

# CHAPTER I

## INTRODUCTION

### 1.1 General Description of Research Project



**Figure 1.1 Apple Logo**  
**Source: Apple Website**

Based on Figure 1.1 the logo of Apple Inc.'s is categorized as three things, the leaf, the bite, and the Apple. The leaf refers to an essential part of the motif that Apple filed to trademark it in 2012. As for the bite, designer Rob Janoff said he added the bite "for scale" but Steve Jobs liked it because he was afraid consumers would think the logo with no bite was a cherry. And for the apple itself is the original apple drawn freehand and was a bit lopsided. A 1984 update by Landor & Associates introduced symmetry and rounder curves. Apple Inc.'s incorporated on January 3, 1977, designs, manufactures and markets mobile communication and media devices, personal computers and portable digital music players. The Company sells a range of related software, services, accessories, networking solutions, and third-party digital content and applications. The Company's segments include the Americas, Europe, Greater China, Japan and Rest of Asia Pacific. The Americas segment includes both North and South America. The Europe segment includes European countries, India, the Middle East, and Africa. The Greater China segment includes China, Hong Kong, and Taiwan. The Rest of Asia Pacific segment includes Australia and the Asian countries not included in the Company's other operating segments.

Apple Inc.'s corporate mission has changed over time. The company considers the changing business landscape, which influences the possibilities of what the business can do. The company recognizes the changing market and industry environment. Apple's current mission statement is *"Apple is committed to bringing the best personal computing experience to students, educators, creative professionals and consumers around the world through its innovative hardware, software and Internet offerings."* (Panmore,2018)

Apple Inc.'s corporate vision influences strategic management in terms of the decisions that the company's managers make to reach a future of leadership in the various industries where the business operates. Apple introduced a new vision statement under the leadership of Tim Cook, who stated *"We believe that we are on the face of the earth to make great products and that's not changing. We are constantly focusing on innovating. We believe in the simple, not the complex. We believe that we need to own and control the primary technologies behind the products that we make, and participate only in markets where we can make a significant contribution. We believe in saying no to thousands of projects, so that we can really focus on the few that are truly important and meaningful to us. We believe in deep collaboration and cross-pollination of our groups, which allow us to innovate in a way that others cannot. And frankly, we don't settle for anything less than excellence in every group in the company, and we have the self-honesty to admit when we're wrong and the courage to change. And I think regardless of who is in what job those values are so embedded in this company that Apple will do extremely well".* (Panmore,2018)

As Apple becomes the first company to break \$1tn market cap barrier its progress from garage-based startup to the all-conquering global company (Samuel Gibbs, *The Guardian*). it can be charted in six products. Apple I - the first product – 1976, the original Apple computer, also known as the Apple I, is the product that kicked everything off in 1976. It was designed and hand-built by Apple co-founder Steve Wozniak using funds from the sale of his HP-65 calculator and his friend Steve Jobs' VW van. The Apple I went on sale in July 1976 priced at \$666.66 selling around 175 units in 10 months. It was discontinued in October 1977, following the introduction of its successor, the Apple II, in April that year.

The Macintosh – 1984. The original Macintosh was released in January 1984 as Apple's first mass-market personal computer compete with a graphical user interface, and was responsible for birthing the 'Mac' computer. The Macintosh 128K, as it is now known, had a built-in 9in screen, a keyboard, and a mouse, and sold for \$2,495. It was launched with the now famous 1984 advert directed by Ridley Scott, going on to sell 70,000 units by May that year. It was replaced by the Macintosh 512K with more RAM in September 1984 and discontinued in October 1985.

The iMac G3 – 1998. Released in August 1998, the iMac was the computer that made Apple a household name and contributed to the salvaging of the company from financial ruin in the late 1990s. The bold and colorful all-in-one computer, built around a 15in CRT display, was Jony Ive and Steve Jobs' baby - aimed at the low end, internet-enabled market complete with a 56Kb modem and USB. It initially came in a single 'Bondi blue' translucent color costing \$1,299. It went through eight revisions before being replaced in 2002 by the iMac G4 and discontinued in 2003.

The iPod – 2001. The first generation iPod was released in October 2001 equipped with a 5GB 1.8in hard drive that Apple said could contain 1,000 songs. But it wasn't exactly an overnight success, compatible only with a Mac and using FireWire, not USB. A second generation was released in 2002 that was compatible with Windows, but it wasn't until 2004 that the iPod began to dominate music player sales spawning many different versions including the iPod Mini and later the iPod Nano. 100m iPods were sold by April 2007, with sales peaking at 55m in 2008, and total sales hitting 350m by September 2012.

