

# CHAPTER I

## INTRODUCTION

This chapter will explain clearly the research background, research problems, research questions, research objectives, research limitations, research contributions, and an outline of the research.

### 1.1 Research Background

Consumers have a wonderful chance to get a worldwide brand that is well-known and disseminated to different areas of the globe as a result of the globalization of current markets, which has become a very significant part of their life. One of the many advantages of global brands is that they help to enhance the country of origin's image. The more favorable the brand image, the greater favorable the country's image origin (Dayani, 2020). In country of origin literature, there is often a debate between international and regional brands. Global brands are those foreigners own and distribute worldwide, whereas native brands are ones that are owned by native business and sold only inside the country (Winit et al., 2014). Apart from multinational corporations, luxury brands already established in many parts of the world will certainly appeal to consumers owing to their vast distribution networks and ability to create a lasting impression (Stiehler, 2016)

With the rapid growth of globalization, in-depth restructuring and evaluation of the business model for luxury brands is now very necessary (Depeyre et al., 2018). Consumers have different opinions about luxury in terms of their preferences and values about luxury itself. Other factors that also influence the need, purchasing power, and valuation of luxury brands (Uggla, 2017) Global brands that exist in industrialized countries are often seen as limited-edition luxury labels that are only available to a select few. As a result, the brand is often a difference between customers who can afford it and those who cannot (Qiu et al., 2017). As a result, today's worldwide brand has evolved into an identity. Consumers who buy luxury goods usually don't pay much attention to prices, so they don't think about how much money they have to spend.

Also, with the current technology that has developed so quickly, it has caused the increasing importance of using smartphones (Bozkurt, 2013). Smartphones are renowned for being a location where anybody can reach out, access personally, and offer social media features that have unintentionally influenced people's lives and individuals in general (OZER & SANAL, 2017). Because smartphones can affect people's lives as a means of social interaction, most of them spend their time on social networking sites using their smartphones, so as to reduce the percentage of success they will get (Kirschner & Karpinski, 2010). In the opinion of (Rose, 2017), digital technology such as today's smartphones can change the way everyone views those around us. He also concluded that current technology can divide our attention

between being on our main activity (work) or activities on smartphones. Employees who are at work usually spend about 2 hours on weekdays using the personal internet, for example, sending messages, updating their social media, or writing personal emails (Vitak et al., 2011). But the consequences of this behavior have not been explored in more depth (Holland & Bardoel, 2016).

In this study, we will discuss one of the technologies that has received more attention, namely smartphones. Since 2011, Indonesia's smartphone user base has grown significantly, and this trend is anticipated to continue in the next years. According to Statista.com, it depicts Indonesia smartphone user base from 2016 to 2021, with predictions until 2026. Figure 1.1 shows that smartphone users in Indonesia have increased from only 3.668 million in 2016 to 6,378 million in 2021. In these numbers, it can be seen that smartphone users in Indonesia continue to increase. As a result, a greater focus on the use of cellphones in enhancing educational quality is required.

