CHAPTER I

INTRODUCTION

1.1. Study Background

In this era, technology has been growing very rapidly in order to provide convenience for people in performing everyday activities. The most influential technology for humans is cellular phone technology or mobile phones. The use of mobile phones in Indonesia is also growing rapidly. According to Digital marketing research institute Emarketer estimates that by 2018 the number of active Smartphone users in Indonesia is more than 100 million people. With that amount, Indonesia will be the country with the fourth largest Smartphone active users in the world after China, India, and America.

Cellular technology has already been developed by the countries in Europe since the decade of the 70s. In addition, it was introduced in Indonesia in 1984 with technology that was based on Nordic Mobile Telephone (NMT). Nowadays, the mobile phone technology has developed rapidly. The first mobile phone only functioned for communication through audio. However, it now becomes the technology of audio-visual communication. Some features such as short message service (SMS), picture sending (MMS) and the Internet have become mandatory features on the phone.

Along with the times, the needs and desires of consumers are growing. To answer these challenges, then Smartphone appear in this world.

At this era, there are many brands of Smartphone that have grown and have been circulating in the market e.g. Samsung, Apple, Lenovo, Huawei, LG, Sony, ZTE, Nokia, Xiaomi, and others.

From various brands of Smartphone, Samsung Smartphone is one of the brands that have got 27 awards in *good design award* in event of electronic products and gadget votes. Beside Samsung Smartphone awarded the top brand by *SWA.co.id*. Samsung Smartphone also ranked first in brand best voting conducted by *SWA.co.id*. Based on market research institute *IDC*, Samsung Smartphone is still the highest authority in the Indonesian market with a market share of 32.2% for third quarter in 2016, compared to the previous quarter, which has significantly increased from just 26%.

Samsung is currently known as the Android mobile phone manufacturers in the world. Even the popularity of mobile phones Samsung also beat the Apple Iphone. However, the journey of Samsung to become the world's largest Smartphone manufacturer took a long time.

Early success of Samsung in the Smartphone world started in 27 April 2009. At that time, Samsung unveiled its first Android phone, the Samsung i7500. This mobile phone offers AMOLED touch screen measuring 3.2 inches. OS used on this phone is Android OS 1.5 Cupcake. Further, the success of Samsung in the Android platform starting with the launch of Samsung Galaxy S. This phone launched by Samsung in March 2010. And, the level of mobile phone sales is also quite high. In January 2011, Samsung managed to sell as many as 10 million mobile phone units.

According to Silverman, George (2001) in Sutriono (2008), Word of mouth is communication about products and services between people who are considered independent from the companies that provide products or services. This communication may be conversation, or just one direction testimonial. For example speaks directly, through telephone, e-mail, list group, social media, website or other means of communication. Communication via the website, social media, or other communication tools use the Internet in Smartphone as a medium, it was

usual called the electronic word of mouth (e-WOM). Jalivand and Samiei (2012) stated that the electronic word of mouth (e-WOM) is defined as positive or negative statements made by former customers, the actual customer, or potential customers about a product that is made available to many people through the internet. For example its e-WOM is the online reviews that are published on websites (e.g. kaskus.co.id or tabloidpulsa.co.id) or social media (e.g. facebook) about Samsung Smartphone.

At the present time in which the era of competition among developers of Smartphone is getting tight in the promotion, consumers will be much more critical and looking for more information about the advantages and disadvantages of Smartphone before making the decision to purchase. Consumers will do information processing (Consumer Information Processing) by way of sight-seeing review online through websites and social media. Next consumers will evaluate the product or the brand. According to HubSpot (2012) in Priyandana (2015), as many as 70% of consumers a greater probability make purchases based social media references.

Consumers always choose products very attentively for the quality and form (features). However, the development of technology in the production process in every company makes almost all products offered to customers have the same quality and form although barely there are significant differences. Therefore consumers will select and purchase products and services with value added among other products or services. Values can form of a strong association related to the brand. Some of the interrelated brand associations will make a series of so-called brand image. Without a strong and positive image, it is very difficult for companies as market players to influence consumer purchase intention to withdraw the attention of new customers and to retain existing ones.

