CHAPTER 1

INTRODUCTION

1.1 Background

In real sense smartphone is a mobile phone with some functionalities and advanced features. These smart phones today can do almost everything. Faster networking systems, attractive and powerful applications and the technology literate users are making smartphones very powerful these days. Besides making phone calls or texting, nearly all smartphones today can natively provide directions through GPS which helps to navigate, take pictures, play music and keep track of appointments or contact and video conferencing. Smartphones are special and popular for the applications they support. People get better experience in interacting and communicating with others, since they are linked through social media, and remain connected as long as you want.

Smartphones also give the opportunity to learn new things on a global scale through the search engines in the internet. Due to the same reasons the smartphones have become common choice for business activities. In business, smartphone is important to boost productivity, mobility, and safety of workforce and easily to keep contact with the office, customers and suppliers.

Table 1.1
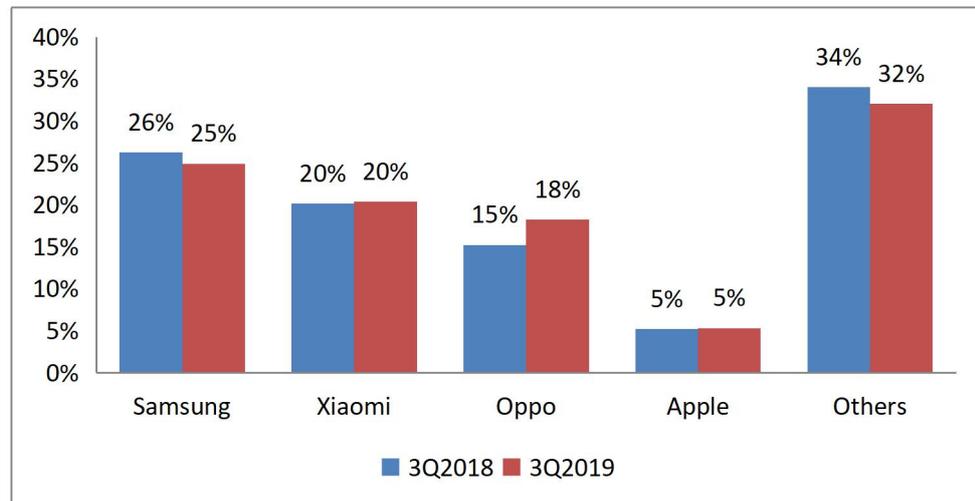**Worldwide Smart Phone Sales to End Users by Vendor in First Quarter of 2019 (Thousands of Units)**

Vendor	First Quarter of 2019 Units	First Quarter of 2019 Market Share (%)	First Quarter of 2018 Units	First Quarter of 2018 Market Share (%)
Samsung	71,621.1	19.2	78,564.8	20.5
Huawei	58,436.2	15.7	40,426.7	10.5
Apple	44,568.6	11.9	54,058.9	14.1
OPPO	29,602.1	7.9	28,173.1	7.3
Vivo	27,368.2	7.3	23,243.2	6.1
Others	141,405.2	37.9	159,037.1	41.5
Total	**373,001.4**	**100.0**	**383,503.9**	**100.0**

Source: Gartner (2019)

The development of the smartphone industry is currently experiencing a large increase. All groups of people from the bottom to up segments can use smartphones for various purposes, whether for business, family, or other purposes. There are several competing smartphone brands in the world, including Samsung, Huawei, Apple, Oppo, Vivo and others. This has caused intense competition among brands in the telecommunications sector.

Based on the Table 1.1, Android (Samsung, Huawei) smartphones has a larger market share followed by the third IOS (Apple). Despite a 1,3% decline of Samsung market sales in the first quarter of 2019, Samsung remained the No. 1 smartphone vendor worldwide and still the king of smartphone manufacturers in 2019. Samsung Company is a South Korea-based. Samsung is one of the largest businesses in Korea, that's produce nearly one-fifth of the country's total exports with main focus in electronics, heavy industry, construction, and defense.

Table 1.2
Indonesia Smartphone Sales Market Share – 3Q 2019

Source: Statcounter (2019)

Now 25% of the society of Indonesia use Samsung smartphones. This is shown by the data of Statcounter for the third quarter of 2019 (Table 1.2). Several smartphones that consist of table Others are Asus, Lenovo, Nokia and Huawei. The following is the data market share of smartphone companies in Indonesia in year 2018-2019. Samsung become the leader of smartphone market of Indonesia but they also decreased one percent in one year and others competitors has

increase the market share and try to pursue Samsung. It can be threatening for Samsung because people who usually purchase Samsung as their smartphone can switch brand to another.

