

THE INFLUENCE OF BRAND IMAGE AND PRODUCT PRICE TOWARDS PURCHASE DECISION ON XIAOMI SMARTPHONE IN INDONESIA

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Abstract

Indonesia will be predicted to have more than 100 million smartphone active users in 2018 and also from 2013-2017 shows the increasing of smartphone active users in Indonesia. This make many global smartphone vendors come to Indonesia to sell their products and compete with other smartphone vendors in Indonesia. Smartphone vendor from China is one of the global smartphone vendors that has a good market share growth in Indonesia.

The purpose of this study is to investigate the reason of the Purchase Decision of Xiaomi Smartphone in Indonesia. The total questionnaire items used in this research are 34 items with sample taken as many as 400 respondents. The independent variables used in this research are Brand Image and Product Price which will be measured by using Multiple Linear Regression Analysis. This research uses non probability and purposive sampling technique.

The results gained is Brand Image and Product Price both partially and simultaneously influences Purchase Decision by 54,6%.

Keywords : Brand Image, Product Price, Purchase Decision, Xiaomi Smartphone.

1. Introduction

Xiaomi was established by Lei Jun in 2010, who believes to make high quality technology it doesn't need a high cost. Xiaomi create hardware, software, and internet services with the help from Mi fans as well. Xiaomi incorporate Mi fans feedback for product range such as Mi Note Pro, Mi Note, Mi 4, Redmi 2, Mi TV, Mi Band, and other accessories. In 2014, Xiaomi sold more than 61 million handsets and products launched in Taiwan, Hong Kong, Singapore, Malaysia, Philippines, India, Indonesia, and Brazil. The meanings of "MI" in Xiaomi logo is stands for "Mobile Internet". The other meanings of "MI" also defined as "Mission Impossible" because Xiaomi faced many challenges that seemed impossible to defy in our early days [1].

The development of smartphone in Indonesia nowadays is growing rapidly. According to data from Emarketer, Indonesia will be predicted to surpass 100 million active smartphone users in 2018 and this make Indonesia becoming a country with fourth largest smartphone users in the world behind China, India, and United States [2].

Google Indonesia revealed that Indonesian people are no longer using smartphones to communicate or be active in social media, but tend to be higher for online shopping. This is related with mobile trends that dominates in Indonesia. Henky Prihatna as a Head of Google Indonesia said that Indonesia has the highest penetrations of smartphone adoption which is 71 percent higher than India (69 percent), Thailand (54 percent), and China (44 percent). This is supported by another Google findings that Indonesian people smartphone usage on average over two hours or 136 minutes a day [3].

With the high penetration of smartphone in adoption in Indonesia, many global smartphone vendors are coming to Indonesia to market their products with different innovations and make Indonesia as one of their potential market. One of the smartphone vendors that grow rapidly in Indonesia is smartphone vendor from China. According to market conditions report released by International Data Corporation (IDC) in 2017 stated that China-based smartphone vendor is massively enter the Indonesian market. Risky Febrian as Associate Market Analyst from IDC Indonesia said that "Indonesia's smartphone market has changed, China-based smartphone vendor is now more aggressive with its strategy." [4]

China's smartphone vendors such as Oppo and Vivo have an aggressive and massive marketing strategy in Indonesia by intense to put advertising on billboards in the corners of the city, television and online. Also both vendors from Oppo and Vivo working with a number of top local celebrities to attract the public attention. While the Director of Product Management of Xiaomi Global, Donovan Sung said that "We will not waste

money for the advertisements, that is not our style.” He also added that the main strategy of Xiaomi is providing a capable technology and can be enjoyed by the wider community [5].

According to the market report from Canalsys shows that the market share of Xiaomi in the Indonesian smartphone market reached at 18.3 percent in the first quarter of 2018 with shipment of devices that reached at 1.7 million units. This number of shipment has increased in the first quarter of 2018 compared to the first quarter of 2017 when Xiaomi only shipped around 107,000 device units. The report also shows that the growth of Xiaomi smartphone shipments increased by 1455% from year to year [6].

