

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In the current technological era, smartphones may have become individuals' primary necessities and needs. Nearly all the people around the globe are utilising smartphones to bring value and assist towards individuals' daily lives. Until the current year, 2023, there have been 6.92 billion of smartphone users and 86.11% of people have a smartphone (Statista, 2023). Inferring from the data itself, conclusion can be drawn that smartphone are crucial and becoming the support of the primary necessities statement. The evolvement from traditional mobile phones towards smartphones altered people's perception towards a phone. In addition, smartphones also wiped out almost all the traditional phones, for instance Nokia as the company which reached peak sales and gained popularity across the globe are experiencing turnover due to the existence of smartphone. Historically, in 2003, Nokia 1100 has become the best-selling mobile phone of all time and ranked first, as 250 million Nokia 1100 are sold during that year (The Kashmiriyat, 2023). The following year in 2010, Nokia's attempt to be iPhone's killer failed and Nokia's downfall started due to the inferiority of technologies. The market value of Nokia has dropped by about 90%, and finally in 2013 Nokia's company was acquired by Microsoft (Minds, 2021).

Mobile phones used to be only providing and focused on calls and messages, as time passes which followed by technological advancements, smartphones have

2 reached a point where calls can be turned into video calls, messages are sent instantaneously across the globe, any form of entertainments (electronic books, watching videos, playing games), taking great quality pictures, digital banking, and e-wallet, etc. Furthermore, the realization of smartphone importance strike when the pandemic happened, COVID-19 has brought the world to digitalize world, since community restrictions or even lockdown that forced to stay at home or restricts movements of individuals. Schools and work must be done through online meetings with the help of applications such as Zoom and Microsoft Teams which can be operated by using smartphone. The evidence shown that 70% of full-time workers are working remotely and ever since COVID-19 situation started, tendency of workers attending meeting through video calls increased by 50% (Bradshaw, 2023).

In the current time, smartphone is divided into 2 types: Android, and iOS operating system. To understand further, operating systems is the software that oversees and have control over the hardware, hardware peripherals, software resources and the users as well (Adekotujo et al,2020). Android system based are used by most of the smartphones in the market and iOS system is used solely by Apple Inc. As of the second quarter of 2023, Android and iOS operating system still differs by 42%, where 70.62% of the smartphone users are using Android, while the rest are using iOS (Statista, 2023). When it comes to competition between these two operating systems, it is undeniable that everyone has their own preferences, some may prefer iOS due to the beliefs of 3 secure, but some also do prefer Android due to its customisable options in terms of operating systems. Popularity of smartphone in Indonesia are obvious as well where Android would easily win the market, as of

April 2023, Android holds 86,81% of the market, while Apple are comprised of only 13.06% of the market (Statista,2023).

Purchase intention factors cannot be overlooked by one company, therefore implementing the suitable strategies based on the purchase intention factors will significantly affect the consumer purchase intention towards the brand. Supported by the statement by Qazzafi (2019), when one marketer can fully implement and have deep understanding in buyer decision process, it could be concluded that the marketer has pulled off the chances of selling a product towards customers. According to Balakrishnan (2022), purchase intention refers as the intention of individuals to purchase and when the intention grow stronger, the likelihood of purchase increased. However, due to the popularity of Android across Indonesia, there are variety of brands which are competing in the industry. Xiaomi’s purchase intention from customer decreased over the time and loses the market share. In the first quarter of 2023, Xiaomi experienced -17.2% of downfall in the yearly growth data and Xiaomi ranked fourth in the market share with only 13.7%.