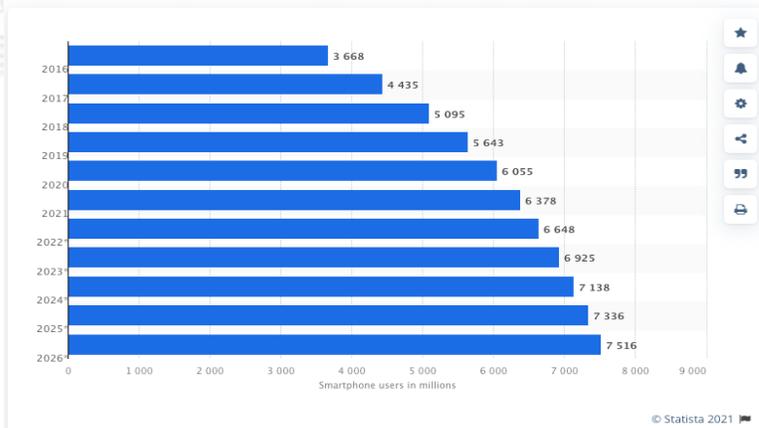


Figure 1.1 The Number of Smartphone users in Indonesia

*Source: Satista (2021)*

If you want to compete with large companies or start-ups, you must improve the quality of providing experiences for consumers so as to create deep relationships and deep trust in a brand, so that when the brand is distributed, it will generate brand loyalty so that people want to buy it (Budi et al., 2021). In an organization, they must pay attention to the strategy that will be used, especially in using a marketing strategy, because the competition for a brand is increasing more than before. Brand Experience is currently included in a new concept in marketing. This concept has begun to capture the attention of both academics and practitioners when it comes to the creation of distinctive, enjoyable, and unforgettable experiences (Jain et al., 2017). The idea of brand experience emphasizes everything connected to a brand in terms of goods being sold, consumer communication, and the brand's distinctive identity so that it may be remembered by the general public (Rodrigues, 2018). In doing marketing, it is necessary to improve customer experience so that customers feel satisfied and can be generous with existing products or services (Koetz, 2019).

The study of customer experience is critical for a business since there are many variables that may influence a customer's decision to buy a product, including not just the product's or service's quality, but also the customer's moral and physical well-being (Almohaimmed, 2020). As a marketing concept, brand experience is crucial since it aims to provide a distinctive, memorable, fascinating, and pleasant experience. This idea is a well-known theoretical both in theory and practice It has

garnered much notice in the last few decades, despite numerous changes in recent years (Andreini et al., 2018). In recent years, empirical methods based on SEM or analog techniques have been used to study the concept of brand experience in a number of industries, including fashion, FMCG, apparel, and the food industry (de Oliveira Santini et al., 2018); (Das et al., 2019). During the previous decade, marketing has shifted its focus to consumer experience from its original functional meaning (Khan & Fatma, 2017a). If consumers get a good experience, then the possibility for consumers to buy these goods is very large because consumers feel happy.

Sensory brand experience, intellectual brand experience, and affective brand experience are all discussed in this research. There has recently been study on how consumer creativity is influenced by experience and sensory input (Steidle & Werth, 2013). Sensory brand experience is created by stimuli associated with sensory brands, which often include auditory, olfactory, taste, visual, tactile, and aesthetic stimuli (Nysveen et al., 2013). Researchers have lately concentrated their efforts on sensory brand experience, thinking that it has an effect on brand marketing (Moreira et al., 2017); (Y. H. Lin, 2015). Operational brand experience creation is a good starting point for evaluating brand sensory characteristics, but it's not enough for sensory management of brands. This is because it simply records the current brand experience and does not include information on particular brand advantages and characteristics (Cho et al., 2015). Then, affective brand experience can be interpreted as the response

that consumers have to the emotional capacity associated with the brand, such as mood or feelings (Chen et al., 2016). In this effective brand experience, it will make consumers feel fresh, fun, elegant, etc. Furthermore, an intellectual brand experience may be described as a reaction elicited by a brand in which customers are interested about the features of the brand (Lee & Kang, 2012).

The research then goes on to talk about brand equity, which is broken down into three parts: brand awareness or brand connections, brand loyalty, and perceived quality. The first is customer devotion to a certain brand. Loyalty requires strength from its customers, by keeping in mind any existing brand costs and also maintaining control of additional brand costs. A customer's purchasing choice is typically affected by a number of variables, one of which is the brand's (Ahmed Sallam & Ali Algammash, 2016). Second, there is perceived quality. If you talk about the quality you get or feel, you will be faced with an adaptive and complex system that makes humans the main agents. As a result, effective causes cannot exist in any human adaptive system (Smil, 2017). If the quality perceived by consumers is high, then the brand's attractiveness to customers will also be high. But the attraction itself is relative to each person. This is based on previous experience and only contrasts with what may not attract attention (Falk et al., 2017). The third will discuss brand awareness. Brand awareness refers to a consumer's capacity for recognize or keep in mind that a brand is associated with a certain kind of product (Tirto Raharjo & Samuel, 2018). A capability of the consumer to identify a brand and know what to do

with it is also known as brand awareness. Usually, the company's way of increasing brand awareness is by using social media (Ardiansyah & Sarwoko, 2020).

