CHAPTER I
INTRODUCTION

1.1. Research Background

Along with the times, the needs of society of technology is increasing and growing. Technology become an important thing because it can help them in their activity. Therefore, technology required to be more effective and efficient. One of these technology is communication tool. Because communication is one of the human needs, to be always connected and socialize with each other.

Development of telecommunication effectively and efficiently makes the telecommunication technology has become important thing in dynamic lives of people, because telecommunication tool promise ease of communication for its users. Therefore, telecommunication become a potential business sector, because of increase of the people’s needs and want of communication tool.

One of popular telecommunication tool is cell phone. Cell phone is a communication tool that can make and receive telephone call and text message while moving around a wide geographic area. Thus, cell phone or also called mobile phone has advantages over conventional telephone, because now people can make telephone call, even text message that cannot be done by conventional telephone, anywhere by using cell phone.

As time goes, mobile phones have now evolved into sophisticated features. Not only for making telephone call or text messaging, but now it can be used for video calling, sending or receiving email, playing games, and internet browsing. And it also have the ability to make use of small computer programs called
applications or apps (Weinberg, as cited by Lay-Yee, 2013). The development of cell phone’s feature which we call as a Smartphone. It summarized that a Smartphone will have more innovative wherewithal compared to normal cell phones which concluded both PDA and cell phone in a Smartphone (Qun et al, 2012).

Smartphone as a development from a cell phone has dramatically become a part of lifestyle for people around the world. Nielsen media predicts that the smartphone will overtake feature phones (i.e., a traditional mobile phone) by increasing its market share reach to 50 % of all mobile users (Jun et al., 2013). People use their Smartphone to communicate with other people, reminding themselves for urgent cases, download songs and games, texting message and it has the ability to provides, obtain, and shares personal and social information (Qun et al, 2012). Smartphone believed can help people with high mobility still can do their job anywhere without worrying bringing a computer or laptop.

The core of a Smartphone is an OS (Operating System), it is the important program that run in Smartphone. There are many types of OS running over the Smartphone, such as iOS, Symbian, Windows and Android. The most popular OS among them is Android, with every day more than 1 million new Android devices are activated worldwide. Android and iOS, the number one and number two ranked Smartphone operating systems (OS) worldwide (Restivo, 2013). Android was chosen and become popular among people because of its ability to run the various application, and as a pioneer of open source programs.
Because of its popularity, Android Smartphone sales climbing in every major market in Q4 2013, now accounting for 69.5% of all sales across 12 key markets versus 23.7% for number-two Apple, according to figures out from Kantar Worldpanel, a market research subsidiary of WPP (Lunden, 2014). With improvement in technology and lowering costs, Android Smartphone are highly advanced, multi-faceted and most importantly affordable. Android are quickly becoming a must have technology to complement peoples contemporary lifestyle.

Smartphone demand has increasing nowadays in the worldwide typically in western countries (Kathy, 2012). However, the user rate of Smartphone in Indonesia is still low comparing to other South-East Asian country such as Singapore. As research conducted by US Census Bureau, the Smartphone users in Indonesia was only 14% from overall about 240 million mobile phone users, the 86% rest is future phone. Whereas Smartphone user in Singapore was 53.41% (Qun et al, 2012). From that we can see, the cell phone in Indonesia still satisfied with their conventional cell phone, and do not want to change to Smartphone.

In the other side, Android is so popular among young people, especially university student, but not so for old people. Go-Gulf research team, as cited by Qun et al (2012) record that 50% Android user are people aged 18-34 years, whereas 21% in 34-44 years old, 16% in 45-54 years old, and 13% in 54+ years old using Smartphone. Its means that younger generation more interested to adopt new technology device or new product faster than older generation.

It’s very common to see university student using Smartphone to check their social media, email, news, doing their tasks, or just playing game and music through
Smartphone (Qun et al, 2012). According to the info graphic research that have done, 57% of university students use Smartphone, 75% of them sleep next to their Smartphone, 60% feel addicted to their Smartphone, while 75% of them sleep next to their phones, 88% texted in class before, 97% who have Smartphone use them for social networking, and 40% used Smartphone to study before test (Alexander, as cited by Qun et al, 2012). From this we can know that Smartphone is become a lifestyle among university student.

The only problem is the motivation to purchase Smartphone in Indonesia is very low, and dominated by young people. To increase the demand of Smartphone in Indonesia, the first step is to choose the right target market which is young people, because from previous statement we know that young people are more interest to buy Smartphone than old people.

