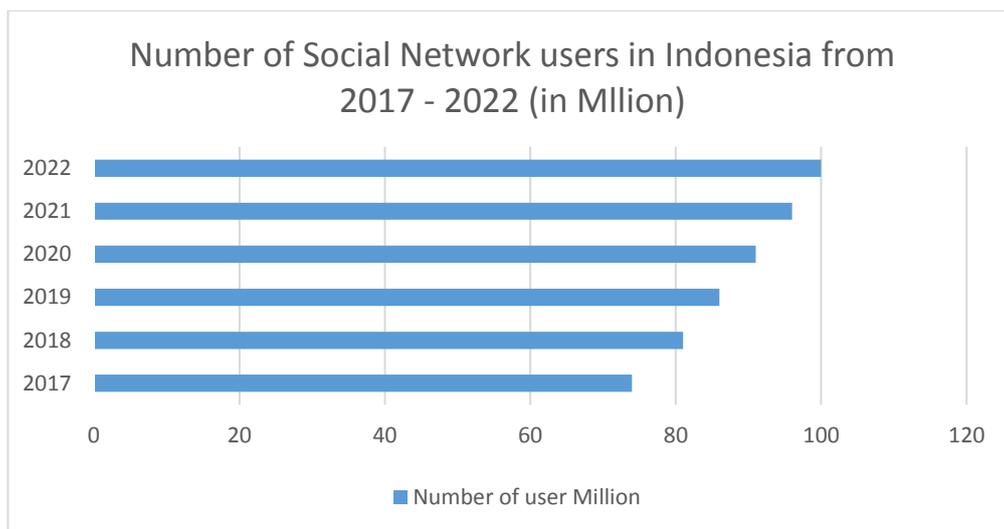


# CHAPTER 1

## INTRODUCTION

### 1.1. Background

Nowadays, the rapid development of communication technology make information and communication become more transparent and easily accessible. With this technology people can communicate in the electronic platforms and communicate online. This provides a social change in society.



**Figure 1.1 Number of Social Network users in Indonesia from 2017-2022**

Source: Statistika (2019)

. Social change is a change in the way people do communication. The example of social change in society is in Table 1.1, where we can see that most of Indonesian people have a social media account. According to Statistika.com number of social network in Indonesia is starting increase from 2017 and it will reach 100 million user in 2022. They use social media to send a message to their friends, families, or even seeking for information through social media.

Social media like Facebook, Twitter, and Instagram is an example of online communication. You start off by posting an interesting post on social media, then your posting impressed several people, then those people spread the word and chained to other people again like snowball effect. In this phenomenon

word of mouth (WOM) is evolved to electronic word of mouth (eWOM). This includes the use of eWOM in businesses.

The main disadvantage of WOM for businesses is that as a business people you cannot control it. If there is a customers who are not satisfied with a product or brand and they determined to share their experiences with everyone they face, there is nothing you can do about it. But eWOM is a different story. According to Liu (2006) both negative and positive WOM increase performance. For example a customer who is not satisfied with a product or brand then they share their experience on social media so everyone can see it, we can use this as an opportunity to show our excellent customer service skills that can changes negative into a positive. This makes eWOM safer and beneficial than WOM.

Brand Attitude defined as “consumer’s overall evaluation of a brand (Olson and Mitchell, 2000). Marketers argued that brand attitude is the most important predictor of consumer behavior towards a product or service (Olson and Mitchell, 2000). A positive attitude towards a brand resulting from its evaluation not only results in continuous preference of the consumer towards those brands (Wu and Wang, 2011) but it also has a positive effect on the purchase intention.

Positive attitude towards a brand can be obtain from online reviews. Online Reviews can be very convincing in influence product evaluation (Hong and Park, 2012). eWOM, which is the most popular way to find out more about brands, is definitely useful in influencing consumer evaluations of products (Chevalier and Mayzlin, 2006).

Purchase Intention is an implied promise to buy when the person makes the next trip to the market (Tariq et al., 2013). Online reviews act as strong informants and recommendation and significantly affect actual purchase intentions (Parkt et al., 2007). Jalilvand et al. (2012) found that online reviews significantly impact travelers destination choice. In addition Yayh and Bayram (2012) found that reading online reviews not only positively affected the buyer’s online purchasing decisions but also the frequency of their purchases.