The iPhone – 2007. The iPod put Apple on the upward trajectory, but it is the iPhone that launched in June 2007 that sent it into the stratosphere. Shipping with 4GB of storage, a 3.5in capacitive multi-touch screen and 620MHz Samsung processor for \$499 on contract, the iPhone revolutionized the design and function of smartphones. It arguably created the internet-connected, portable computing age we live in now. Over the last 11 years, 18 different iPhones have been launched and over 1.2bn iPhones have been sold, with sales contributing over 60% of Apple's revenue in the second quarter of 2018.

The iPad – 2010. The iPad was released in April 2010 and attempted to reinvent tablet computers as finger-based mobile devices rather than full PCs. The iPad's origins

hark back to the 1993 Newton and were conceived in its current form before the iPhone, but delayed until after the release of Apple's smartphone. Since 2010, 16 different models of the iPad have been launched and more than 350m iPads have been sold, with sales peaking at the end of 2013.

iPhone is the Company's line of smartphones based on its iOS operating system. iPhone includes Siri, a voice-activated intelligent assistant, and Apple Pay and Touch ID on qualifying devices. iPhone works with the iTunes Store, App Store, iBooks Store and Apple Music for purchasing, organizing and playing digital content and applications. The Apple App Store is a digital distribution platform where customers can buy and download digital software and applications. Apps are software tools that provide additional functionality to an operating system. Apps purchased from the App Store are stored in iCloud for easy access from any signed-in device. Apple maintains that it holds a trademark on the term "app store" but the term is used to reference any platform where apps are sold.



**Figure 1.2 Apple App Store Logo**

**Source: Apple Website**

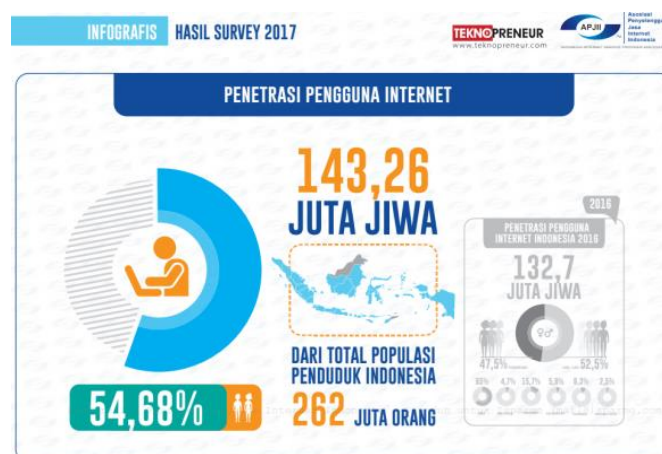
The Apple App Store opened on July 10, 2008, the day before the launch of the iPhone 3G. Apple's first app store was for iOS but was later expanded to provide apps for Macs with the App Store macOS in early 2011. One of many significant changes to Apple's App Store came in 2014 when attention from European regulators caused the company to change apps listed as "free" to "get" to reflect that some of them included in-app purchases. That labeling practice became standard in 2017. In a post to its developer website, Apple said App Store Search Ads are now supported in 13 countries, including Australia, Canada, France, Germany, Italy, Japan, Mexico, New Zealand, South Korea, Spain, Switzerland, the UK and the U.S. "Your app promotion on the App

Store can now reach people in 13 countries across North America, Europe, and the Asia Pacific," Apple says. "Discover this efficient and easy way to help people find your app at the top of relevant search results on the App Store."

Launched in 2016, Search Ads are an easy way for developers to get discovered on the App Store by being featured prominently when users search for different apps and keywords. App makers can target potential customers by keyword, device type, location, schedules and more. In December, Apple introduced a new basic tier that both offer a simplified developer payment option and a streamlined sign-up process. Unlike the original Search Ads, which was renamed Search Ads Advanced when Basic rolled out, fees are based on app installs, not ad interactions. With the expansion, developers in France, Germany, Italy, Japan, South Korea, and Spain can promote their wares to customers browsing the App Store.

