

CHAPTER I

INTRODUCTION

A. Research Background

The evolution of telecommunication in Indonesia has been experiencing a rapid growth since the past five years. Smartphones have been of one the fastest growing technologies and necessities in Indonesia. In the beginning, the use of mobile phones were only by certain people who had the ability to buy it, considering at that time the price of mobile phones were still very expensive. But now, people can easily have access to cellphones and that is a familiar sight. Smartphones were introduced in Indonesia a decade ago, and it is turned out to be extremely prominent among the youthful age.

Product features can be defined as the attributes of a product that can satisfy consumers's preferences through having the product, using and applying the product (Kotler et al., 2007). In smartphone industry, these attributes could be development of bigger screens, faster processor release as well as improved camera to meet the expectations of consumers. The pace of innovation in smartphone have changed the consumer behavior when buying a smartphone because the numerous smartphone series being released in a quarter and the

Jedidi and Zhang, (2002) defined the price, as "the amount of money wanted for some product or service", while price, in the broader sense, is seen as "the sum of all the values that consumers are changing for the benefit of ownership or usage of certain product or service". Due to the high competitiveness among smartphone

industry, mobile phones are becoming affordable in each segment (budget phone, mid-range phone and flagship phone) with difference price in each segmentation the price of smartphones. Lately, Samsung has introduced its M-galaxy series to replace its old J- series aimed to fight against and to keep them in track with the giant Chinese smartphone competitors known for providing cheap and durable phones in the market especially for entry level smartphones.

According to Kotler and Armstrong (2010), Brand is the most valuable asset for a company, where it represents a product or service means to consumers. Brands are more than just names and symbols. It is also the element of relationship between company and customers. Recently, there were a lot of new smartphone brands and sub-brands officially released in Indonesia such as Realme, Redmi and Honor to fulfill the demand of customers. It has been a trend among smartphone companies especially from China like Xiaomi brand known for its value for money with cheaper price and outstanding features that launch a new smartphone in every quarter.

The increasing demand to meet the society's needs for smartphone attracts the interest of companies in Indonesia as well as foreign companies to race to satisfy consumer demand. Therefore, each company will compete competitively in terms of creating and offering various types of new products with different innovations (Kotler & Keller, 2009).

Lately, the Indonesian government has established a new policy to restrict all black market smartphone in Indonesia. Due to the new government policy that

will be established in April 2020, the consumers of smartphone have no other alternative that they must purchase a new smartphone that is officially announced and distributed in an authorized store in Indonesia. In other words, the government will not accept any smartphone brought from abroad and entering easily the Indonesian market without paying a tax or without any spare parts components made from Indonesian manufacturer.

Social influences come from a variety of people, such as neighbors, relatives, family members, and friends, as well as inspirational figures in the media, such as sports celebrities or movie star. Commonly it is noted that friends and family members are the major influencers who affect consumer evaluation while selecting a product (Schiman, Kanuk, and Wisenbut, 2010).

According to Saccani, Gaiardelli and Songini (2007), after-sales service for manufactured goods include a set of activities that happen after the product is purchased, committed to support customers in the usage and disposal of goods. In other words, the term of after-sale service refers to the services that are delivered to the customers after the products/goods have been purchased (Rigopoulou et al.,2008)

Therefore, Smartphones are no longer considered as a fancy gadget but rather becoming a basic need for each individual. Therefore, a large number of mobile phone brands mostly from mainland China and East Asian countries are significantly changing its marketing strategies to better understand the needs and wants of their target marketing and make a clear approach to create products that

fits with the younger generation. Below is a data about the top five smartphone vendors in Q4 of 2018:

Table 1.1 Top five smartphone vendors in Q4 of 2018

RANKING	VENDOR	MARKET SHARE	YEAR-ON-YEAR GROWTH
1	SAMSUNG	25.4%	+21.5%
2	XIAOMI	20.5%	+139.4%
3	OPPO	19.5%	+0.8%
4	VIVO	15.9%	+132.0%
5	ADVAN	4.1%	-25.0%