CEO Xiaomi, Lei Jun said that “I hope in the next two or three years, we can be the number one in Indonesian smartphone market.” He also added “in the next year, we hope the sales of Xiaomi smartphone can reach 10 million unit.” In order to support its effort to become the number one in Indonesian smartphone market, Xiaomi will expand more Mi store in Indonesia. Lei Jun hopes that Xiaomi products not only can be purchased through the online, but also can be purchased through offline store to facilitate customer in making purchases. Xiaomi also intend to increase the number of Authorized Service Center more than 100 places for their products in the upcoming year 2018 [7].

With a lot of China’s smartphone vendors in Indonesia, but they still have a problem that must be solved especially among the Indonesian people. According to Associate Market Analyst IDC Indonesia, Risky Febrian said that “China’s smartphone vendors still have to develop their after sales service widely in Indonesia. That is because there is still negative stigma among Indonesian market that chinese brand mobile phone is more easily damaged and difficult to repair.” Therefore, China’s smartphone vendors such as Oppo, Vivo, Xiaomi, Huawei, and other chinese vendors need to improve after sales service, in order to eliminate the negative stigma [8].

Xiaomi as one of the China’s smartphone vendors in Indonesia, they will increase the number of their Authorized Service Center more than 100 places in 2018 for their products and also in order to eliminate the negative stigma of chinese brand mobile phone among Indonesian market. Xiaomi should pay attention to their brand image and product price in order to understand their customers in making purchase decisions.

2. Literature Review and Research Methodology

2.1 Brand Image

Brand image is the perceptions and beliefs held by consumers, as reflected in the associations held in consumer memory [9].

2.2 Product Price

Product is everything that manufacturer can offer to be noticed, requested, sought, bought, used, or consumed as a market fulfillment of the needs or wants of the related market. Conceptually, product is a subjective understanding of the manufacturer of something that can be offered, in an attempt to achieve organizational goals by fulfillment of needs and desires of consumers, in accordance of competence and capacity of organization and market purchasing power [10].

2.3 Purchase Decision

Purchase decision is an integration process that combines knowledge to evaluate two or more alternative behaviors and only one of them will be choosed [11].

2.4 Theoretical Framework

The theoretical framework of this research are consist of two independent variables of brand image (X1) and product price (X2), while the dependent variable is purchase decision (Y). The theoretical framework as follows:

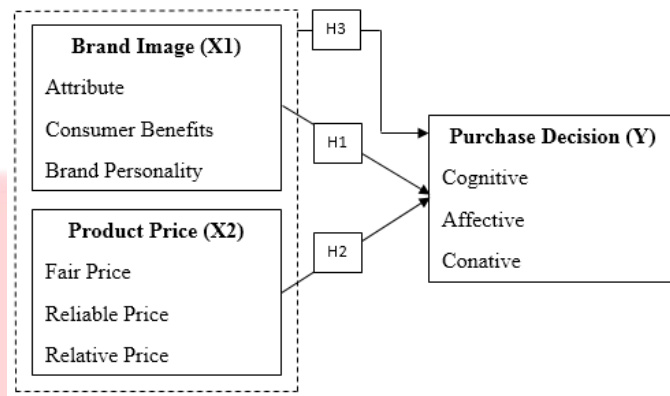


Figure 1. Theoretical Framework

The theoretical framework of the research as shown in figure 1 above, it explains the effect of the independent variables towards the dependent variable partially and simultaneously.

3. Research Methodology

3.1 Research Characteristics & Sampling Technique

This research is using quantitative method. Quantitative method is a scientific method because it has met the scientific rules such as concrete/empirical, objective, measurable, rational, and systematic [sugiyono]. The sampling technique used in this research is non probability sampling, while the type of non probability sampling used is purposive sampling.

3.2 Data Collection Process

The data were gathered through the online questionnaire which come from 400 respondents all over Indonesia. The majority of respondents are located in Area II (Java).

3.3 Data Analysis

This research is using SPSS 23 and Multiple Linear Regression for analysing the data.

4. Results and Discussion

4.1 Characteristics of Respondents

The data were collected from four hundred respondents and classified into several categories as follows:

4.1.1 Gender

The gender of respondent is dominated by female as many as 206 people with a percentage of 51.5% and followed by male as many as 194 people with a percentage of 48.5%.

