

CHAPTER 1

INTRODUCTION

1.1. Background

Nowadays, people have made smartphone as their basic need. Smartphone often used to communicate, playing games or taking a picture. Based on research published by Emarketer's digital marketing institute in year of 2018 approximately more than 100 million people use active smartphone in Indonesia. The telecommunication technology development is growing really fast. Back in the day communication technology only allows us to communicate in one direction, it is very difficult to get feedback directly from someone that we're talking to. Now in this modern era, we can even look at the person that we are talking without needing to face them directly to and get feedback as quickly as possible.

Indonesia has becoming one of the most mobile phone users in the world. According to the survey, it was found out that the number of cell phone users was more than the number of people in Indonesia because most of them had more than one cellular phone. This makes Indonesia became a fertile field for telecommunication business providers in Indonesia. Up to date there are five telecommunication providers established in Indonesia. Those consist of Telkomsel (Simpati and AS), Indosat (IM3 and Mentari), 3, XL Axiata (XL and Axis) and Smartfren.

Every smartphone needs supporting equipment as SIM card to recognize the owner and to deal with the mobile network. SIM defined as subscriber identity. Smartphone without a SIM card is just like human body without the brain. We can't communicate or use internet. All it can do is just for taking pictures or playing games. It still can use Wi-Fi to connect to internet but what's the meaning of a smartphone if it can't be used to make a phone call or send text messages. We all know that Wi-Fi can only be connected in one place. Smartphone users can't depend on Wi-Fi for too

much. Because we need our smartphone everywhere. That's where SIM card comes in handy.

GSM services of AXIS from financial perspective are the most affordable among other providers for both its pre-paid and postpaid. Because of their dependable and distinct in the market. Axis provides many telecommunication services such as: GSM Voice, SMS, MMS, and internet service. As inexpensive provider, AXIS currently has a coverage for almost 85% of Indonesia population. Its scope overspreads from Sumatra until part of East Indonesian such as: Bali, Lombok, and Sulawesi. Nowadays, AXIS is available in more than 200 across major cities in Indonesia. Its 4G Service is presently available too in 87 many major cities across Java and it will persist in many other large cities in Indonesia.

Even though AXIS is the most affordable provider, XL Axiata (XL, AXIS) services still hold the lowest users among their competitors. Figure 1.1. below presents that XL Axiata exhibited the lowest users among others.

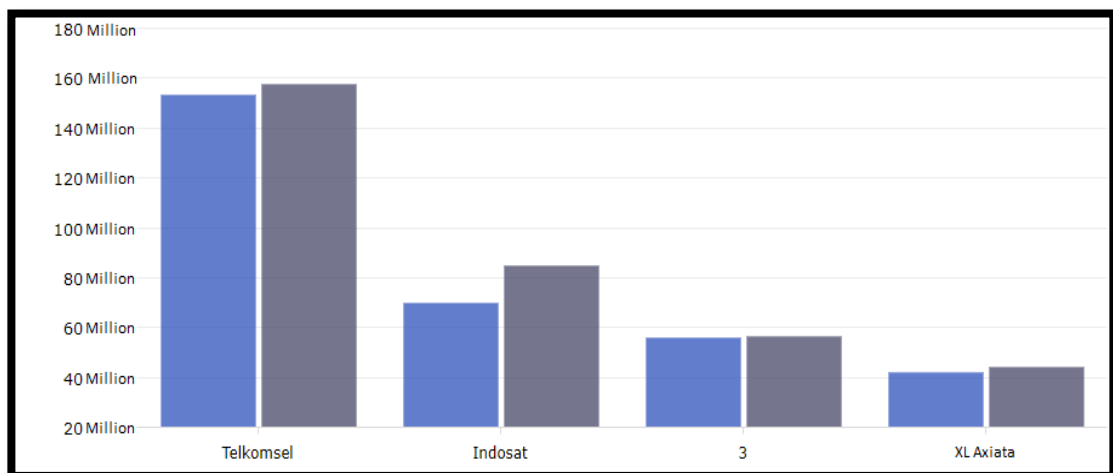


Figure 1.1. Cellular Operators that Have the Most Customers in Indonesia

Source: databoks.katadata.co.id

In 2016, PT Telkomsel has led the market share for domestic cellular industry with a total of 157.4 million users. The second place is occupied by Indosat provider reaching of 85 million users. While 3 is in third place with 56.5 million users. Leaving

