

## **Chapter 1**

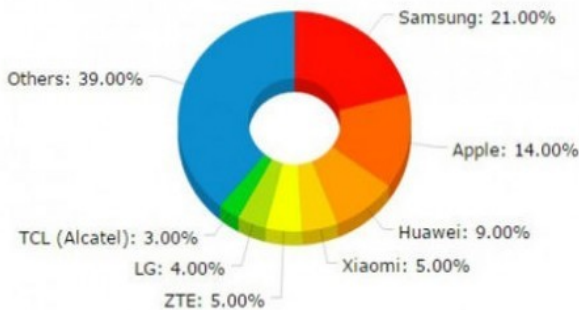
### **INTRODUCTION**

#### **1.1 Background**

Nowadays, technology is becoming an important component in human daily life. The development of technology is increasingly fast followed by many inventions in technology and information sector. One of the prove from that invention is the establishment of hand phone. Mobile phone first establishment in 1940's after the world war two. Phenomenon that now happen is the existence of smartphones as one of the development of mobile phone, becoming one of the most favorite communication devices.

In many parts of the world, the majority of people already have their own smartphone, even some of them have two or more. So here can be concluded that the need of smartphones is very high. There are a lot of smartphones brands that sold in the market. With the increasing development in technology and telecommunication sector, numbers of Smartphone users around the world is increasing. In Indonesia, some of the popular Smartphone brands are such as Apple, Samsung, HTC, Sony, Smartfren, Microsoft, and LG. These companies are playing a big role in technology development in the world. Especially in the recent years, Samsung has become the big trend in gadget industry. The latest report from Counterpoint, a market research firm, said that Samsung still has the largest market share in the mobile phone industry consisting of smartphone and feature phone market. Samsung is one of the biggest smartphone brand which are very popular among all ages. Based on data from Counterpoint,

Samsung has ranked number one with a market share of 21 percent worldwide. It can be proved by the chart below:



**Figure 1.1**

**Indonesia's phone market share graph in the second quarter 2015**

Source :<http://teknologi.metrotvnews.com>

Even though there are many rivals in this industry, Samsung keep developing their new innovation to keep compete in this globalization market. While generating new innovation and technologies, Samsung also consider about its three other aspects. Variables such as product diversity, quality, design, brand name, packaging, size, references, warranty, service, and value are the variables that are considered by consumers in purchasing decision making toward a product. In this research, several aspects such as price, quality, and brand image will be choosen as the variables to review the consumer's purchasing decision on Samsung Smartphone.

Price and quality are in one group which what we called marketing mix. And brand image is one of the variable that is also important in marketing. Marketing mix is the term given to a set of variables that a marketer can exercise control over in creating an offering for exchange. One of those variables is price. Price is the amount of money a business demands in exchange for its offerings (Elliott et al, 2012:23). Pricing is a complex

marketing decision that must take account of many factors such as production, communication, and distribution cost, required profitability, competitor's prices, and many more. Price is the defining factor that influence the consumer purchasing decisions. Perception about price which is often comes to consumer's mind is a high price reflects a high quality, and so the vice versa. Also, consumers often assume that there is a positive relationship between price and the quality of a product, so consumers will compare one product with another product with that comparison. In order to keep exist in the global market, Samsung produce many smartphones with an affordable price, not like the price of apple Iphone or the other smartphones brands. For example, the existence of Samsung J series and A series offers the consumers a premium smartphones with a middle class price. With this kind of pricing strategy, Samsung can penetrate into the medium consumer segmentation.

The second is quality. In general, quality can be defined as a measurement of goods or services offered by buyers or companies. According to Kotler and Amstrong (2008:283), product quality is the ability of a product in performing its function such as durability, reliability, accuracy, easiness, and the other attributes. If a product can perform its function well, then it can be said that product has a good quality. A good quality product will make consumers tend to do re-purchasing. But if the quality of a product does not suitable with the expectations, then the consumer will move their purchase intention to other products. Quality of a product or service can be valued differently depends on each consumer's perceptions. Therefore, companies are trying to focus on quality products and compare them with the products offered by competitors. However, a product with the best view is not the highest quality products if it is not needed and desired by the market. Samsung keep improve their product

quality not only from the feature side, they also keep innovate new design of smartphones which have a very good durability and endurance. For example in the start of 2016, Samsung launched their new smartphones, the continuation of Samsung Galaxy S6, the new Samsung Galaxy S7. This new series offers the consumers with new feature, water resistance. This smartphone can resist water and can be used under water up to 30 minutes. Not only that, Samsung also launches the other new products which has various features.