Table 1.1 Smartphone Brand Sales Comparison

Perusahaan	Pengiriman 1Q23	Pangsa Pasar 1Q23 (%)	Pengiriman 1Q22	Pangsa Pasar 1Q22	Pertumbuhan YoY (%)
1. Samsung	1.9	24.0%	2.1	23.3%	-9.0%
2. OPPO	1.8	23.3%	1.8	20.2%	1.6%
3. vivo	1.3	16.5%	1.5	17.1%	-14.6%
4. Xiaomi	1.1	13.7%	1.3	14.6%	-17.2%
5. realme	0.8	10.8%	1.1	12.3%	-23.3%
Lain-lain	0.9	11.6%	1.1	12.5%	-18.2%
Total	7.9	100.0%	8.9	100.0%	-11.9%

Source: Selular.id, retrieved on August 28, 2023

In terms of the purchase intention, product features might be the primary factors that lead to intention of which might lead to the sales of the products. Although advertising have the direct impact towards sales, but product features do have effect on the decision making. As being stated by Kotler et al (2018), the cause of sales and profitability can be affected not only by advertising but product features, price, and availability. In Rakib et al (2022) stated everyone will have different requirement and needs towards a smartphone. Several characteristics or features of smartphones will be seek by potential customers, such as big screens, long lasting battery, great performances, etc.

The advancement of technology in smartphone should be followed by the great battery life features. Despite the faster CPUs which offer greater performance, a smartphone is limited by the battery life. According to Manandhar (2022), battery life accounted as first rank among the 170 samples taken. As can be seen from the data, battery life is crucial in terms of affecting customer's purchase intention. Battery life can be inferred as the crucial part of smartphones due to it limit one phone from operating on timely basis, as a result longer battery life are needed. Taken from the Xiaomi official websites, the battery life of Xiaomi's smartphone is quite reliable, based on the website's data, it ranges from 4300 mAh to 6000 mAh.

Despite the great capacity of battery that Xiaomi offers, many of the competitors can provide the similar capacity and reached longer battery life during the usage testing. If we are to analyse from the top 10 smartphone battery life rating from Nano review, only 1 Xiaomi's smartphone entered the list and ranked fourth. In addition, other smartphones such as Sony who are to have lower battery capacity

can reach longer battery life compared to Xiaomi, this can be concluded that the efficiency of power usage in Xiaomi phone are inefficient and directly affected the battery life of Xiaomi.

Table 1.2 Smartphone battery life Comparison

#	Smartphone	Generic battery life	Web browser (Wi-Fi)*	Video playback*	Standby**	Battery capacity
1	Sony Xperia 10 V <input type="checkbox"/> 6.1", 5000 mAh	51:23 hr	18:40 hr	28:21 hr	124 hr	5000 mAh
2	Sony Xperia 10 IV <input type="checkbox"/> 6", 5000 mAh	49:38 hr	16:06 hr	24:58 hr	160 hr	5000 mAh
3	Samsung Galaxy M51 <input type="checkbox"/> 6.7", 7000 mAh	48:46 hr	17:24 hr	21:35 hr	159 hr	7000 mAh
4	Xiaomi Redmi 9T <input type="checkbox"/> 6.53", 6000 mAh	46:32 hr	16:36 hr	15:38 hr	182 hr	6000 mAh
5	Apple iPhone 14 Pro Max <input type="checkbox"/> 6.7", 4323 mAh	45:56 hr	15:02 hr	21:10 hr	156 hr	4323 mAh
6	Realme 5 <input type="checkbox"/> 6.5", 5000 mAh	44:52 hr	16:55 hr	16:25 hr	157 hr	5000 mAh
7	Realme 5s <input type="checkbox"/> 6.5", 5000 mAh	44:30 hr	17:01 hr	16:02 hr	155 hr	5000 mAh
8	Realme 6i <input type="checkbox"/> 6.5", 5000 mAh	44:29 hr	20:10 hr	16:52 hr	119 hr	5000 mAh
9	Apple iPhone 13 Pro Max <input type="checkbox"/> 6.7", 4352 mAh	43:44 hr	14:55 hr	20:14 hr	140 hr	4352 mAh
10	Asus ROG Phone 7 Ultimate <input type="checkbox"/> 6.78", 6000 mAh	43:17 hr	14:08 hr	23:09 hr	128 hr	6000 mAh

Source: Nano review, retrieved on August 28, 2023

According to Ladipo (2018), design is a crucial factor, as it is company's strategy to differentiate the products in the market. In addition, an attractive and interesting design are better in caught the potential consumers attention. In terms of Xiaomi's design feature, it is modern and following the current trends, Xiaomi's smartphone is using the design called dot drop display where there is only a single camera in the front screens and the rest of it are touched screen display. Not only 9

the flagship smartphones line up are using this design, but the entry-level and midrange smartphone use this display as well.