In Indonesia, Samsung is one of the smartphone brands that have recently become the people's choice with its advantages. Because Samsung made many innovations carried out in the smartphone market, even some of the innovations it made have become a trend and followed by other brands. There are some technologies and features innovation of Samsung smartphone, which are iris scanner or face recognition for the security sector, curved screen developing Super AMOLED panel types, Heart Rate Sensor for monitor your heart rate and you can analyze it about the health of the heart.

Brands are able to give an impression that means for consumers will be easier to get special attention from consumers. This condition shows that the needs and sensitivity of people towards this sophisticated smartphone is very high. Samsung managed to dominate the Indonesian market because Samsung moved quickly in exploring opportunities to enter into market which ranging from segmentation of lower class to upper class with budget category to some serious high-end products. So this is the main win point of Samsung, because customers have choices to choose their smartphone that suits their wants and needs (Ojha, 2017).

The rapidly market share of information and communication technology now makes brands an important component and invaluable asset in the business industry because the presence of a brand can attract the attention of consumers, especially as the brand provides a good brand image and brand trust in consumers (Daud, 2014). Brand that has good value is easier to be communicated and accepted by the consumers. So brand is one of the most important part to differentiate the competitors. As brand equity creates added value for the company, it also fostering long-term strengths as well as competencies (Hanaysha, 2016)

There are four dimensions to measure brand equity, which are, brand awareness, brand association, perceived quality and brand loyalty. But Aaker

(1991) explained that brand loyalty dimension is different from the other dimensions of brand equity because of brand loyalty is linked to the usage experience.

Aaker (2014) states that brand loyalty is a measure of the consumer's relationship to a brand. While Farrel (2014) explains that understanding brand loyalty as a positive behavior towards a brand that encourages consumers to consistently buy the brand when they need that category. According to (Maewan. Fathi. Bilal.Abdelbaset &, 2017) stated brand loyalty is very dependent on customer satisfaction. The more satisfied a consumer of brand, will make the more loyal consumers of a brand. Factors influencing brand loyalty are purchase repetition for the brand, purchasing the available brand between others and motivating others to acquire the brand and use it.
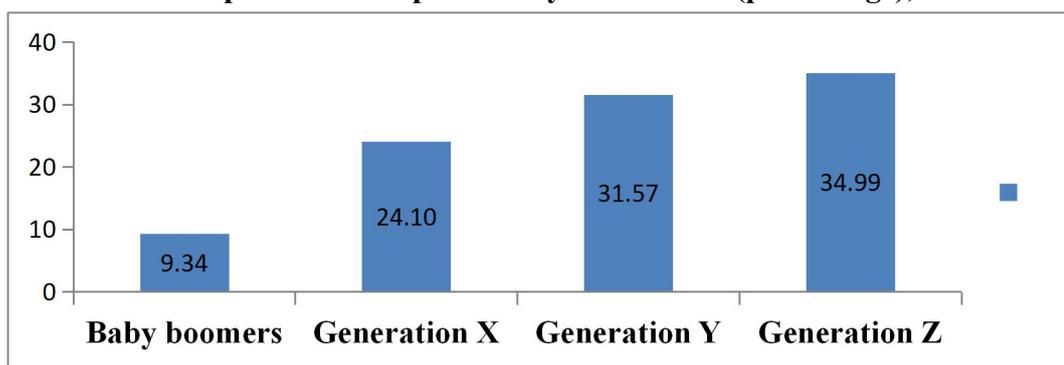
Company must increase their brand awareness to get the market and make consumers get to know a brand well. By increase brand awareness, it make expectation of customer from brand name is high, and also increase their willingness to repeat purchasing or buy more and will be loyal to brand (Rodrigues and Martins, 2016). Perceived quality is effective on the profitableness of the brand, sales volume and the perceived value of the consumer to repurchase and spread positive word-of-mouth to others. Brand association, which is a key component of brand image, contributes to the differentiation and positioning of a brand as well as creating positive attitudes and opinions towards the brand.

According to Dhanapal et al. (2015) Generation X is an "intermediate generation" before generation Y, they are the children of baby boomers that have a conservative mindset. They want to know about product features like information, technology, details to make a purchase. Because Generation X is the most price conscious they purchase products specifically designed for their needs and by the explanation of why these features are necessary, so it's important to know all the information of their products and services.