The third aspect is brand image. Brand image is a set of brand association (Keller, 1993:183). Brand association is the image of the brand come from the perception of consumers about the brand that links in the memory of consumers. The association has come from all forms and it affects the features of the product. Positive brand image is created by marketing programs that are associated with strength of brand association, favorability of brand association and uniqueness of brand association. According to Chen (2001:183) association with the brand can be divided into three aspects. First, attributes association described the characteristics of the goods or services and these attributes can be divided into the product related and the non-product related. The product related represents the physical features and functions and features. The non-product related represents the price, packaging, user imagery and usage imagery. Second, benefits association described the consumer can get benefits from the using of goods. It can be divided to the functional benefits, experiential benefits and symbolic benefits. Third, attitudes association described the overall assessment of the consumers towards the brand as a result of a link on the attributes and benefits that would expect from the brand. Thus, brand association means the many things that are associated with the memory of the brand which would have increased from frequency of brand awareness

(Yoo and Donthu, 2001:195). So, linking the image of the brand is clearly reflected in the increased value priced over competitors (Grace and O'Cass, 2002:96). Here, Samsung already has a very good brand image especially in Indonesia. While in Indonesia the trend of smartphones are booming, Samsung keep penetrating the market of smartphones by keep innovating new products.

All of those three aspect above are the main factors that affects consumer's purchasing decision. Before purchasing, each individual consumer must has a set of preferences about the type of smartphones which he or she ranks in order of desirability. In purchasing process, those three aspects as stated before are the main factors affecting the consumer purchasing decision. A product with a high price will signal the consumers that supply is short, some potential consumers may will postpone buying that product or rather buy another substitute product. A product with high quality will increase the demand. When the product have a high quality, consumers will have a high expectations of that product.

Consumer purchase decision specifically refers to the activities consumer take when deciding what to buy and when making the actual purchase. Research indicates that, the price affect how consumer perceives quality of the product. It is not an exaggeration that every consumer want to use a product that is of high quality and at the same time at high price. This has lead to uncertainty that, it is price that influences consumer to purchase smartphone and others are saying that it is quality that influences consumer to purchase smartphone but not price, that is why there is the need to investigate whether consumer select a product by using price as indicator or quality or may be using brand image.

Samsung Smartphone, as one of the largest smartphones manufacturer in Indonesia always giving satisfaction to their loyal customers. Many improvement and development already given even at the start of 2016. On 28th of January 2015 in Jakarta, Samsung Electronic Indonesia launch a new generation of their smartphones which named Samsung Galaxy A series. This series comes with many premium features from the other latest galaxy series.

There are still a lot of offers from Samsung such as new products and new features. By keep innovating and producing various products, Samsung keep dominating not only in Indonesian market, but also in almost Asian markets. This situation followed by the technology advances that has a rapid onward in the world. By now, Samsung almost have their own branches and distribution centers all around the world.

## **1.2 Problem Statement**

According to the background, the problems can be formulated as follows :

- a) Does price have positive effects towards the consumer purchasing decision of Samsung Smartphone in Surabaya?
- b) Does quality have positive effects towards the consumer purchasing decision of Samsung Smartphone in Surabaya?
- c) Does brand image have positive effects towards the consumer purchasing decision of Samsung Smartphone in Surabaya?

## **1.3 Objectives of The Research**

The research aims to :

- a) Identify and analyze the positive effects of price towards the consumer purchasing decision of Samsung Smartphones in Surabaya.
- b) Identify and analyze the positive effects of quality towards the consumer purchasing decision of Samsung Smartphones in Surabaya.
- c) Identify and analyze the positive effects of brand image towards the consumer purchasing decision of Samsung Smartphones in Surabaya.

#### **1.4 Scope of The Research**

This research will explain to the readers what are the effects of price, quality, and brand image towards consumer purchasing decision of Samsung Smartphone. It will involve Samsung and the other variables such as price, quality, and brand image and shows that they are correlated to each other.

In this case, the effects of price, quality, and brand image towards consumer's purchasing decision will be discussed in detail. Those variables here are the components which will affect the purchasing decision of consumers. This study also will involve the people who use Samsung products as they smartphone.

#### **1.5 Advantage of The Research**

The result of this research will be generate some advantages such as :

### **1.5.1 Academic Advantage**

The result of this research can be used as the reference to the one who do the similar study research or continual study especially about the effects of price, quality, and brand image towards consumer purchasing decision of Samsung smartphones.

### **1.5.2 Practical Advantage**

This result of this research can give information for the company or institution who want to identify about the consumer purchasing decision of Samsung smartphones by understanding the effects of price, quality, and brand image towards consumer's purchasing decision of Samsung smartphones.