4.1.2 Age

The majority of respondents are come from 18 to 25 years old with 70.3%, followed by 10.5% of those who are 26 to 30 years old. Followed by 8.3% of the respondents are more than 41 years old and 6% of

respondents who are 31 to 35 years old. Furthermore, 2.8% of respondents are less than 18 years old and followed by 2.2% of respondents who are 36 to 40 years old.

4.1.3 Occupation

Most of the respondents are come from college student with a percentage of 55.8%. Followed by 29.5% of employees and 7.2% of others. Furthermore, 5.2% of the respondents are entrepreneurs and 2.3% of the respondents are student.

4.2 The Results

4.2.1 Normality Test

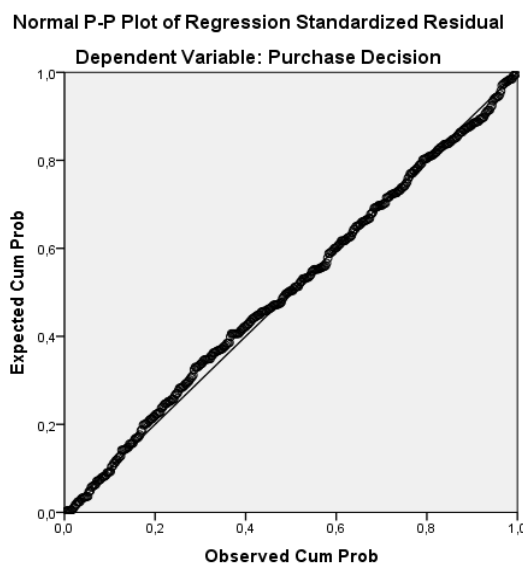


Figure 2. Graph of Normality Test
Source: Processed Data Result, 2018

Based on the result of normality test by using normal probability plot (P-Plot) on the figure 2 above, it shows that the data is spread around the diagonal line which means that the residual data is normally distributed.

4.2.2 Multicollinearity Test

Table 1 The result of Multicollinearity Test

| Model | | Collinearity Statistics | |
|-------|---------------|-------------------------|-------|
| | | Tolerance | VIF |
| 1 | Brand Image | .643 | 1.554 |
| | Product Price | .643 | 1.554 |

a. Dependent Variable: Purchase Decision
Source: Processed Data Result, 2018

From table 4.1 above, it shows that the value of tolerance is >0.20 ($.643 > 0.20$) and the VIF value is <4 ($1.554 < 4$), then there is no multicollinearity problem.

4.2.3 Multiple Regression Analysis

Table 2 Multiple Regression Analysis

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|---------------|-----------------------------|------------|---------------------------|--------|-------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 3,645 | 1,064 | | 3,426 | 0,001 |
| | Brand Image | 0,354 | 0,027 | 0,543 | 12,888 | 0,000 |
| | Product Price | 0,135 | 0,021 | 0,272 | 6,449 | 0,000 |

- a. Dependent Variable: Purchase Decision
Source: Processed Data Result

Table 4.2 is the result of the multiple linear regression by using SPSS 23. The equation are as follows:

$$Y = a + b_1X_1 + b_2X_2$$

$$Y = 3,645 + 0,354 X_1 + 0,135 X_2$$

The equation of the multiple linear regression can be explained as follows:

1. The constant value of Purchase Decision Variable (Y) is 3,645, there is no changes in neither brand image variable (X_1) nor product price variable (X_2) that affect the value of a. The value of a is still 3,645.
2. The value of X_1 combined with regression coefficient value of 0,354 it means that if the variable X_1 has increased one unit, then variable Y value will increase to 0,354 unit.
3. The value of X_2 combined with regression coefficient value of 0,135 it means that if the variable X_2 has increased one unit, then variable Y value will increase to 0,135 unit.

4.2.4 F Test

Table 3 The result of F Test

ANOVA^a

| Model | | Sum of Squares | df | Means Square | F | Sig. |
|-------|------------|----------------|-----|--------------|---------|--------------------|
| 1 | Regression | 5853,863 | 2 | 2926,931 | 238,592 | 0,000 ^b |
| | Residual | 4870,215 | 397 | 12,268 | | |
| | Total | 10724,077 | 399 | | | |

- a. Dependent Variable: Purchase Decision
- b. Predictors: (Constant), Product Price, Brand Image

Source: Processed Data Result, 2018

There are two methods to measure the F test results:

1. Significance value of F with 0,05

In this research, the significance level of F is 0,000. Based on the result in the table 4.3 above, the significant value of $F \leq 0,05$ ($0,000 \leq 0,05$), then reject H_0 . It can be concluded that the independent variables of brand image (X1) and product price (X2) simultaneously have a positive influence towards the dependent variable purchase decision (Y).