Generation Y or Millennial shops frequently and expects novelty or prestige to be associated with their product choices, they think brand names are important. This generation expects the competitive pricing, so they might negotiate

and search other prices from internet or competitor's advertised to compare before making decision to purchase their products and services. They use smartphone to check the product, relying on platform for product research and exploration and they have discovered new brands, products, or services using their smartphones (Richardson, 2018).

Table 1.3
Population Composition by Generation (percentage), 2017

Source: BPS, 2018

Based on data BPS (Table 1.3) generation X is 24,10% and generation Y is 31,57% of population in Indonesia. Age is a widely used demographic variable that characteristic behavior of target consumer segments, this research aims to explore how to make and increase brand loyalty between two generations (Generation X and Y). Hence Generation X and Y are quite interesting to be the object of gap generation research because Generation X is technology newbies and Generation Y is the hottest technology. Millennials see technology as an integral part of their existence, they used in variety of activities, while Gen X progressively according to their age progression, restrict the use of these devices to fewer and fewer activities (Ramasubbu, 2015).

There are so many alternative ways of using a smartphone. Your smartphone may be used as a TV remote control, wireless game controller, webcam, barcode scanner, e-wallet or electronic pass, and monitor their health. The technology of smartphone show that it is not only for a young generation. The older people can also make a lot of aspects of their life much easier and to make life more comfortable with the help of a smartphone. So this research will analyze

the differences by two age category, namely Generation X and Generation Y, in terms of brand equity perception of Samsung Smartphone.

Based on description above, the aim of this study is to determine and know the differences perception of Generation X and Generation Y on brand equity and brand loyalty of Samsung Smartphone. Differences in perception were accessed based on four dimensions of brand equity: brand awareness, brand association, perceived quality, and brand loyalty.

1.2   Problem Identification

This research will analyze about:

1. Does brand awareness give significantly influence on brand loyalty of Samsung Smartphone?
2. Does brand association give significantly influence on brand loyalty of Samsung Smartphone?
3. Does perceived quality give significantly influence on brand loyalty of Samsung Smartphone?
4. Does relationship among brand awareness, brand image, perceived quality and brand loyalty of Samsung Smartphone moderated by generation (Generation X and Y)?

1.3   Research Objective

The objectives of this research are to explore:

1. To analyze the impact of brand awareness on brand loyalty of Samsung Smartphone.
2. To analyze the impact of brand association on brand loyalty of Samsung Smartphone.
3. To analyze the impact of perceived quality on brand loyalty of Samsung Smartphone.
4. To analyze the impact of generation (Gen X and Y) on brand awareness, brand association, perceived quality and brand loyalty of Samsung Smartphone.

1.4   Significance of the Study

The benefits in this study are as follows:

1.4.1   Theoretical Benefits

Benefits that can be received especially for writers and readers are about the knowledge of how to build a good brand equity by developing communication, positioning and branding strategies with effectively that can make customers satisfy and loyal to the company. Also it is to provide more evidences and additional information about the brand equity perception by generational differences between Generation X and Generation Y.

1.4.2   Practical Benefits

Benefits that can be received from the study is to help Samsung Smartphone to understand information material about four dimensions of brand equity as brand awareness, brand association, perceived quality and brand loyalty and utilize it as an advantage, so company can improve and implement in the store practitioners to carry out their functions more effectively.

1.5   Systematic of Writing

The systematic of this thesis is consists of five interrelated chapters mentioned below:

CHAPTER 1: INTRODUCTION

Contains the Background of the research, Problem Identification, Research Objectives, Significance of the Study, and Systematic of Writing.

CHAPTER 2: LITERATURE REVIEW

Literature review explains previous research; theoretical basis regarding: brand loyalty, brand awareness, brand association, perceived quality, generation X, generation Y; relationship between variables; research model; and hypothesis.

CHAPTER 3: RESEARCH METHOD

Contains research design, variables (identification and operational definition), variable measurement, data's type and sources, tools and data collection methods, population and sample, techniques of sampling, and analysis of data.

CHAPTER 4: DATA ANALYSIS AND DISCUSSION

In chapter 4 will be explained based on data description, data testing, hypothesis testing, and result discussion.

CHAPTER 5: CONCLUSION AND SUGGESTION

In chapter 5 will described conclusions based on analysis from previous chapters and suggestions to improvement for further research.