

# CHAPTER I

## INTRODUCTION

### 1.1 Research Background

Communication is needed by everyone, because people try to do various things to keep in touch with others. In the past, to be able to keep in touch with others, someone wrote letter that will be sent by courier or postman. The development of the times make peoples began to abandon traditional things and innovate by creating tools that could facilitate human existences.

Smartphone is the latest innovation that can facilitate people communicate with others. The Smartphone is needed by everyone in daily activities because it help consumers easily and quickly get the latest information. The smartphone facilitates communication and allows people to do their job everywhere, also as multi use devices for music, gaming, socializing and other multimedia software. The existence of smartphones today is no longer a luxury item because almost everyone from a variety of status groups, occupations and the current age own it.

Smartphone is a combination of personal device assistants and mobile phones that use advanced operating systems and permit users to install new applications, be constantly connected to the internet, and provide multifarious functionalities of both. Smartphones are increasingly entwined in people's everyday activities as it makes their lives easier access the internet 24 hours a day, seven days a week, and 365 days a year (Suki, 2013). Consumers do not view

Smartphones just as devices for calling and texting, instead as multi-use devices for gaming, socializing, and downloading applications which results in a radical shift in behaviour patterns, lifestyle and status (Shin, 2012). Smartphones have become an inseparable part of life and people carry them all of the time.

The consumers will consider which type of Smartphone they need before doing purchase decision. According to Armstrong et al. (2012) the purchase decision-making process is the stage where the consumer actually purchases the product. For measuring the purchase decision, the purchase decision process consists of five stages: introduction needs, information needs, information search, evaluation of alternatives, purchase decision, and behavior after purchase (Kotler and Armstrong, 2012).

Before choosing the products consumers want to buy, they consider various things one of the thing is product quality. According to Goetsch and Davis (2005) quality is a dynamic condition which related to product, service, people, process and environment that fulfil the expectation. The quality of the product is not reviewed by the company, it is seen from the customer perspective. There are two important factors that affect the quality of the product, namely the expected product quality and the perceived product quality. If the perceived product quality is in line with the expectation, then the customer will perceive the product quality as good quality. The qualification of bad and good product depends on the ability of the company to meet customer expectations (Razak et al., 2016).

Quality is critical to satisfying customers and retaining their loyalty so they keep to purchase product from the same manufacturer. Quality products

make an important contribution for long term revenue. The quality of product can influence the company's reputation. A strong reputation for quality can be an important differentiator in the competitive market.

Good quality products tend to offer higher prices. Many consumers consider this to be a problem, and prefer to choose smartphones with price considerations. Most consumers only use the standard quality which own by every Smartphone like social media or chat application, so they are more concerned with the price of the Smartphone itself. In which the high-low price of a product can be a significant effect on customer intention to purchase the product. The fairness of the price will influence the perception of the customers and it ultimately will influence their willingness to become a customer (Razak et al., 2016).

Consumers also consider another factors such as brand. They tend to prefer some well known brand of Smartphone. According to Keller (2012), Brand is the name of uniqueness with respect to name, sign, term, or design or blend of them, proposed to classify the products or services of one supplier or group of suppliers to have competitive advantage on others in the market. Some consumer satisfied when they using product that have a good reputation of brand. Manufacturers can achieved good reputation of brand by produce a good quality of product or other factors. Brand image is something more valuable than the product. It means that the brand can be used as a difference between one product with another similar product, especially by using the brand image.

According to Keller (2012), “Once a sufficient level of brand awareness is created, marketers can put more emphasis on crafting a brand image”. The brand image is something more valuable than the product. It means that the brand can be used as a different between one product with another similar product, especially by using the brand image (Djatismiko, 2015).

Smartphone already became an inseparable part for of modern society, this has resulted in increased demand of Smartphones over time. This is because many manufacturers of communication equipment products offer various types of new products with different innovations. The manufacturers create Smartphones with a various type and features so can provide a lot of covenience for consumers in communicating that can support daily activities, can be for work or other things.



Samsung is one of the smartphone brand that can provide what the most important things for smartphone by customers. Many customers aware about the quality of Samsung product itself because Samsung have a good image on costumers perspective. Even though Samsung smartphone doesnt give the lowest price for they product, but many customers dont mind it and consider Samsung to be the best Smartphone.