2. Calculated value of F with value of F table

In this research, the value of F table is 3,01 ($df_1 = 2$, $df_2 = 397$, $\alpha = 0,05$). Since F calculated $>$ F table ($238,592 > 3,01$), then reject H_0 . It can be concluded that the independent variables of brand image (X1) and product price (X2) simultaneously have a positive influence towards the dependent variable purchase decision (Y).

4.2.5 t Test

Table 4 The result of t Test
Coefficients^a

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig |
|-------|---------------|-----------------------------|------------|---------------------------|--------|-------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 3,645 | 1,064 | | 3,426 | 0,001 |
| | Brand Image | 0,354 | 0,027 | 0,543 | 12,888 | 0,000 |
| | Product Price | 0,135 | 0,021 | 0,272 | 6,449 | 0,000 |

- a. Dependent Variable: Purchase Decision
Source: Processed Data Result

Based on the table 4.3 above, the result of t Test is below:

1. Brand Image

The value of t table in this research is 1,649 ($df = 400$, $\alpha = 0,05$). Because of the t calculated value is $>$ the value of t table ($12,888 > 1,649$) and significant value of t is ($0,000 < 0,05$), then reject H_0 . It can be concluded that brand image positively influence towards purchase decision.

2. Product Price

The value of t table in this research is 1,649 ($df = 400, \alpha = 0,05$). Because of the t calculated value is $>$ the value of t table ($6,449 > 1,649$) and significant value of t is ($0,000 < 0,05$), then reject H_0 . It can be concluded that product price positively influence towards purchase decision.

4.2.6 Coefficient of Determination (R^2)

Table 5 The result of R Square

Model Summary

| Model | R | R Square | Adjusted R Square | Std.Error of the Estimate |
|-------|--------------------|----------|-------------------|---------------------------|
| 1 | 0,739 ^a | 0,546 | 0,544 | 3,50251 |

a. Predictors: (Constant), Product Price, Brand Image

b. Dependent Variable: Purchase Decision

Source: Processed Data Result, 2018

Based on the table 4.13 above, it can be seen that the simultaneous influence of independent variables (brand image and product price) towards dependent variable (purchase decision) is equal to 0,546 or 54,6%. This explains that brand image and product price have an impact of 54,6% to purchase decision, while the remaining amount that is equal to 45,4% is explained by other variables that are not included in this research.

5. Conclusion and Suggestion

5.1 Conclusion

Based on the result of analysis and discussion on the previous chapter, some conclusions that can be concluded by the writer are as follow:

1. The brand image variable has positive influence towards purchase decision with the amount of 0,354. Therefore, the brand image that perceived by the potential users of Xiaomi smartphone in Indonesia can influence the purchase decision.
2. The product price variable has positive influence towards purchase decision with the amount of 0,135. Therefore, the product price that perceived by the potential users of Xiaomi smartphone in Indonesia can influence the purchase decision.
3. Brand image and product price simultaneously have a positive influence towards purchase decision on Xiaomi smartphone by 54,6%. Therefore, brand image and product price that perceived by the potential users of Xiaomi smartphone in Indonesia can influence the purchase decision.

5.2 Suggestion

From the result of this research, it can be known that brand image and product price influence positively towards purchase decision of Xiaomi smartphone. Related to the brand image, company should try to sell their flagship smartphone products in Indonesia to compete with its competitors. This can be one of the way to increase the brand image of Xiaomi smartphone in Indonesia. For the product price, company should maintain the stability of product price that have been considered affordable and cheaper among Indonesian people but, beside the affordable and cheaper price, Xiaomi should develop its design to attracts more people in the future. For future researcher, to gain more knowledge about brand image, product price, and purchase decision, more variables can be combined such as word of mouth, advertising, and social influence so that the result can be related to not only brand image and product price.

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