

# CHAPTER I

## INTRODUCTION

### 1.1 General Overview of Research Object

iPhone is a line of Apple's smartphones which uses Apple's mobile operating system called iOS (previously iPhone OS). The first generation of iPhone that is called iPhone was released on June 29, 2007 in United States. Telkomsel, a telecommunications company in Indonesia, was the first company which launched iPhone in Indonesia. The first launched iPhone in Indonesia was the second generation of iPhone named iPhone 3G. The launching of iPhone 3G in Indonesia was on March 20, 2009 as a customizable offer for Telkomsel's customers in Indonesia. iPhone logo is shown in Figure 1.1 as follows:



**Figure 1.1 Apple iPhone Logo**  
*Source: Mobi Clash (2018)*

As an American multinational technology company, Apple, that is headquartered in Cupertino, California, produces consumer electronics, computer and mobile softwares, and online services and then sells its products globally in all around the world including in Europe, Southeast Asia, Australia, New Zealand, Canada, etc.

Apple is focusing on innovating and making great products. As the market is changing which influences its business strategic management. Apple has renovated the mobile phone with its revolutionary smartphones and App Store. Apple which was founded by Steve Jobs, Steve Wozniak, and Ronald Wayne in April 1976 has released twenty one iPhone models as of October 2018.

## **1.2 Research Background**

According to Legal Zoom, the world of technology has rapidly developed over the last decade and become a necessity (LegalZoom, 2011). Anging In Place said that the evolution of technology has led to an increase in the number of the use of Information and Communication Technology devices including the use of smartphones (Anging In Place, 2019). Based on Indonesia Baik, a smartphone is a mobile phone that not only has text and voice communication capabilities, but also has data which is used to access internet (Indonesia Baik, 2018).

Having, at least, one smartphone is a must for people these days. It is used to support everyone's daily activities (Anging In Place, 2019). According to a research which was held by Indonesia Baik, there are some activities when people are not connected to the internet network such as phoning up, receiving a call, leaving messages, taking pictures or videos, watching videos or listening to musics, playing games, reading electronic books, installing software, using offline platforms, and editing pictures. Meanwhile, the activities when people are connected to the internet network are having online communications, web browsing, video, music or radio streaming, making online transactions, uploading or downloading files, searching, downloading and then installing software, playing games, reading electronic books, and using offline platforms (Indonesia Baik, 2018). Smartphone usage is shown in Figure 1.2:

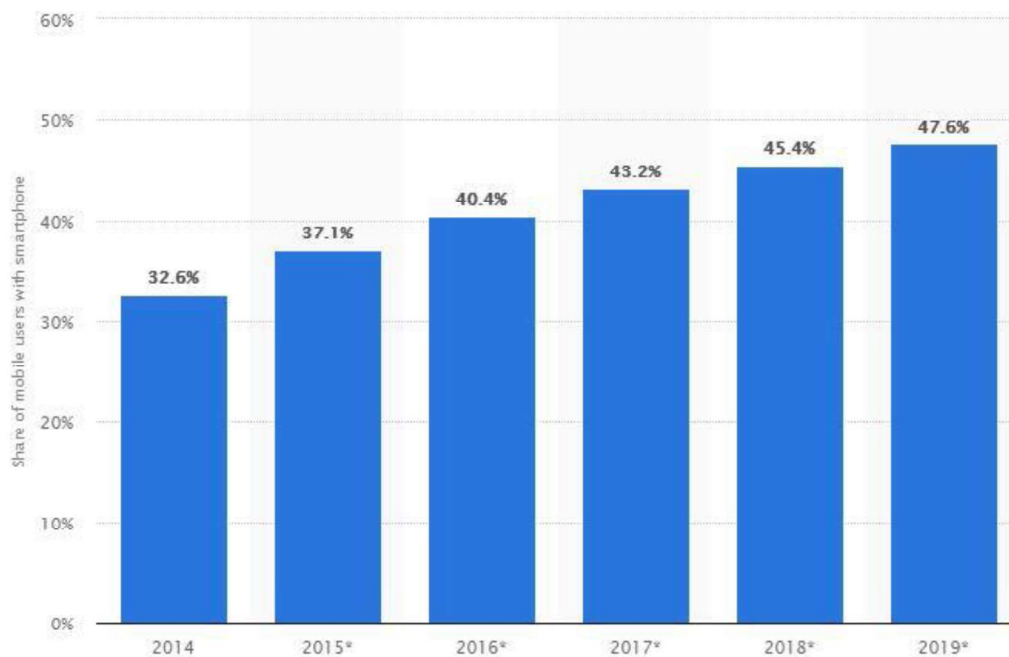


**Figure 1.2 Smartphone Usage**

*Source: Indonesia Baik (2018)*

Referring to Figure 1.2, it explains most people these days prefer to use their phone when it is connected to the internet network to support their daily activities (Indonesia Baik, 2018).

It also explains how most people need supportive smartphones as Statista forecasted that smartphone user penetration rate in Indonesia will be increased every year as shown in Figure 1.3, as follows:



**Figure 1.3 The Forecasting of Smartphone User Penetration Rate**

*Source: Statista (2018)*

Figure 1.3 shows the increasing number of smartphone user penetration in Indonesia every year which is forecasted by Statista. From 2014 to 2019, Statista forecasted that the number of smartphone users will be increased with the average number of 3% every year.

In addition to the forecasting number of smartphone users by Statista, eMarketer also forecasted the top 25 countries which was ranked by the number of smartphone users as shown in Figure 1.4:

**Top 25 Countries, Ranked by Smartphone Users, 2013-2018**  
*millions*

	2013	2014	2015	2016	2017	2018
1. China*	436.1	519.7	574.2	624.7	672.1	704.1
2. US**	143.9	165.3	184.2	198.5	211.5	220.0
3. India	76.0	123.3	167.9	204.1	243.8	279.2
4. Japan	40.5	50.8	57.4	61.2	63.9	65.5
5. Russia	35.8	49.0	58.2	65.1	71.9	76.4
6. Brazil	27.1	38.8	48.6	58.5	66.6	71.9
7. Indonesia	27.4	38.3	52.2	69.4	86.6	103.0
8. Germany	29.6	36.4	44.5	50.8	56.1	59.2
9. UK**	33.2	36.4	39.4	42.4	44.9	46.4
10. South Korea	29.3	32.8	33.9	34.5	35.1	35.6
11. Mexico	22.9	28.7	34.2	39.4	44.7	49.9
12. France	21.0	26.7	32.9	37.8	41.5	43.7
13. Italy	19.5	24.1	28.6	32.2	33.7	37.0
14. Turkey	15.3	22.6	27.8	32.4	37.2	40.7
15. Spain	18.9	22.0	25.0	26.9	28.4	29.5
16. Philippines	14.8	20.0	24.8	29.7	34.8	39.4
17. Nigeria	15.9	19.5	23.1	26.8	30.5	34.0
18. Canada	15.2	17.8	20.0	21.7	23.0	23.9
19. Thailand	14.4	17.5	20.4	22.8	25.0	26.8
20. Vietnam	12.4	16.6	20.7	24.6	28.6	32.0
21. Egypt	12.6	15.5	18.2	21.0	23.6	25.8
22. Colombia	11.7	14.4	16.3	18.2	19.7	20.9
23. Australia	11.4	13.2	13.8	14.3	14.7	15.1
24. Poland	9.4	12.7	15.4	17.4	19.4	20.8
25. Argentina	8.8	10.8	12.6	14.1	15.6	17.0
<b>Worldwide***</b>	<b>1,311.2</b>	<b>1,639.0</b>	<b>1,914.6</b>	<b>2,155.0</b>	<b>2,380.2</b>	<b>2,561.8</b>