According to Miniard et al. (1983) “purchase intention is a psychological variable between actual attitude and behavior”. Studies have emphasized that if

consumers have a positive attitude towards a brand, it significantly influences the purchase goals and their readiness to pay premium value (Keller and Lehmann, 2006). The attitude of customer towards a brand has a significant influence on the purchase intention because brand attitude is the most important determinant of purchase intention. (Abzari and Vosta, 2014). Study found that purchased intention is high if a customer's attitude toward behavior is favorable (Summers et al., 2006).

Apple an American multinational technology company is one of a brand that actively use social media to promote their new Apple Smartwatch. Apple Smartwatch can have many features like paying digital, health tracking and Siri. Apple write Apple smartwatch function on social media so people can understand it. By promote it on social media customers can share their opinion directly about their product and Apple can see how's people reaction about Apple Smartwatch.

**Table 1.1**  
**Top Popular Brands on Social Media in 2018**

	<b>Brands</b>	<b>Follower on Twitter (000)</b>	<b>Follower on Instagram (000)</b>	<b>Follower on Facebook (000)</b>
1	Apple	2.000	13.000	11.000
2	Xiaomi	1.200	1200	5.000
3	Firtbit	367	629	2.500
4	Huawei	520	1.100	55.000
5	Garmin	158	519	1.900

Source: Cheshnotes.com (2018)

Nowadays people use social media such as Facebook, Twitter, and Instagram to know any information of product. People use social media to find an information of product or reviews of product. Brakus et al, (2009); Chen, (2010). As we can see in (table.1.1) Apple almost have the most follower in the social media. With this Apple use their social media to share news about their product. With so many follower, Apple can generate more buzz on its product compared to other brands.

**Table 1.2**  
**Apple ships record number of Smartwatches in 2015 to 2017**

<b>Year</b>	<b>Sales (Unit)</b>	<b>Growth</b>
2015	14.000	-
2016	12.000	-14%
2017	18.000	50%

Source: Canalys (2017)

As we can see from table 1.2 in 2017 Apple's smartwatch sales increased 50% from 2016. It's because Apple launch a new product that this product answer people feedback from social media or in discussion forum from their previous product. With social media it helps Apple to advertise their new product easily to their customers so they know about the product.

By the advancement of technology, customer learn about the product that they want to purchase before they pay. They will search any information that they need it like description of the product and read reviews from other customers to make a decision. eWOM can gain brand attitude, according to (Katz & Lazarsfield, 1955) said that world-of-mouth was seven times more effective than any magazine or news ads, four times more effective than direct sales, and twice as effective as radio ads.

Apple know how important eWOM effects in society, so they try to keep their service quality to make customers satisfy and they try to respond customers review on the social media, for example Apple Developers Forums Homepage. There, customer can join conversation to share any information about apple product. They can give review or even feedback for the future. In Facebook we can find so many customers reviews about Apple. They are people who already used Apple's smartwatch with a positive review and there are some people who give negative review on their experienced using Apple's smartwatch.

From the background and data above, this research aims to understand the impact of eWOM on Brand Attitudes, impact of eWOM on Purchase Intention and Impact of Brand Attitudes on Purchase Intention on Apple Smartwath sales. .

## **1.2. Research Questions**

Based on that background above, here are the research questions

1. Does eWOM have an influence on purchase intention?
2. Does Brand Attitude have an influence on purchase intention?
3. Does eWOM have an influence on brand Attitude?

## **1.3. Objective Study**

The Objective of this study are as follows:

1. To study the influence of eWOM on Brand Attitudes
2. To study the influence of eWOM on Purchase Intention
3. To study the influence of Brand Attitudes on Purchase Intention

## **1.4. Significance of the Study**

Based on the Objective of the study above, then the contribution of this study are as follows:

1. Practical Significance

The Practical benefits of this study, is to make it as a reference material for Apple Smartwatch to know what variable they need to improve so their sales can increase.

2. Academic Significance

It is expected that the results of this study can be a reference for other researchers who want to understand the Effect of eWOM and Brand Attitude Towards Customer Purchase Intension.