## 1.2 Research Background

Internet use has become a lifestyle for people. People who used the internet have reached 143.26 million of Indonesia's total population of 262 million people in 2017 (APJII, 2017). From that number, it can be concluded that 54,68% of the population using the internet as their lifestyle. The use of the internet in Indonesia is dominated by Java Island, with 65% of the total Internet users in Indonesia in 2016 (APJII, 2016). This infographic about 2017 statistics of internet users in Indonesia can be seen in Figure 1.3



**Figure 1.3 Statistics on Internet Users in Indonesia**

**Source: APJII, 2017**

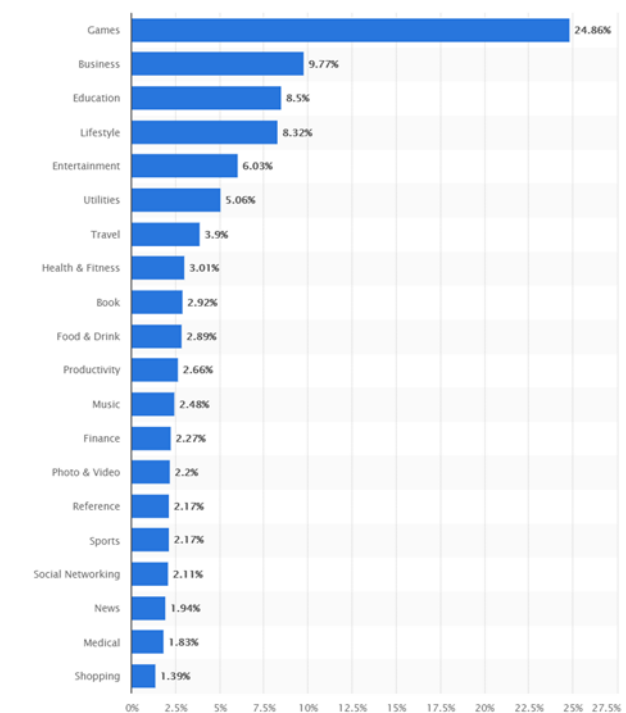
Based on Indonesian internet user behavior (APJII,2016), the total users of mobile device is 47,6% (63,1 million), 50,7% (62,7 million) for mobile and computer users and 1,7% (2,2 million) for computer users. Therefore, there are already a lot of mobile users in Indonesia since 2016. A mobile device is one tool that can be used to connect to the internet and iPhone is one of the mobile devices that can be used besides other smartphones like Samsung, Asus, Xiaomi, Windows Phone, Nokia, And Blackberry. A mobile operating system, also called a mobile OS, is an operating system that is specifically designed to run on mobile devices such as mobile phones, smartphones, PDAs, tablet computers and other handheld devices. The operating system is responsible for determining the functions and features available on the device, such as thumbwheel, keyboards, WAP, synchronization with applications, email, text messaging and more. The mobile OS will also determine which third-party applications (mobile apps) that can be used (*Vangie Beal, 2018*).

There are many variants of OS that run based on their devices such as, iOS, Android, Symbian, Windows Phone, Blackberry OS, Yun OS, etc. Based on the total mobile OS share data for October 2018, Android and iOS still remain the most widely-used mobile operating systems. Android's share of the global mobile market sits at 69.68% as of October 2018. Apple's iOS platform has the next-largest share of the market, but the gap is tremendous. Apple's share of the market to be just 28.88% as of October 2018 (*NetMarketShare, 2018*).

The iPhone operating system runs the iOS, which is made by Apple. Android phones run the Android operating system, made by Google. Android was released as an open source platform that was free to use by any mobile device maker. iOS, meanwhile, is a closed platform that only exists on Apple hardware. Because of the way Google distributes Android and manages the Play store, Android is rife with security issues. Security is something many people are not comfortable with compromising on their smartphones and tablets. Apple, on the other hand, keeps a tight rein on its app store. Every app is closely inspected, drastically reducing the number of apps available but also greatly reducing the chance of getting malware. Therefore, Apple is generally stricter about blocking certain types of apps but can be much safer than Android (*BGR, 2018*).

Apple App Store was founded in 2008 and has accommodated a variety of applications that includes Free apps, Paid apps, and Freemium apps. Freemium apps can be considered as Free apps with in-app purchases, because it is provided as free of charge apps but required money for additional features. The number of apps available in the App Store has consistently grown since its release. As of January 2017, the Apple App Store had 2.2 million mobile apps available for download (*Statista, 2017*).