*Note: individuals of any age who own at least one smartphone and use the smartphone(s) at least once per month; \*excludes Hong Kong; \*\*forecast from Aug 2014; \*\*\*includes countries not listed*  
 Source: eMarketer, Dec 2014

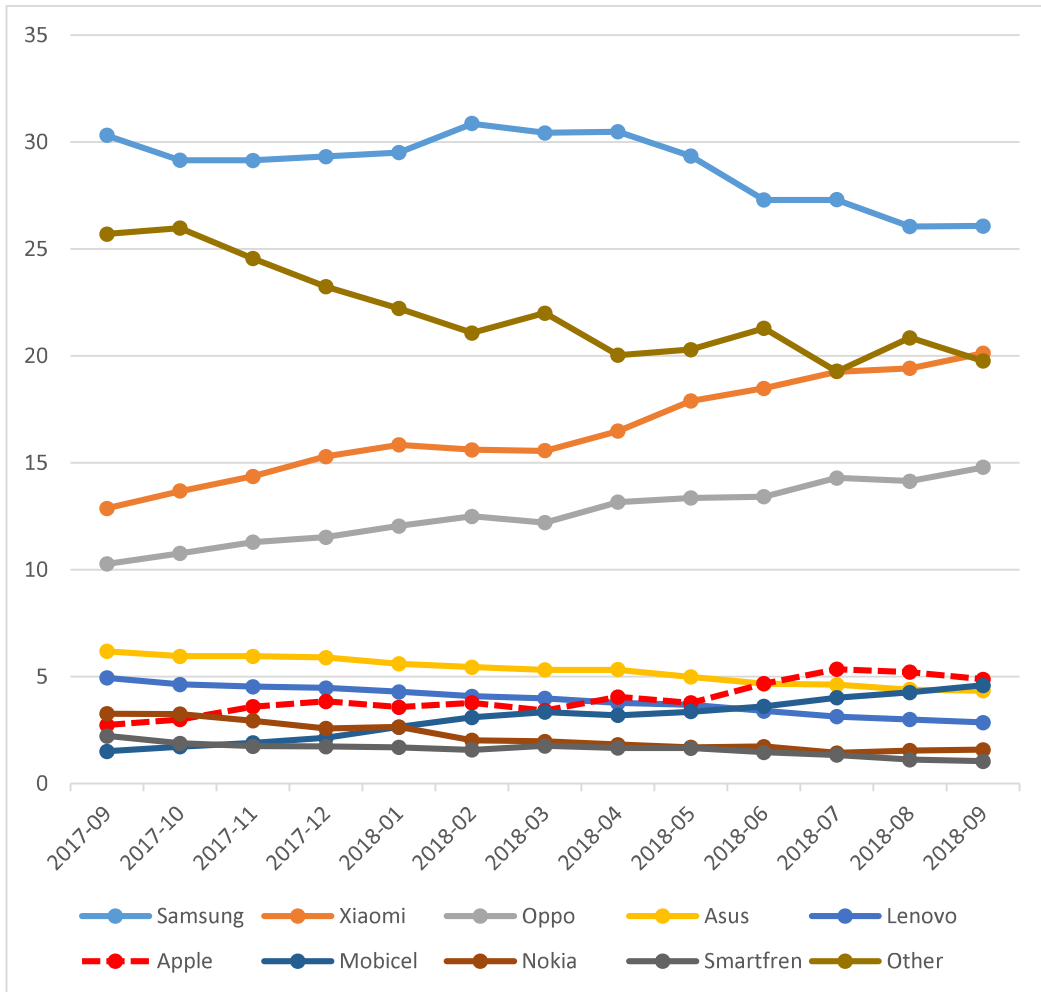
182905 www.eMarketer.com

**Figure 1. 4 The Forecasting of Top 25 Countries, Ranked by Smartphone Users**

*Source: eMarketer (2014)*

Figure 1.4 shows the forecasting number of smartphone users in top 25 countries from 2013 to 2018. Indonesia is ranked as the 7th country with the highest number of smartphone users.