XL Axiata in the fourth place with 44 million users (Katadata, 2016). As it can be observed on the above figure, this market share indicates that XL Axiata needs to improve both its quality of the brand, and a better way of promotion. Otherwise they will be left behind by their competitors.

When AXIS was established, technological developments have begun to increase rapidly. On 2007, television has becoming the most effective media in Indonesia. AXIS saw this opportunity and starting to create advertisements that can attract consumers attention. AXIS knew that humor can give strong impact to consumers mind. They have been using humor since their first advertisement. AXIS ads can be said to be successful in attracting consumers because compared to other provider, their ads are unique, easy to remember, funny and fresh. This has become its own characteristic for the AXIS.

Although AXIS has succeeded in attracting the attention of customers with humor advertisements supported by sales promotion, and the value provided, AXIS still cannot increase the sales of its products compared to other providers. The method that AXIS uses is very different compared to other providers. AXIS have unique and original style in delivering their ads. Yet they still cannot increase their sale as high as other competitors. After AXIS has been bought by XL, they started to grow a little bit yet it's still can't increase as high as expected.

Every company wants to succeed in operating its business. They are required to have a uniqueness that are able to create consumers intention to maintain their market share. A primary input is used by marketing managers as marketing tool and equipment to forecast future sale and to determine appropriate actions that they have to take in order to influence consumers' purchasing behavior is consumers' purchase intention. Meanwhile, social factor is also a key factor in the decision-making process that could work on for the consumers' purchase intention in a positive or negative way (Familmaleki et al., 2015). Marketers spend so much time trying to understand why people buy products and services. Consumer purchase decision can change at any time.

It sometime seems that there is no reason for a purchase, but in reality, there is always a reason.

Consumer behavior is a process and activity that related to searching, selecting, purchasing, using, and evaluating products and services to satisfy customer needs and desires. According to Solomon et al. (2006:6) consumer behavior is the study that involved the way individuals or groups to satisfy their needs and desires by means of selecting, purchase, and use of product. Consumer behavior can also be defined as a study of how individuals make decisions to spend their available resources for example time, money and effort on consumption-related items (Schiffman and Kanuk, 2007 in Ladipo et al., 2014).

AXIS must have uniqueness in order to increase consumer purchase intention. An important uniqueness that telecommunications services must have is humor advertisement, sales promotion, perceived value and brand awareness. Humor advertisement can attract people attention better than normal advertisement, because humor can amuse people dan they love something that can entertain them (Mehmood and Masood, 2016). Humor can increase consumers brand awareness that can help consumers to remember and create consumer familiarity with the brand (Chang and Chang, 2014). If the consumer aware of company brand, then it will increase consumers purchase intention because consumer would rather purchase a product that they know (Chang and Chang, 2014). Sales promotion also important, because the objective of sales promotion is to capture the market and increase the sales volume (Ye and Zhang, 2014). Perceived value is also a factor that can increase consumer purchase intention, because customer perceived value determines the price that can be accepted by someone to buy an item or service (Naami et al., 2017).

According to Naami et al. (2017) perceived value does have positive significant impact towards purchase intention. In purchase decision making process, consumers will consider the contributed value from valuable buying of the product compared to the benefit that will be obtained and the cost to be incurred. Customer will permanently buy a product or service as he/she believes it has the maximum value for them. In fierce

market competition customer expects a company to create the highest values with the most affordable price in extreme competitive market. A modern organization has to be more innovative and creative to capture a mind and heart of customer through different strategy with delivering better customer value than competitors as future resource of competitive advantage. Perceived value must be in the focus of marketers' attempts gravity in consumer behavior perception.