App Store provide a variety of app categories that best describes its user such as Books, Business, Education, Entertainment, Finance, Food & Drink, Games, Health & Fitness, Lifestyle, Magazines & Newspapers, Medical, Music, Navigation, News, Productivity, Reference, Shopping, Social Networking, Sports, Travel, Utilities, and Weather. Gaming apps are the most popular apps based on availability, about 24 percent of the all apps available fit in this category as seen in figure 1.4

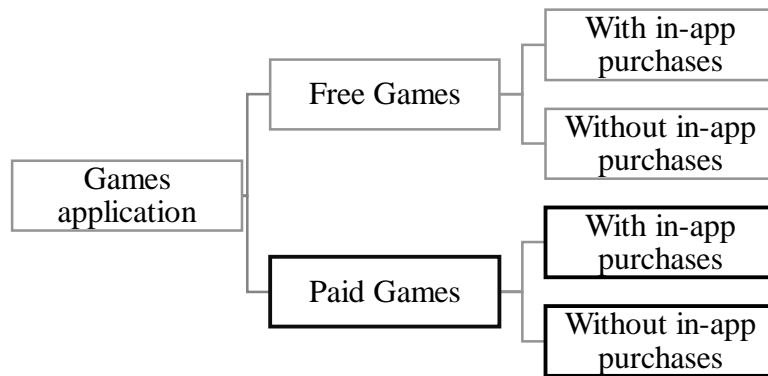


**Figure 1.4 Most popular Apple App Store categories**

**Source: Statista, 2018**

The statistic shows the most popular categories in the Apple App Store ranked share of active apps. In September 2018, business apps were the second-most popular category, with a share of 9.77 percent of active all apps being business apps, closely followed by the education category. Lifestyle and entertainment complete the top 5

most popular iOS app categories list. Gaming is also an app category with high mobile user engagement - in June 2016, 88 percent of digital gaming time was spent via mobile apps (*Statista, 2016*).



**Figure 1.5 Business Application Model**

Based on Figure 1.5 There are common app revenue models that include free games with in-app purchases, free games without in-app purchases, paid games without in-app purchases and paid games with in-app purchases. In this study, the research will focus on paid games whether it was with in-app purchases or without in-app purchases because it turns out there are more people that inclined towards in-app purchases (*Gartner,2018*). A primary reason for this inclination is that, once a customer is satisfied with a product, they are more likely to pay for better features and other facilities in the gaming app. As the games deliver something irresistible to its users, users will not mind choosing the paid games rather than free games.





**Figure 1.6 Top Charts: Iphone – Indonesia – Games**

**Source: SensorTower, 2018**

Based on Figure 1.6 On January 20, 2019, there are several games that become top charts based on download numbers they gained per day. In the top 5 of paid games on the top chart list, there are paid games that have a price ranging from Rp 3.000 to Rp 120.000. Minecraft has become the number 1 top paid apps, as the games have been one of the few paid titles to appear regularly in Apple's top-grossing charts since 2013. With 16.5m mobile copies sold so far, Minecraft is a huge, long-lasting mobile game hit (*The Guardian,2013*). While in the Free games, Tap Tap Music-Pop Songs sitting at the top of apple free apps beating PUBG Mobile that has been number 1 position since January 1, 2019. Becoming the top 1 on the Apple top charts, there are quite a lot of differences between these free and paid games. To find out more about these 2 games, the author has provided a comparison of each game in table 1.1

**Table 1.1**

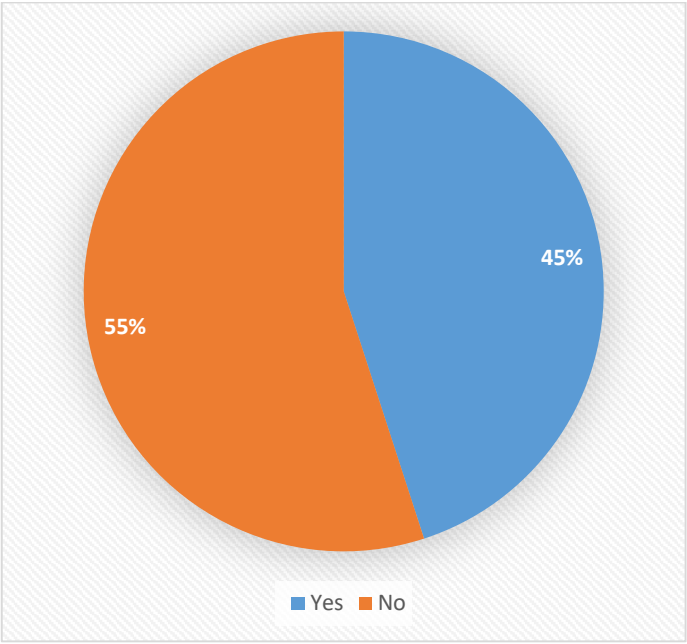
**Paid Games and Free Games Comparison**