As shown in Table 1.1 Samsung leads Indonesian smartphone as market surges ahead close to 2018 up 17%. Indonesia was Samsung's strongest market in the end of 2018 in terms of growth but in annual basis, Samsung's growth slowed. Followed by the apple of China, Xiaomi with 20.5% of market share with a huge annual growth. In the third place, there is Oppo with a significant market share of 19.5% with low 0.8% of year-on-year growth because of the tremendous pressure from Xiaomi and registered its slowest quarterly growth in the market since Q3 in 2017.

Many interesting things from this phenomenon are the background of this writing. At the time, when communication technology has become increasingly sophisticated resulting in communication more easily done and able to reach all parts of the world. Based on the problem above, author interested to make a research

with the background of product features, price, brand name, social factors and after-sales service with the perception of smartphone purchase decision in Surakarta.

B. Problem Statement

At the moment, the competition occurring between companies that produced smartphone products are very tight, many new competitors emerging in the market by creating products every quarter, in a year a brand of smartphone can issue four different sort of mobile phone series that are more innovative in terms of product features, price, brand name, social influence and after-sales service

Based on the description, the questions from the researcher are as follows:

1. How does product feature influence customer purchase decision of smartphone?
2. How does brand name influence customer purchase decision of smartphone?
3. How does price influence customer purchase decision of smartphone?
4. How do social factors influence customer purchase decision of smartphone?
5. How does after sales service have an impact on purchase decision of smartphone?

C. Purpose of the Study

The main purpose of this study is:

1. To analyze the effect of product features toward smartphone purchase decision
2. To analyze the effect of brand name toward smartphone purchase decision
3. To analyze the effect of price toward smartphone purchase decision
4. To analyze the effect of social influence toward smartphone purchase decision
5. To analyze the effect of after-sales service toward smartphone purchase decision

D. Research Benefits

This research is expected to provide some benefits and utility including:

1. Theoretical Benefits:

The results of this research are expected to provide information about the relationship between product features, price, brand name, social influence and after-sales service on customer purchase decision of smartphone in Surakarta.

2. Practical Benefits

For the researcher:

This research is expected to increase knowledge and insight of the author about product features, price, brand name, social influence and after-sales service when purchasing a smartphone.

For the companies:

This research is expected to provide benefits, additional information and can be taken into consideration for smartphone producers and distributor in Indonesia to better understand the extent of the role of product features, price, brand name, social influence and after-sales services on purchase decision of smartphone to satisfy the needs of their consumers.

For the academic

The results of this research are proposed to be a study materials reference in fields related to consumer behavior and marketing management, especially regarding the product features, price, brand name, social influence and after-sales service influence on purchase decision of smartphone in Surakarta.

E. Systematic Writing

CHAPTER I Introduction

In this chapter an introduction explains why this research interesting to study, what is researched and for what research done. In this chapter contains background problems, formulations problems, research objectives and uses, and systematics the writing.

CHAPTER II Literature Review

This chapter contains the theoretical basic which is a translation of theories about product feature, price, brand image, social influence, and after-sales service, as well as other theories that support. In addition, this chapter contains a discussion

of research results, a summary of previously research results, review of literature and hypothesis.

CHAPTER III Research Methodology

This chapter comprises research variables and their definitions, determinations population and sample, types and sources of data, and methods data collection analysis used.

CHAPTER IV Results and Discussions

In this chapter will discuss the results of field study research starting with descriptive statistics related to research data (includes general description of respondents, research variables, data quality tests, tests normality, and classic assumptions); Hypothesis testing results and discussion to test hypothesis that are statistically tested using the program SPSS data processing version. 15.0.

CHAPTER V Conclusion

This chapter includes conclusion from the discussion of research results and advice to those who will get benefit from the research.