According to Kotler and Keller (2008), marketers should position brand clearly in mind of customer. Marketers can position the brand in one out of three levels of brand positioning. In the lower level, marketers can position the brand to product attribute focusing on raw material of the product. One the level above, the marketers can position their brand better by prominently showing the benefits of the product. The strongest brand is positioned more than attribute and benefit. A brand has been believed and proved to be very influential to the success of a business. A brand can determine the power value of a product and it can differentiate a particular product from the competitor. A brand is not only important to producers, but also customers. Because of the importance of brand, it is a common thing for companies to spend a lot of money to build a good brand and to determine name, logo, symbol, design, slogan, and package. Thereby, a brand can be always in consumers' mind. During all this time, the brand criteria selection is still on a technical level. Some of these criteria are as follows: (1) easy to remember (memorability), (2) has a joyful meaning, interesting, credible, suggestive, and imaginative, and (3) protected by law (protectability).

The emergence of variant of product in certain category where product quality have already standardized and can easily be copied and owned by anyone, makes a company difficult to maintain its position as a market leader. A company has to maintain the market share, by creating a strong brand image to overcome penetration of competitor. The brand image becomes very important for a company because the good brand image can create an emotional value in consumers' mind, as well as a positive feeling when buying or using the certain brand. On the other hand, when a certain brand has a bad image in the consumer's eyes, there is a little possibility for them to buy the product (Sundjoto and Hadi, 2012). Brand with a bad image will lose trust from its costumer.

Purchase intention is a customer's desire to buy a certain product. Zethaml (1988) suggested that consumer's purchase intention is subject to perceived quality, value, objective price and commodity attribute. Keller (2001) pointed out that purchase intention can be regarded as a key indicator to predict consumption behavior. Blackwell, Miniard and Engel (2004) suggested that purchase intention refers to the product that the consumer wants to buy. Schiffman and Kanuk (2004) indicated that purchase intention is to measure the possibility of buying certain product by the consumer. This study proposes that purchase intention is the possibility of buying a certain product by the consumer.

This study aims at examining the correlation between EWOM, brand Image, and purchase intention. This research is conducted by analyzing Indonesian consumers. The researcher would like to examine the potential influence each of element by having sample from consumers who have experienced using Smartphone especially Samsung. The results of this study will present practical implication in the modern marketing literature.

1.2 Research Question

Based on the description above, this study will focus on examining how electronic word of mouth influencing brand image and consumer's purchase intention. The following are some specific issues that will be investigated in this study:

1. Does e-WOM have significant influence on brand image?
2. Does e-WOM have significant influence on purchase intention?
3. Does the brand image have a significant influence on purchase intention?

1.3 Research Objectives

This study aims to examine that electronic word of mouth have influences affecting brand image and purchase intention. The specific objectives of this research study are:

1. To describe whether e-WOM have a significant influence on brand image
2. To describe whether e-WOM have a significant influence on purchase intention
3. To describe whether brand image has a significant influence on purchase intention

1.4 Research Limitation

Limitations are matters and occurrences that arise in a study which are out of the researcher's control. They limit the extensity to which a study can go, and sometimes affect the end result and conclusions that can be drawn. Every study, no matter how well it is conducted and constructed, has limitations (Simon & Goes, 2013). This research only takes Indonesian who has experience in using Smartphone in Indonesian as the respondents. This research focuses on independent variables that e-WOM have affect on brand image and purchase intention.

1.5 Research Benefits

1.5.1 Theoretical Benefits

This research helps to explain an overview of the theoretical framework of the effect of electronic word of mouth on brand image and purchase intention as well as providing a contribution to further research in the field of marketing and also provide additional literature in the study of marketing strategy.

1.5.2 Practical Benefits

This research will help a company and / or organization, especially the senior in a company and / or organization to consider about the important of e-WOM to build a positive brand image and also to determine purchase intention in customer. So that it can increase consumer's purchase intention.

1.6 Systematical Writing

Systematic thesis consists of five chapters, in which each chapter consists of several sections. The systematical formulations of this thesis are as follows:

Chapter I: INTRODUCTION

This chapter discusses about the background of the research, the formulation of the problems, the limitation of the study, the purpose of the study, the contribution of research, and systematic research.

Chapter II: LITERATURE REVIEW

This chapter exhibits the theoretical foundation of the Electronic Word of Mouth, Brand Image and Purchase Intention. In addition, there are researches hypotheses and the framework of the study provided.

Chapter III: RESEARCH METHOD

This chapter explains the models and methods used in this research, population and sample, sampling technique, the variables of the study and the testing methods used.

Chapter IV: DATA ANALYSIS AND DISCUSSION

This chapter shows data analysis and discussion of the results obtained from statistical calculations using theoretical concepts and interpretation of research on theories that already exist.

Chapter V: CONSLUSIONS AND RECOMMENDATIONS

This chapter contains the conclusions on the results of the analysis and calculation of data obtained from the research. In addition, this chapter will also describe the weaknesses of the studies conducted and for future research.