To predict consumer behavior on Smartphone purchase, most of the marketers using purchase intention. Purchase intention is important for marketers, because it can help them in market segmentation and support their decision making like where the product should be launched (Sewall; Silk & Urban, as cited by Qun et al, 2012). Besides that, future demand can be predicted by using purchase intention (Armstrong, Morwitz, & Kumar, 2000). According to Tariq et al (2013) purchase intention has a substantial importance because the companies want to increase the sale of specific product for the purpose to maximize their profit.

Different consumers have different characteristics in their life that also influences their buying behavior. There are many factor that can trigger consumer purchase intention. According to Nagarkoti (2009) social factors such as family,
groups, roles and status are characteristics that could manipulate the buyer behavior in making final decision. Most university student are have a group, they are common spent their daily activity with their group or friends. The group can be from a friends, family, or organization their followed. Mostly of university student wear same things with their group, or buying a product that recommended by a group, this phenomenon is common we see in a group. Park and Lessig (1997) investigated reference group influence and found students more susceptible than housewife to group influence for a variety products.

Price and compatibility is also important thing that considered by a consumer before buying variety products. Price influence the demand of a product, which in turn determine volume sales (Malasi, 2012). According to Erickson & Johansson, as cited by Qun et al (2012), the issue of price has been discussed as critical factor requiring consideration with limited budget on purchase intention. In a survey released by Qualcomm, about 71% of survey respondents said they influenced by prices and promotions when selecting their next Smartphone, compared to just 50% who use screen size as a determining factor (Price, 2012). Price consideration also faced by university student which most students still rely on their parents, with limited money from their parents, they would be considers the price when buying a Smartphone.

To fulfill their need of a Smartphone, the consumer will considering the feature or the function of a Smartphone, so compatibility may one factor influence their behavior. Compatibility is also an important issue in a market with demand
externalities and the purchase intention of customers (Gatignon & Robertson, as cited by Qun et al, 2012)

In order to solve this problem, the research has to identify why young adults in Indonesia are not addicted much to Smartphone and need to understand their purchase intention. Hence, it is essential to know whether social influence, compatibility and price has an impact on purchase intention of Android Smartphone in Universitas Muhammadiyah Surakarta.

1.2. Research Problem

This research intended to analyze the impact of social influence, compatibility, and price on purchase intention of Android Smartphone in Universitas Muhammadiyah Surakarta. The research problems is: do the social influence, compatibility, and price have an impact on purchase intention of Android Smartphone. These problems can be specified as follow:

1. Does social influences have any impact on purchase intention of Android Smartphone in Universitas Muhammadiyah Surakarta?
2. Does compatibility have any impact on purchase intention of Android Smartphone in Universitas Muhammadiyah Surakarta?
3. Does price have any impact on purchase intention of Android Smartphone in Universitas Muhammadiyah Surakarta?
4. Does social influence, compatibility, and price have impact on purchase intention of Android Smartphone in Universitas Muhammadiyah Surakarta?
1.3. Research Objective

Based on the research problems above, the purpose of this study is to analyze the impact of social influence, compatibility, and price on purchase intention of Android Smartphone in Universitas Muhammadiyah Surakarta. The specific purposes can be derived into the following:

1. To investigate the impact of social influence on purchase intention of Android Smartphone in Universitas Muhammadiyah Surakarta.
2. To investigate the impact of compatibility on purchase intention of Android Smartphone in Universitas Muhammadiyah Surakarta.
3. To investigate the impact of price on purchase intention of Android Smartphone in Universitas Muhammadiyah Surakarta.
4. To investigate the impact of social influence, compatibility, and price on purchase intention of Android Smartphone in Universitas Muhammadiyah Surakarta.

1.4. Research Contribution

This study will provide the contribution of better concept for the firms to understand better on the factor that affecting purchase intention of Android Smartphone among young people. Android Smartphone firms may gain information about the factor that cause consumer to request a Smartphone and understand the features of Smartphone that requested by consumer such as design, colors, application and also price setting. This research also can be a reference to develop knowledge in field of marketing specially purchase intention. Besides that, this research can be stimulant to find other factors affecting purchase intention.
1.5. Chapter Layout

Chapter I Introduction

Is the general view of the study content which contain of research background, research problem, research objective which mention the purpose of this research, research function, and chapter layout.

Chapter II Literature Review

Contain all the relevant sources overview that related to the topic which is dependent variable (purchase intention), and independent variable (social influence, compatibility and price). And the research hypothesis.

Chapter III Research Methodology

Discuss the detail about the research methods, research subject, research location, the data collection process, sampling technique, and data analysis technique that used in this research.

Chapter IV

Resents an overall of the result and the finding from the analysis of the data collected. Other than that, Statistical Package for Social Science (SPSS) is use in this research to illustrate the chart and tables.

Chapter V

Includes conclusion, discussion, and limitation of this research. And also contain recommendation of this research for further improvement as well as provide some recommendations for future research.