Taken from Statista, market analysis in Indonesia says that the income in the luxury goods market from the Indonesian market in 2020 is US \$2,035 million. The luxury goods market is also predicted to increase by 8.4% per year (CAGR 2020-2025). The luxury goods market is divided into several sections, namely, luxury fashion, luxury watches and jewelry, luxury eyewear, luxury cosmetics and fragrances, luxury leather goods, and luxury smartphones. Data obtained in 2020 showed most of the revenue was obtained from luxury cosmetics and fragrances, with a total of US \$611 million. Then, the data also shows that in 2020, globally, the highest income will be in the United States, with a total of US \$65,019 million. So it can be concluded that the income per person to be able to buy luxury goods is US \$7.44

## Top 10 Mobile Brands in the World 2021

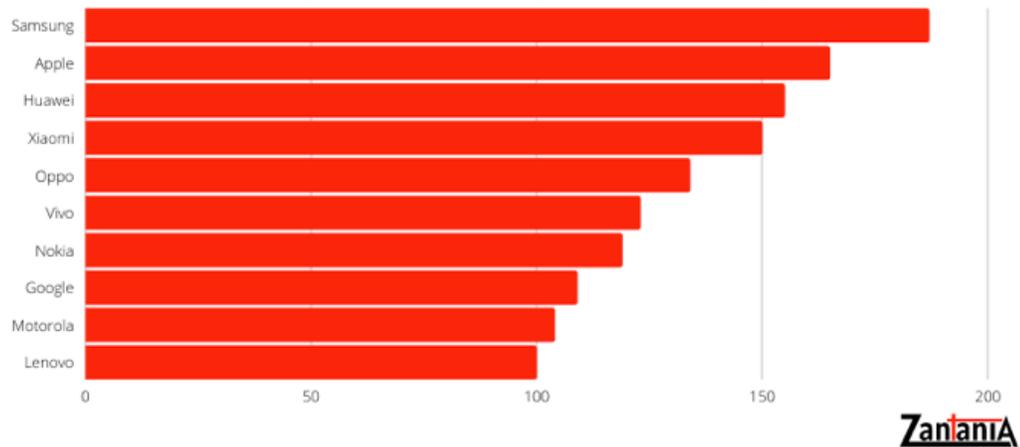


Figure 1.2 Top 10 Mobile Brands in the World 2021

*Source: Zantania (2021)*

Data from figure 1.2, it can be seen that Apple is ranked 2nd in the global brand in 2021. There are many increases that could also be affected by the covid-19 pandemic, which requires people to do everything online, especially for school and for work. So this could trigger people to buy smartphones that can be used well, like Apple.

Based on the data mentioned above, it can be seen that researchers are interested in branded and luxury goods from the point of view of the people in Indonesia. To narrow the scope of this research, the researchers decided to research luxury goods in brand experience, where the model from this research was replicated by a major journal that wanted to take the theme of whether brand experience had an effect on existing brand equity. As a result, this research will look at how brand

experience, which encompasses sensory, emotional, and intellectual aspects, influences brand awareness, brand loyalty, perceived quality, brand associations, and brand awareness. The main target of this research is respondents who live in Indonesia and use Apple smartphones.

## **1.2 Research Problem**

Currently, the development of the internet and social media is increasingly rapid by changing the paradigm from marketing to a dominant service logic with an active customer role so that shared value will be created. Also, marketing integration causes brand management to become a value perceived by customers. The acquired experience may have a beneficial effect on a brand's perceived worth (Wiedmann et al., 2018). One of them, Apple is now a luxury brand that is well known by various groups around the world. Based on previous research, researchers have not discussed how the experience provided by luxury brands, namely Apple, can affect consumers' brand equity.