If the cost incurred is too high compared to the value obtained, then consumers will automatically not be willing to buy the product. Customer consider their perceive value through product experience. It is usually measured by difference between actual costs and the benefits that customer gets. This become the best modifier in the overall individual consumption process to deliver customer satisfaction, and influencing consumer behavioral intentions (Yu et al, 2014). In general, customers do not know the actual production costs of the goods or services that they buy. They only have an internal feeling about how much value of an item or service is for them. Therefore, to make the company able to sell at a higher price for the goods or services that they offered, producers have to carry out marketing strategies to create a higher perceived customer value to increase their customer purchase intention. Customers purchase intention will increase if they consider the value that delivered is more than perceived value in their minds. Delivering this value is the motto of most marketers.

Ye and Zhang (2014) stated that sales promotion has positive impact toward purchase intention. They also said that sales promotion has become critical elements in marketing mix for the marketers. Promotion holds key role in marketing success. Promotion usually purposed to be assisting element in a marketing decision. Sales promotion is one of the most commonly used terms in marketing. This method are highly effective in exposing consumers to products. Because of sales promotion, the company can give a direct influence on consumer purchase intention. An examples of sales promotion are samples, coupons, prizes, cash refund, warranties, etc. Additional purpose of sales promotion is persuasion. The company hopes that the customer will try the product because of the sales promotion.

A primary objective of a sales promotion is to influence the consumer purchase intention. Promotions and discounts are attractive to everybody because people love good deal. Good deal means more customers will come to buy the product. The best time to use this method are during economic declines. It would take good advantages because of more consumers are apt to use them. Coupons are one of the best types of sales promotion. Coupon usually contain ads. The objective of coupon is not directly to contribute more profit. Instead it boost the brand awareness of the brand image. Company have to set the expiration date for the coupon itself. The expiration date shouldn't be too short or too long. The company must consider about the right time period. Because, if it's too long it will losing the purpose of attracting the customer with limited time offer. Also, it can't be too short. The customer will have no time to use the coupon and the coupon will become a waste for them.

According to Aberdeen et al. (2016) brand awareness does have positive significant impact toward purchase intention. Brand awareness is the company tool to communicate with their customers. It helps to distinguish or remember that a brand belongs to a particular product category. If consumers want to buy products, the first thing in their minds is a brand. As soon as someone mentions a brand, the first thing they remember are the logo of the brand. The choice of shapes, colors, and fonts is all integrated to create images that not only affect people's memories but also produce positive relationships. Often, psychologists are involved when marketers want to create truly strong logos, because psychologists can advise on which forms and colors have a positive relationship with the product or company marketing angle. A successful logo will convey what potential consumers can get from the brand.

Based on Chang (2014), humor advertisement has positive significant impact toward brand awareness, where the brand recognition of humorous advertisement from recognition perspectives and social perspectives and the brand recall are higher than from emotional perspectives. Research was conducted by Mehmood and Masood (2016) found out that humor in advertisement does have a significant impact toward consumer purchase intention. They stated that humor can amuse people and attract

people attention toward the product. Also, it can change the mind of consumer for a specific product. People love humor. But not all people love humor. The purpose of humor is to amuse people. Some people may think that humor is not ethical and sometimes can offend somebody. There are many kinds of offensive humor in our daily life. For example, fat jokes, or racist jokes. People may find this kind of humor are offensive. Some people may laugh out loud because they find the joke is funny.

Combining humor with advertising is a brilliant idea. As we know purpose of humor is to amuse people. If humor can make people laugh or entertained, people will pay more intention to the advertisement itself. The purpose of humor advertisement is to draw people's attention. By providing funny advertisement will capture people's imagination. The reason for many advertising and marketing experts suggest us to use humor as part of advertising, is because it's easier to approach and to build a better customer relationship. Customers are more interested to buy from people they like, and humor is one instrument to get close to customer. Beside of making people smile, humor also has many points of view. The conclusion of humor usually hard to predict. When people understand the meaning of those humor, they will automatically laugh because they get something funny and it unexpected.

