia?
3. Does Brand Experience have a positive impact on Brand Loyalty for iPhone in Indonesia?

4. Does Brand Satisfaction have a positive impact on Brand Loyalty for iPhone in Indonesia?
5. Does Brand Trust have a positive impact on Brand Loyalty for iPhone in Indonesia?
6. Does Brand Experience have an impact on Brand Loyalty through Brand Satisfaction for iPhone in Indonesia?
7. Does Brand Experience have an impact on Brand Loyalty through Brand Trust for iPhone in Indonesia?

1.3 Research Objectives

Based on the above study questions, the following are the research objectives:

1. To find out whether Brand Experience has an impact on Brand Satisfaction for iPhone in Indonesia.
2. To find out whether Brand Experience has an impact on Brand Trust for iPhone in Indonesia.
3. To find out whether Brand Experience has an impact on Brand Loyalty for iPhone in Indonesia.
4. To find out whether Brand Satisfaction has an impact on Brand Loyalty for iPhone in Indonesia.
5. To find out whether Brand Trust has an impact on Brand Loyalty for iPhone in Indonesia.
6. To find out whether Brand Experience has an impact on Brand Loyalty through Brand Satisfaction for iPhone in Indonesia.

7. To find out whether Brand Experience has an impact on Brand Loyalty through Brand Trust for iPhone in Indonesia.

1.4 Research Scope

This research has a limited scope due to the following factors:

1. This research examines Brand Experience, Brand Satisfaction, Brand Trust, and Brand Loyalty.
2. This research's respondents are Jabodetabek residents who have experience and continue to use Apple products, notably their iPhone devices.

1.5 Research Contribution

The research has several research contributions, including:

1. Academic Benefits

It is hoped that the research conducted will be beneficial and provide information for future researchers as well as valuable insights for business and management science, particularly in the field of International Business Management. Future business and management students can utilize the research that has been conducted.

2. Practical Benefits

Through this research, it is hoped that Apple brands and those included in the international business scope will be able to continue to provide the best brand experience to retain their customers by stabilizing the quality of their goods and services.

1.6 Research Outline

To ensure that this research and its findings can be comprehended, the methodological structure includes a brief explanation of each section of the research.

CHAPTER I – INTRODUCTION

Chapter 1 contains fundamental information about research starting from the background of the problem, the formulation of the problem, the objective of the research, the benefits of research and systematic writing.

CHAPTER II – LITERATURE REVIEW

Chapter 2 contains the theory and variable used, the relationship between variables, development of hypotheses and research models.

CHAPTER III – RESEARCH METHODOLOGY

Chapter 3 contains the method used as a measurement tool and data analysis tool for the need to test in testing the relationship between variables.

CHAPTER IV – RESULT AND DISCUSSION

Chapter 4 contains a discussion of the results of the research that has been analyzed based on the collected responses from respondents and the researcher's interpretation of the relationships between variables.

CHAPTER V – CONCLUSION AND RECOMMENDATION

Chapter 5 contains conclusions from research that has been carried out and suggestions that can be used in subsequent studies.