Consumers who use smartphones in Indonesia will be the respondents in this study. In the lives of consumers, it is very important that social groups exist in their lives. If many people use luxury brands like Apple, then this will make the item an icon for social groups who can afford it because the price is quite expensive. With

this, it encourages researchers to analyze how consumers evaluate important indicators of the experience of using a product and whether it will affect brand equity.

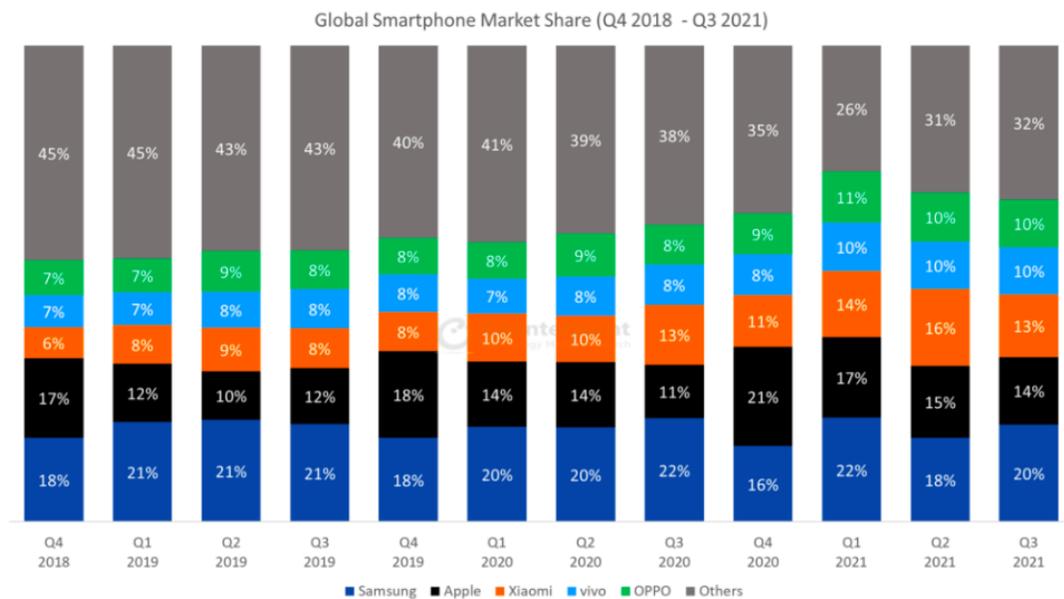


Figure 1.3 Global Smartphone Market Share

Source: Counterpoint (2021)

In the data above, there is a market share of the smartphone market globally with a growth of 6% YoY in Q3 2021, recording global shipments of 342 million units, down from 365.6 million in Q3 2020. In Q2 2021, Apple experienced a decline of 2% from the previous quarter, and also in Q3 2021, Apple had another 1% drop.

Previous study has similarly failed to establish a connection between luxury companies' brand experience and brand equity. As a result, The objective of this study is to determine if brand experience has an effect on brand equity, which includes brand associations, perceived quality, brand loyalty, and brand awareness.

To be more precise, The aim of this study is to look at global luxury brands based on current brands marketed to Indonesian consumers.

### **1.3 Research Objective**

As stated in the research background, this study will include various research questions that will aid researchers in achieving the research objective and written as a partial fulfillment of the academic requirements to obtain the degree of Sarjana Manajemen, as follows:

1. To examine the effect of sensory brand experience influence brand loyalty on luxury brand Apple in Indonesia.
2. To examine the effect of affective brand experience influence brand loyalty on luxury brand Apple in Indonesia.
3. To examine the effect of intellectual brand experience influence brand loyalty on luxury brand Apple in Indonesia.
4. To examine the effect of sensory brand experience influence perceived quality on luxury brand Apple in Indonesia.
5. To examine the effect of affective brand experience influence perceived quality on luxury brand Apple in Indonesia.
6. To examine the effect of intellectual brand experience influence perceived quality on luxury brand Apple in Indonesia.