Furthermore, features which people pursue after during the intention of purchasing a smartphone will be camera. Camera as a tool of taking pictures used to be large and with the current technology, camera shrinks in size and fit into the smartphone. Delbracio (2021) mentions that despite the camera sensors that are smaller and less flexibility, smartphone camera offers greater computing power than a DSLR camera. Smartphone camera do gain massive popularity and seen to be a crucial factor, Engidaw (2020) shown the survey from 2,134 samples taken, camera quality ranked third with 234 peoples preferred to have great camera quality features.

However, Xiaomi's camera is yet to be popular and known in the wide audience. A popular benchmark for camera called DXO mark, not a single Xiaomi's smartphone entered the ratings, as a result this is the part that Xiaomi should paid attention on. One of the flagship Xiaomi's smartphones placed 11th and since that smartphone, there are barely any smartphone that ranked higher. It has been 2 years since the smartphone released and it indicates that there are slight improvements on the camera sector.

Table 1.3 Xiaomi Camera score

11.	Apple iPhone 13 Pro	\$999	Sep 2021	141
=	Apple iPhone 13 Pro Max	\$1099	Sep 2021	141
=	Xiaomi Mi 11 Ultra	\$1200	Mar 2021	141

Source: DXO mark, retrieved on August 28, 2023

Social influences are described as the decision-making process that are influenced by other individuals. As a result, the initial intention to buy certain products are switched. Kotler et al (2018) stated that there are several factors that affect and altered individuals buying behaviour, and one of the causes will be social influences. As for the current era, obtaining information regarding a product are simple, Rakib et al (2022) expresses that Facebook, Twitter, Instagram, and other types of social media may cause social influences. The influences were classified by the author to be in the type of comments revolving around the social media, technology reviewers who shared their experiences, and people who have used and purchased the smartphones. As a result, social influences can be considered as other crucial factors of purchase intention as it might lead to changes of perception and potential future consumers towards a brand.

Professional recommendation from a technology reviewer is one of the alternatives when people are seeking for new smartphones. Xiaomi received one of the youtuber attention during the 2023. An Indonesian reviewer named “GadgetIn” on YouTube which has 11 million subscribers, in the video posted on 29 June 2023, expresses Xiaomi’s drawbacks in 2023. GadgetIn stated that Xiaomi used to be an easy recommendation for everybody, but the current Xiaomi smartphone lineup can simply be easily substituted as other brands provide better smartphones and fewer people request to review the smartphone. This evidence could be used as reference of the decreased rate of social influence.

To further analyze the social influences issue, the writer personally has done interviews with 10 of his friends. The question that is being asked is whether they are willing to recommend the Xiaomi smartphone to another potential buyer. Surprisingly, 6 out of 10 people would not recommend the Xiaomi smartphone. Some said that there are wide variations of smartphones offered by other brands which can be alternatives rather than Xiaomi due to the similar features that other brands can also match Xiaomi smartphones.

Other factors that affect consumers' purchase intention will be brand image. A great reputation that one company has will be the major advantage and strength compared to the competitors. According to Rakib et al (2022), in the industry of smartphones or high-tech environment, brand image is crucial and impactful on the company. In addition, Muljani (2019) expresses that well-reputed brands will create positive beliefs of trust by customers and will be more likely to cause the sales to happen. An article called South China Morning Post evaluates Xiaomi's brand image in the market, and the results show that Xiaomi's strategy to produce affordable phones has altered consumers' perceptions. It is stated that consumers are doubting Xiaomi's smartphones and even question "how good those phones can be". This brand image of Xiaomi caused challenges for Xiaomi to sell the flagship line-up phones (Chiu, 2019).

As the continuation of the brand image issue, with the same interviews done on the social influence previously. They also mention that Xiaomi is known them as the brands that offer affordable or cheap smartphones, 8 out of 10 of the writers' friends point out this statement. As a result, they still doubt the quality of the

smartphone which may further lead to less intention to purchase Xiaomi smartphones.