	Free	Paid
Name	Mobile Legends	Bully Anniversary edition
Overall Ratings	(3,504) People	(2,567) People
Price	Free	Rp 99000
Worldwide Downloader	900k	500k

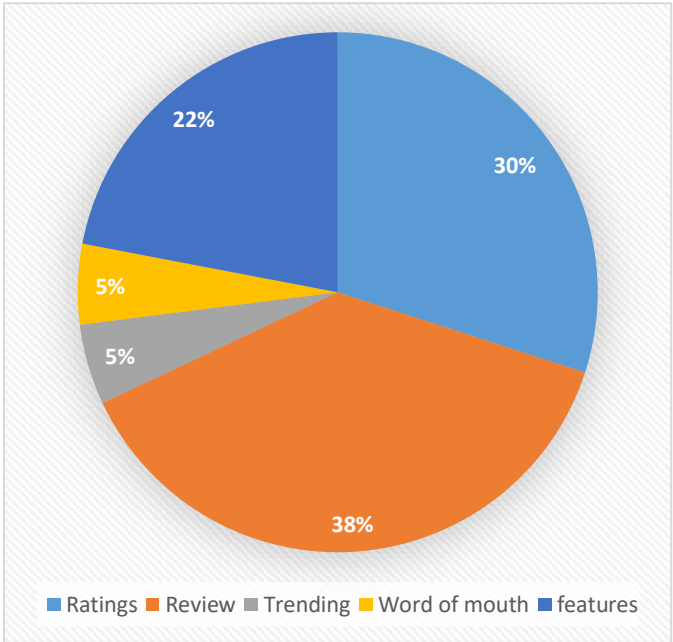
Release date	September 11, 2016	August 6, 2016
Stars Ratings	4,5 out of 5	5 out of 5

Based on table 1.1 Mobile Legends introduced in September 11, 2016 as Free to play games that surprisingly surpassed the Bully Anniversary Edition total worldwide downloader as for 900k (*SensorTower 2019*). However, since free apps do not cost anything to download, users do not mind downloading them to try them out and then deciding to keep the app or to uninstall. Therefore, the download numbers can still rising even though some players may not active in the game. Meanwhile, for the paid games itself users are still willing to spend money to get the paid game. It can be seen from the game Bully Anniversary Edition itself, the total downloaders is increasing to 500k (*SensorTower 2019*) even though they know that price is quite expensive, the numbers keep increasing through years. Users that called themself as a paid users may not hesitant to pay for an app that they wanted to. A greater experience could be one of the reason of why they are still willing to waste any money on them. Another reason such as better quality, popularity, how big the rating and review score may impact the users as it worth the value for the price they have paid.

To obtain an overview in this study, the author has provided an open question in a form of a questionnaire to 40 respondents about customers that have bought a paid game in App stores and what factors that can encourage them. The result can be seen in Figure 1.6 And Figure 1.7



**Figure 1.7 Proportion of Consumer That Have Bought Paid Games in App Store**  
**Source: Data Processed by the Author**

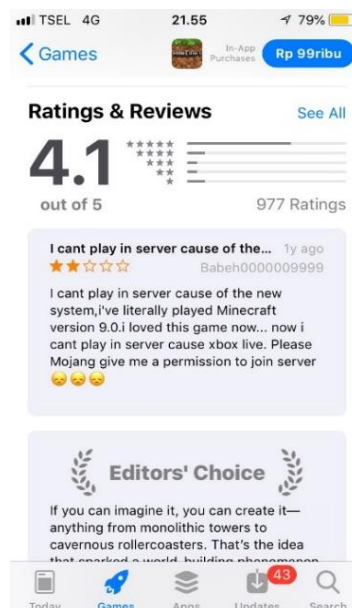


**Figure 1.8 Factors that Made Consumer Buy Paid Games in App Store**  
**Source: Data Processed by the Author**

From Figure 1.7 And Figure 1.8, the data gained from an open question in the questionnaire that is obtained from 40 respondents. 18 respondents or 45% of the respondent said they had bought a game in the app store, while 22 respondents or 55% of the respondent answered they never bought a game in the app store. Several factors cause consumers to influence their purchase of games in the app store. The author provided factors in the questionnaire that may consider the consumer to buy paid games in the App Store. The result that gained from the questionnaire is, Good review as much as 38%, from the game rating as much as 30%, different features as much as 22% and the rest is 5% are from word of mouth and trending.

