

# CHAPTER 1

## INTRODUCTION

### 1.1. Background

In this era of globalization, the evolution of technology keeps increasing. There are many technology innovations that were found. The competition in the gadget business is getting tighter. All brands are trying hard to keep developing by inventing new technology so they can be a market leader, including in Indonesia. So there must be efforts made by the company to maintain and to increase sales. One of the action that can be done is by doing a business strategy. The right business strategy will make the company easier to increase their market.

In Indonesia, Ministry of Industry found that currently there are 24 companies manufacturing components of mobile phone and tablet products in Indonesia (Novalius, 2018). According to Novalius, based on the e-Marketer report, active smartphone users in Indonesia will grow from 55 million in 2015 to 100 million in 2018. With this number, Indonesia will become the country with the world's fourth largest active smartphone users after China, India , and America.

From the news above, it can be concluded that Indonesia market is one of many country that have the ability to adopt foreign technology, and as the technology comes from foreign country, the price will be much more

expensive than domestic product. One of the most expensive gadgets that really adopted and accepted in Indonesia is Apple Inc.

Apple first came to Indonesia in 2013. Apple itself sells so many gadgets in Indonesia such as iPhone, iPad, iWatch, Mac Book, dan iMac. There are many Apple store in Indonesia. Other than iBox, there's Infinite that's Apple's authorized reseller. Although Apple's price is relatively high, their sales in Indonesia is relatively good.

But, for the first time in seven years, Huawei beats Apple to become the world's second-largest smartphone seller behind Samsung. Samsung was worst hit by the slowdown of the big three, down 10% year-on-year selling 71.9m smartphones for a 20% share of the market. Huawei raced into the second spot selling 54.2m phones in the quarter, up 41%, for a 15% share of the market. Apple sold 41.3m iPhones, up 1%, for a 12% market share (Samuel Gibbs, 2018).

Based on the news Huawei beats Apple above, it can be seen that Apple customers' brand loyalty is decreasing because there are so many people move to Huawei. David A. Aaker (2009) defines Brand Loyalty as the measure of attachment that a consumer has towards a brand. In the case of Apple, high brand loyalty can be seen if customers tend to choose Apple with premium price compared with other brands. But, as the Huawei beats the Apple's sales, there must be something that are affects Apple customers' brand loyalty decrease. Brand that successfully build high loyalty from their customer should have high sales because their customer keep buying their product. In this

research, emotional attachment, brand trust, and brand experience are chosen to be the factors that can build Apple's high brand loyalty.

The first factor that can affect brand loyalty is brand trust. Chaudhuri and Holbrook (2001) define Brand Trust as the willingness of the average consumer to rely on the ability of the brand to perform its stated function. Consistency, persistence, and restraint are the primary steps of brand building that leads to brand trust. In Apple itself tend to update their iOS quiet fast that make older Apple gadget goes slower.

The second factor that can affect brand loyalty is emotional attachment. Jimenez and Voss (2007) define Emotional Attachment as the relationship construct that reflects the relationship of the emotional bond between individuals and objects.

The last factor that can affect brand loyalty is brand experience. Brand Experience according to Brakus et al. (2009) is subjective, internal consumer responses (sensations, feeling, and cognitions) and behavioral responses evoked by brand-related stimuli that are part of a brand's design and identity, packaging, communications, and environments. The long time of service for Apple's products may give a bad experience for their customers.

From the background above, this research will be carry out to analyze the factors affecting brand loyalty, and this research will be titled: **“FACTORS AFFECTING CUSTOMERS’ BRAND LOYALTY OF APPLE PRODUCTS”**

## **1.2. Research Question**

The research question in this research are:

1. Does brand experience significantly affect customer's brand loyalty towards Apple Brand?
2. Does brand trust significantly affect customer's brand loyalty towards Apple Brand?
3. Does emotional attachment significantly affect customer's brand loyalty towards Apple Brand?

## **1.3. Research Objective**

From the research question above, it can be concluded that the objective of this research are:

1. To identify does brand experience significantly affect customer's brand loyalty towards Apple Brand.
2. To identify does brand trust significantly affect customer's brand loyalty towards Apple Brand.
3. To identify does emotional attachment significantly affect customer's brand loyalty towards Apple Brand.

## **1.4. Limitations of Study**

The main purpose of this research is to understand the relationship between Brand Experience, Brand Trust, Emotional Attachment, and Brand Loyalty in Apple Gadget. The study samples are people who have used Apple

gadget more than once in Pantai Indah Kapuk. A questionnaire survey is used as a data collection tool.

## **1.5. Research Outline**

### **CHAPTER I: INTRODUCTION**

This chapter is an introductory section that contains the background of the issues, the scope of the study, research problem, purpose of the research, and writing systematic/outline of report.

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

This chapter describes the theory used as a basic reference for the theory of research, framework for research and hypotheses used in the study.

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

This chapter describes the research variables (independent variables and the dependent variable) and the operational definition of variables, population and sample, the type of data used for the study, research data sources, methods of data collection and analysis methods for research.

### **CHAPTER IV: RESULT AND DISCUSSION**

This chapter consist the analysis of data that is implemented in the form of tables and charts and this chapter also consist a discussion of the result from the data analysis.

### **CHAPTER V: CONCLUSION**

This chapter consist of conclusion and recommendations.