7. To examine the effect of sensory brand experience influence brand awareness and brand associations on luxury brand Apple in Indonesia.
8. To examine the effect of affective brand experience influence brand awareness and brand associations on luxury brand Apple in Indonesia.
9. To examine the effect of intellectual brand experience influence brand awareness and brand associations on luxury brand Apple in Indonesia.

#### **1.4 Research Question**

Following the previous description of the research objectives, the research question may be developed and explained as follows:

1. Does sensory brand experience have an effect of influence brand loyalty on luxury brand Apple in Indonesia?
2. Does affective brand experience have an effect of influence brand loyalty on luxury brand Apple in Indonesia?
3. Does intellectual brand experience have an effect of influence brand loyalty on luxury brand Apple in Indonesia?
4. Does sensory brand experience have an effect of influence perceived quality on luxury brand Apple in Indonesia?

5. Does affective brand experience have an effect of influence perceived quality on luxury brand Apple in Indonesia?
6. Does intellectual brand experience have an effect of influence perceived quality on luxury brand Apple in Indonesia?
7. Does sensory brand experience have an effect of influence brand awareness and brand associations on luxury brand Apple in Indonesia?
8. Does effective brand experience have an effect of influence brand awareness and brand associations on luxury brand Apple in Indonesia?
9. Does intellectual brand experience have an effect of influence brand awareness and brand associations on luxury brand Apple in Indonesia?

### **1.5 Research Scope**

Based on research, the scope of this study is limited to only a few conditions, such as:

- a. This study discussion includes brand experiences, affective brand experience, behavioral brand experience, sensory brand experience, intellectual brand experience, perceived quality, brand awareness, brand loyalty, brand association, and consumer gender moderates consumer-based brand equity.
- b. This study focuses on Indonesian people, particularly those who use Apple smartphone.
- c. This study's respondents are young consumers who use smartphones on a daily basis so they can understand smartphones well is needed in this study.

- d. The premium brand that will be explored in this research is an Apple smartphone.

## **1.6 Research Contribution**

In this study, researchers hope that this study will contribute to general or theoretical perspectives as well as practical ramifications, such as:

- a. Theoretical Contribution

In this study, it is hoped that it can provide theoretical contributions as well as broad knowledge of international marketing theory on brand experiences, which are described in the research design on the independent variable, namely brand experience, as an independent variable that can affect consumer brand equity as the dependent variable. This research is also expected to contribute to the development of a more detailed knowledge of brand experience with the study's topic, especially luxury companies that are deeply rooted in Indonesian culture. Therefore, this study is expected to be a reference for future research into the international marketing of luxury brands in Apple.

- b. Practical Contribution

In this study, It is anticipated that this study will aid in the advancement of this research. a reference for marketers to further improve the strategies that will be used in marketing, especially for luxury brands currently in Indonesia. Also, the researchers hope that this research can help contribute to providing views about the experience of using luxury brands that can have an impact on consumers' assessment of brand equity so as to make consumers satisfied with the brand.

### **1.7 Research Outline**

In this study, it will be divided into 5 chapters. Each chapter will be explained as follows:

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

In chapter 1, there is an explanation of the research background, research problems, research questions, research objectives, research scope, research contribution, and research outline of this paper.

#### **b. CHAPTER II - LITERATURE REVIEW**

In chapter 2, there is a literature review that contains the theoretical background of each existing variable, the relationship between variables, and also the conceptual background of the hypothesis.

#### **a. CHAPTER III - RESEARCH METHODOLOGY**

In chapter 3, there is a research methodology that provides an explanation of the method that will be used to measure and also examine the relationship between variables. There is a research design, quantitative data collection methods, and also the type of research. In this study, they used a pre-test.

**b. CHAPTER IV - DATA ANALYSIS AND DISCUSSION**

In chapter 4, there are research results, analysis of research results, and discussion of research results by explaining the relationship between variables according to the results of this study. quantitative research and examined using SPSS. Then the results of the discussion will be obtained and concluded.

**c. CHAPTER V - CONCLUSION AND RECOMMENDATIONS**

In chapter 5, it will contain managerial and theoretical applications, recommendations that can be used to improve research, limitations of this research, and conclusions for future research.