Each of the variables have its own advantage in order to attract consumers purchase intention. Based on the things mentioned above, researchers are interested in examining the impact of humor advertisement, brand awareness, sales promotion, and perceived value on purchase intention.

1.2. Research Matters

Based on the background and empirical studies described above so the research problem can be formulated as follows:

1. Does humor advertisement have significant impact on brand awareness of AXIS provider in Surabaya?
2. Does humor advertisement have significant impact on purchase intention of AXIS provider in Surabaya?

3. Does brand awareness have significant impact on purchase intention of AXIS provider in Surabaya?
4. Does sales promotion have significant impact on purchase intention of AXIS provider in Surabaya?
5. Does perceived value have significant impact on purchase intention of AXIS provider in Surabaya?

1.3. Research Objective

The objective of the study is explained as follows:

1. To analyze and evaluate the importance of humor advertisement as one of key promotional factors and its significant impact on brand awareness of AXIS provider in Surabaya.
2. To analyze and evaluate the importance of humor advertisement as promotional variables and its significant impact on purchase intention of AXIS provider in Surabaya.
3. To analyze and evaluate the importance of brand awareness as one of most important marketing variables to arouse consumer consciousness toward product and services and its significant impact on purchase intention of AXIS provider in Surabaya.
4. To analyze and evaluate the importance of sales promotion as key factor in marketing and its significant impact on purchase intention of AXIS provider in Surabaya.
5. To analyze and evaluate the importance of perceived value and its significant impact on purchase intention of AXIS provider in Surabaya.

1.4. Significance of The Study

This study is conducted for the purpose of academic necessity to have a deep and better understanding against the impact of humor advertisement, sales promotion, brand awareness and perceived value on purchase decision at social media. Therefore,

the study will be expected to provide a contribution for the benefit of academic and practical realm.

1.4.1. Academic Purpose

- a. As reference and study for the other researchers who want to conduct further research about impact of humor advertisement, sales promotion, brand awareness and perceived value toward purchase intention.
- b. It is expected to strengthen the theory about impact of humor advertisement, sales promotion, brand awareness and perceived value toward purchase intention.
- c. It is expected that readers of this research can better understand the problems about impact of humor advertisement, sales promotion, brand awareness and perceived value toward purchase intention.
- d. To explore strategic marketing in relation to impact of humor advertisement, sales promotion, brand awareness and perceived value toward purchase intention.

1.4.2. Practical Purpose

- a. The result of the study is expected to provide a useful information for business people in regards to the effectiveness of purchase intention. So that the marketers have better understanding about how to manage a better consumer purchase intention in order to survive in the age of competitive advantage.
- b. The result of the study is expected that this research can be input to XL Axiata company in preparing its strategy and future plan regarding humor advertisement, sales promotion, brand awareness and perceived value toward purchase intention.

1.5. Writing Systematization

The writing systematization of this study is divided into five chapters and arranged as follows:

Chapter 1: Introduction

This chapter consists of background of the study, research problems, research objectives, significance of the study, and writing systematization of this study.

Chapter 2: Literature Review

In this chapter, the researcher presents the theoretical basis, previous study, hypothesis development, and research framework. The theoretical basis explains about humor advertisement, brand awareness, sales promotion, perceived value, and purchase intention.

Chapter 3: Research Methodology

In this chapter, the researcher will describe the process of analyzing data including research design, identification of variable, operational definition, variable measurement, data and data sources, data collection tools and method, population, sample and sampling technique, and data analysis technique.

Chapter 4: Analysis and Discussion

This chapter consists of general description of the object of the study, data description, data analysis result, and discussion.

Chapter 5: Conclusion and Suggestion

This chapter is the closing of this study that consists of conclusion and suggestion for the research, limitation and suggestion for the consumer or researcher to do a further research.