The Reason why review and rating factor having a high contribution to the consumer to buy paid app games is because the review is one of several factors that determine the emergence of consumer buying interest until purchasing decisions arise (Lee and 7 Shin 2014). Ratings have a relationship with consumers' buying interest and purchasing decisions (Moe and Schweidel 2012). This shows that with the App Store Rating and Review, it can affect consumer interest to buy the application based on the Rating and Review obtained.

App Stores provides a platform for consumers to give an assessment of the level of satisfaction from downloaded application. The consumer can give an assessment in the review and rating section on a scale of one to five as can be seen in Figure 1.9



## **Figure 1.9 Ratings and Reviews on App Stores**

### **Source: App Store Ratings & Reviews**

Based on previous research conducted by Chin-Lung Hsu 2014, The purpose of the research is to find out about user intention to purchase paid apps. The study amends the expectation confirmation model and incorporates app rating, free alternatives to paid apps and habit as belief-related constructs to predict user behavior. The proposed model was empirically evaluated using a survey of 507 respondents about their perceptions of app usage. The results indicated that confirmation was positively related to perceived value and satisfaction. Value for money, app rating and free alternatives to paid apps were to found to have a direct impact on intention to purchase paid apps.

What will be expected from the results of this study is to find what factors that can dominate consumer considerations in the purchase decision to buy a paid game application in App Stores of iPhone. So that research can be submitted, *“A Factor Analysis Of Consumer Purchase Decision Of Paid Games Application In The App Store Of Iphone”*

### **1.3 Problem Statements**

Based on the background of the problem described, the writer sets the problem in this study as follows:

- 1) How are the condition of every factor that influence consumer purchase decision to buy paid games in the App Store?
- 2) What are the factors that influence consumer purchase decision to buy paid games in the App Store?
- 3) What are dominant factors that influence consumer purchase decision to buy paid games in the App Store?

### **1.4 Research Objectives**

Based on the formulation of the problem, the objectives of this research can be prepared for:

- 1) To find out How are the condition of every factor that influence consumer purchase decision tp buy paid games in the App Store

- 2) To find out what factors that influence consumer purchase decision to buy paid games in App Store
- 3) To find out what dominant factors that influence consumer purchase decisions to buy paid games in the App Store

## **1.5 Research Significance**

The problems discussed in this study are expected to benefit some parties:

### 1) Theoretical Aspect

The results of this study are expected to be used as guidelines for other studies. It can also be used as a similar research recommendation in the future

### 2) Practitioner Aspects

Learn more about the field of marketing as a means of understanding purchasing decisions on consumers and the role of consumers in buying application especially paid games in the App Store

## **1.6 Writing Structure**

### Chapter 1 Introduction

In this chapter the researcher describes in general, concise, and solid about the content of the research conducted. Covers also the problems raised as phenomena that occur. This chapter covers the object of research, research background, identify problems, a period of study, and systematics writing.

### Chapter 2 Literature Review

In this chapter the researcher contains a summary clearly, short, and solid about the results of literature reviews through theories appointed by researchers from books and reputable journals. The literature review is related to the topic and problem variables. This chapter includes theoretical review, previous research, thinking framework, research hypothesis, and scope of research.

### Chapter 3 Research Methods

In this chapter, the researcher confirms what method of reasoning only used in this essay. There is an approach, methods, and techniques used to collect and analyze data. This chapter includes: types of research, the operationalization of variables and measurement scales, population and samples, data collection techniques, test validity and reliability, and data analysis techniques

### Chapter 4 Research Results and Discussion

In this chapter, the researcher describes systematically based on the results of data processing with the analysis used and software that is used as a counter-media. This chapter includes data collection, respondent characteristics, results research, and discussion of research results.

### Chapter 5 Conclusions and Suggestions

In this chapter, researchers provide conclusions or threads red from the results of research that has been done with processed data that has been calculated. Then the researcher gives advice or input related to the problem under study