The increasing of the number of smartphones users in Indonesia has caused an intense competition between smartphone vendors in Indonesia including iPhone, Samsung and China-based smartphone vendors like Xiaomi, Oppo, Huawei, etc which is explained in Figure 1.5:

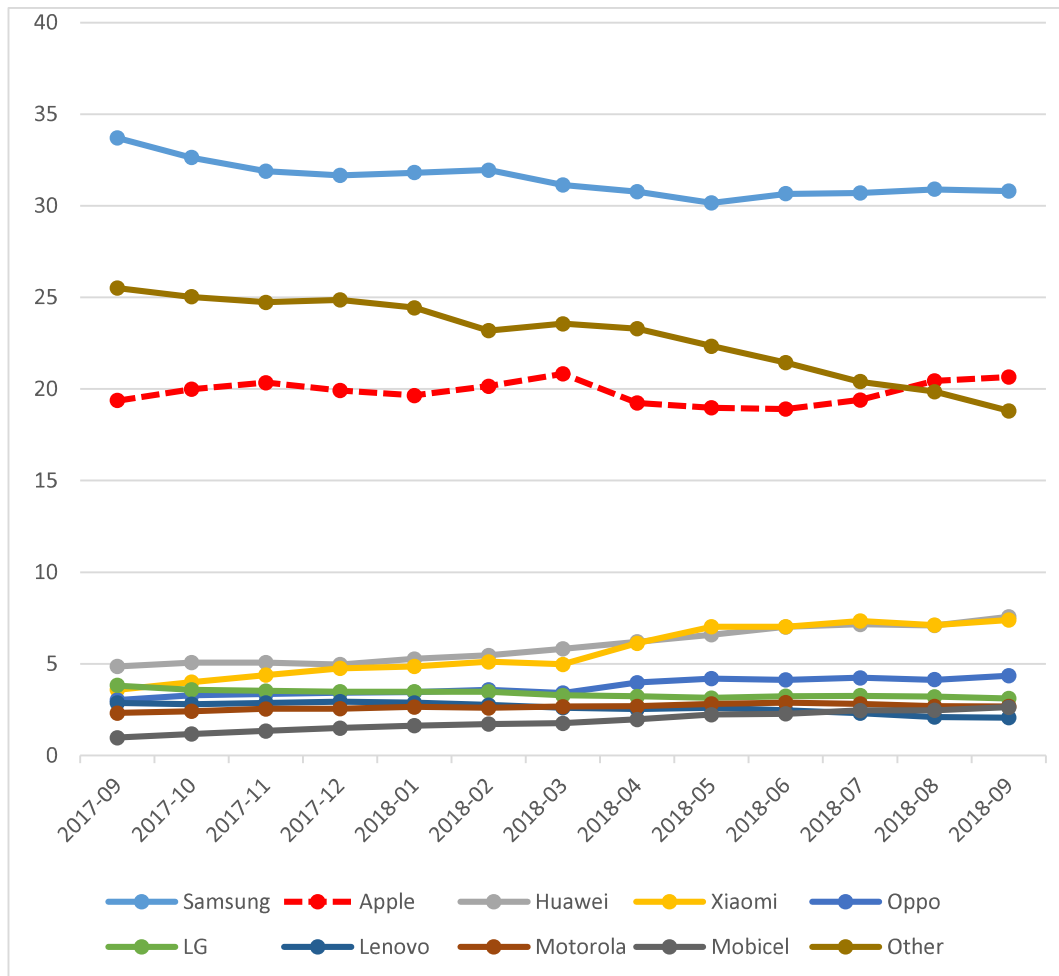


**Figure 1.5 Mobile Vendor Market Share in Indonesia September 2017 – September 2018**

*Source: StatCounter (2018)*

According to Figure 1.5, iPhone from Apple is ranked the sixth which means iPhone’s market share in Indonesia is under the market shares of Samsung, Xiaomi, Oppo, ASUS, and Lenovo on September, 2017 to September, 2018 (StatCounter, 2018).