Xiaomi Inc. was founded in China back in April 2010, they first launched a smartphone in August 2011, called as Xiaomi Mi 1 (Joseph, 2019). They first launched a smartphone and is conceived as the affordable smartphone which come with great performance, as can be seen from the processor used by Mi 1, a 1.5 GHz Snapdragon S3 processor, the first Chinese phone using the extraordinary and powerful processor, as a result, it gains 300,000 pre-orders in the first 34 hours (Joseph, 2019). After 4 years of services in China, Xiaomi decided to expand across the globe, and in 2014 they first entered Indonesia with the Redmi 1S as the pioneer of the Xiaomi smartphone. Redmi 1S is well received by the Indonesians, and based on the testimony, Redmi 1S provides excellent values, it gives great performances which other phones do not offer in a similar price range. Currently, Xiaomi has more product lines, they do not solely provide smartphones, but wearables, televisions, Gaming monitors, Wireless Earphones, etc, are available.

Therefore, there are still a bunch of problems faced by Xiaomi, starting with the product features offered, where there is still a lacks of development in Camera and battery life. Social influences dropped as can be seen from how one gadget professionals react to the smartphone offered by Xiaomi. Finally, in terms of brand image, Xiaomi still receives images of being an affordable phone and does not offer any premium feeling towards the customer. Until this point, further research titled **“Analysis of Intention in Purchasing Xiaomi Smartphone concerning Product Features, Social Influences, and Brand Image of the Smartphone (Case study**

on Xiaomi Customers in Medan)” will be done to analyze the variables mentioned above and become support of how it will affect customer purchase intention.

1.2 Problem Limitation

The research itself will be limited to certain variables that have been decided by the writer. The following variables are product features (X_1), social influences (X_2), and brand image (X_3) as the independent variable. While the dependent variable will be purchasing intention (Y). Furthermore, the research will not study the other brand's smartphones, but only focus on overall smartphones which are offered by Xiaomi in Medan.

According to Lavuri et al (2019), the indicators of product features (X_1) consist of Camera, battery life, and product design. The second independent variable, which is social influences (X_2), is indicated by family & friends, sense of belonging, surroundings, and salesperson (Engidaw, 2020). The last independent variable is a brand image (X_3) and as mentioned in Anita et al (2019), there are three indicators, which is strength, uniqueness, and favorable. Meanwhile, the dependent variable which is purchase intention (Y) has indicators of transactional interest, referential interest, preferential interest, and explorative interest.

1.3 Problem Formulation

The following are the research questions of this study:

- a. Do Product Features have a partial influence on purchase intention for Xiaomi’s smartphone in Medan?

- b. Does social Influence have a partial influence on purchase intention for Xiaomi's smartphone in Medan?
- c. Does brand Image have a partial influence on purchase intention for Xiaomi's smartphone in Medan?
- d. Do Product Features, Social Influence, and Brand Image have a partial influence on purchase intention for Xiaomi's smartphone in Medan?

1.4 Objective of the Research

The following are the objectives of this research:

- a. To investigate if Product Features have a partial influence on the purchase intention of Xiaomi's smartphones in Medan.
- b. To analyze if Social Influence has partial influence on the purchase intention of Xiaomi's smartphones in Medan.
- c. To explain if Brand Image has a partial influence on the purchase intention of Xiaomi's smartphones in Medan.
- d. To discover if Product Features, Social Influence, and Brand Image simultaneously an influence purchase intention of Xiaomi's smartphones in Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit.

After this research are being done, it is expected that it will contribute to the existing theories which cover product features, social influences, and brand

image, and as an insight for the writer on how those variables will affect the purchase intention of Xiaomi smartphone.

1.5.2 Practical Benefit

a. For the Writer

It is expected that this research will contribute to the existing theories related to product features, social influences, and brand image towards the customer purchase intention of smartphones.

b. For Xiaomi Indonesia

This research can be information for Xiaomi Indonesia to improve their company performance and sales, especially concerning product features, social influences, and brand image.

c. For other researchers

This paper can be used as guidance or reference for research which have a relation to the current research.