Meanwhile, the condition of iPhone market share globally is shown in Figure 1.6:



**Figure 1.6 Mobile Vendor Market Share Worldwide September 2017 – September 2018**

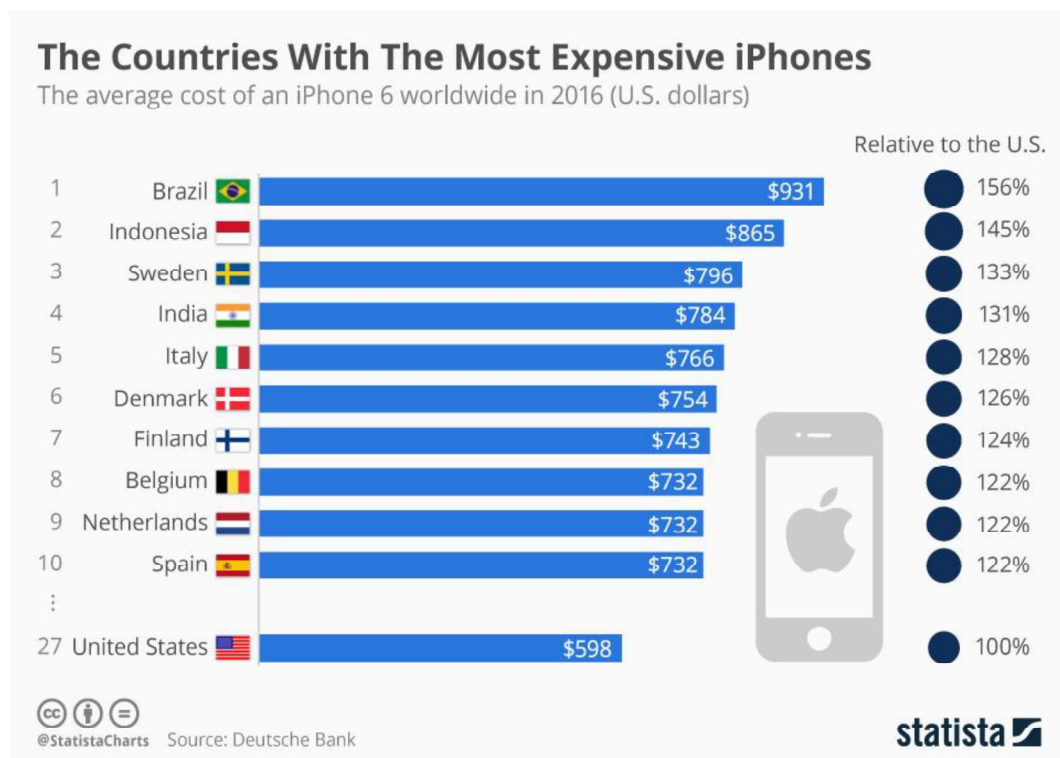
*Source: StatCounter (2018)*

The Figure 1.6 shows iPhone’s global market share is in the second place under Samsung’s global market share. The huge difference between iPhone’s market share in Indonesia and iPhone’s global market share shows iPhone has lost market in Indonesia (StatCounter, 2018).

Referring to market conditions from 2013 to 2017 which is released by Canalys, iPhone’s market share has remained stagnant in Indonesia and India while China-based smartphone vendors’ market share are growing up. For smaller markets which are in Malaysia, The Philippines, Thailand, and Vietnam, iPhone has lost market share in recent year (Canalys, 2018). Newley Purnell in The Wall Street Journal said, “China’s manufacturers are increasingly churning out higher-priced devices that compete directly with Apple’s smartphones. They often have high-end

features, but carry lower price tags than the iPhone X or even the older iPhone models”. According to Kiranjeet Kaur, an analyst with research firm IDC in Singapore, people these days do not have to stretch their budget anymore because China-based vendors boast features to compete with the top-end in the market (WSJ, 2018).

iPhone is a high-end brand which means iPhone offers high-priced products. It is one of some factors that affects the stagnancy of iPhone’s market share in Indonesia (Wired, 2018). The countries with the most expensive iPhones are listed in Figure 1.7, below:



**Figure 1.7 The Countries with the Most Expensive iPhones**

*Source: Statista (2018)*

Figure 1.7 explains the rank of the countries with the most expensive iPhone where Indonesia is in the second place (Statista, 2018). Based on this phenomena, it is important to learn about how its brand image and product price influence its customers in making decision before purchasing iPhone products. Hence, the author decided to conduct a research entitled “**THE INFLUENCE OF BRAND IMAGE AND PRODUCT PRICE ON PURCHASE DECISION (STUDY ON IPHONE IN INDONESIA)**”.



### **1.3 Problem Statement**

In Indonesia, iPhone from Apple is well-known as a high-end brand. With the expensive image, iPhone also creates the feature-rich image to each product to compete with the other vendors, but according to Kiranjeet Kaur, an analyst with research firm IDC in Singapore, people these days do not have to stretch their budget anymore because China-based vendors boast features to compete with the top-end in the market (WSJ, 2018). As the second country with the most expensive iPhone smartphones, Indonesia does not show a good response to iPhone's market share in September, 2017 to September, 2018. The market share of iPhone has remained stagnant in Indonesia (StatCounter, 2018).

As the main factors of Marketing Mix in these phenomenons, the significance of brand image and product price to iPhone's market share is undeniable. As Mullins and Walker, Jr said that marketing mix is a set of controllable marketing variables which are used to implement marketing strategies to influence the demand of the products (Mullins and Walker, Jr: 2010, 18). In order to analyze the influence of brand image and product price on the purchase decision of iPhone in Indonesia, this research should be conducted.

### **1.4 Research Question**

As for the formulation of problems in this study, the research questions are:

1. How big is the consumer assesment of brand image and product price toward purchase decision of iPhone in Indonesia?
2. How strong is the consumer purchase decision of iPhone in Indonesia?
3. Do brand image and product price positively influence the purchase decision of iPhone in Indonesia?

## **1.5 Research Objectives**

The purposes of this study are:

1. Learning the influence of brand image on purchase decision on iPhone in Indonesia;
2. Learning the influence of product price on purchase decision on iPhone in Indonesia;
3. Understanding the influence of brand image and product price on purchase decision on iPhone in Indonesia.

## **1.6 Scope of the Study**

This research focuses on some scopes which are as follows:

1. The influence of brand image and product price towards purchase decision on iPhone in Indonesia;
2. This research is only intended for the potential user of iPhone in Indonesia.

## **1.7 Research Aims**

This research is expected to be used by the parties in need. Benefit of this research are:

### **1.7.1 Academic Uses**

Improving author's insight and knowledge about the influence of brand image and product price on purchase decision on iPhone in Indonesia.

### **1.7.2 Practical Uses**

Providing information about the influence of brand image and product price on purchase decision on iPhone in Indonesia.

### **1.7.3 General Uses**

The results of this study are expected to be a reference for further research or similar research.

## **1.8 Thesis Structure**

### **A. CHAPTER I INTRODUCTION**

This chapter describes the review of the research object, research background, problem statement, research objective, scope of the study and research aim.

### **B. CHAPTER II LITERATURE REVIEW**

This chapter contains a description of literature review, theories related to research and solution of the problem, theoretical framework and scope of the study.

### **C. CHAPTER III RESEARCH METHODOLOGY**

This chapter contains the type of research used in this research, the operationalization of variables and measurement scales, phases of the research, population and sample, data collection validity, and reliability test, and data analysis techniques.

### **D. CHAPTER IV RESEARCH ANALYSIS AND RESULT**

This chapter describes the characteristic respondent, result of research and discussion about the result of research itself.

### **E. CHAPTER V CONCLUSION AND SUGGESTION**

In this chapter describes the conclusions of the results of the study, and gives suggestions for iPhone in Indonesia, and also for current or further research.