Demand for smartphones in the world has increased. Included in Indonesia Smartphone sales have increased dramatically, from the figure 1.1 can be seen Market Share of Smartphone by Year over Year (YoY)

**Figure 1.1**  
**Indonesia Top 5 Smartphone Companies by Year over Year (YoY) Market Share Comparison**

Vendor	Volume Share 2017	Volume Share 2018	YoY 2018
Samsung	32 %	27 %	- 15.6 %
Advan	9%	6 %	- 33.3 %
Vivo	3%	9%	300 %
Xiaomi	3%	25%	760 %
Oppo	24%	18%	-25 %
Other	29 %	15 %	-48.2 %
Total	100 %	100 %	100 %

Source : IDC 2018 ( Indonesian Top 5 Smartphones Companies by YoY Market Share Comparison 2018 )

From figure 1.1 above, it can be seen that the volume share of Samsung smartphone products in 2017 was in first place with 32% of the total smartphone share volume in Indonesia. However, Samsung smartphone's volume share in 2018 fell into 27%, which means the year-on-year growth (YoY) of Samsung smartphone products is -15.6% while Xiaomi's product has a share volume increase of up to 760%. This happened because of the price difference between Samsung smartphone products and Xiaomi which made the volume share of Samsung smartphones in 2018 decline. Although Samsung experienced a decrease in the number of market shares but they still ranked first in the smartphone industry market share in Indonesia.

From the background of the problems that have been described the researchers are interested to conduct a study entitled : **The Effect of Product Quality, Price and Brand Image towards Purchase Decision on Samsung Smartphone. (Case : Among University Students in Padang City).**

## **1.2 Problem Statement**

1. How does the effect of Product Quality towards Purchase Decision of Samsung Smartphone among university students in Padang city?
2. How does the effect of Price towards Purchase Decision of Samsung Smartphone among university students in Padang city?
3. How does the effect of Brand Image towards Purchase Decision of Samsung Smartphone among university students in Padang city?

## **1.3 Research Objectives**

According to the formulation of the problem, this research has several objectives to be achieved that is as follows:

1. To analyze the effect of Product Quality towards Purchase Decision of Samsung Smartphone among university students in Padang city
2. To analyze the effect of Price towards Purchase Decision of Samsung Smartphone among university students in Padang city
3. To analyze the effect of Brand Image towards Purchase Decision of Samsung Smartphone among university students in Padang city



## 1.4 Research Contribution

Expected results obtained in this study can provide positive benefits for:

### 1. For Practitioner

This research is expected to provide input, information and references which can be used as consideration or inputs for the practitioner that are related to Product Quality, Price, Brand Image and Purchase Decision.

### 2. For Academics

This research is expected to train and develop another reference, as well as add some insights and knowledge about The effect of Product Quality, Price and Brand Image towards Purchase Decision.

## 1.5 Research Outline

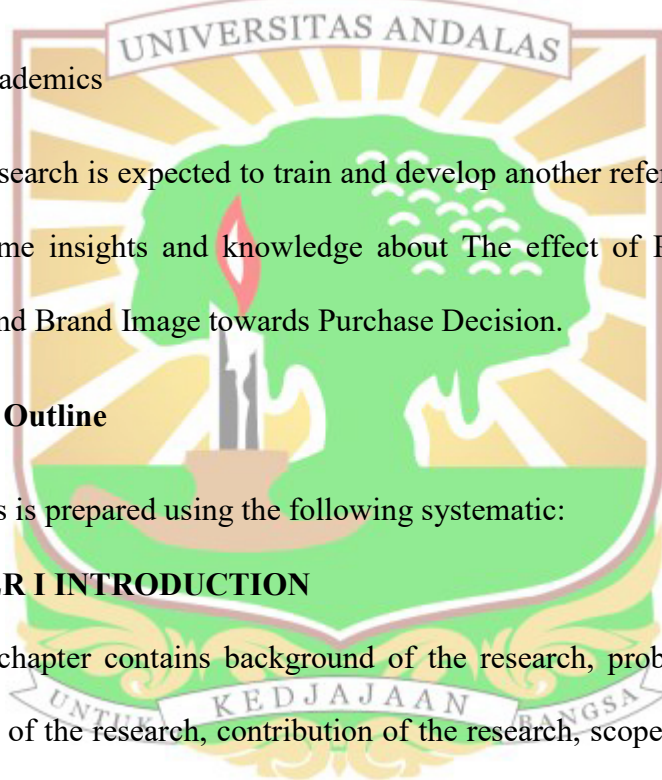
This thesis is prepared using the following systematic:

### CHAPTER I INTRODUCTION

The first chapter contains background of the research, problem statements, objectives of the research, contribution of the research, scope of the research, and outline of the research

### CHAPTER II LITERATURE REVIEW

The second chapter contains the literature, theories and last research about Product Quality, Price, Brand Image, Social Influence and Purchase Decision



### **CHAPTER III RESEARCH METHODOLOGY**

The third chapter conducts about research design, population and source of samples, type of data and variable measurement, research variable, operational definition, data analysis, test of instrumental (reflective indicators), structural model test and hypothesis testing.

### **CHAPTER IV RESULTS AND DISCUSSION**

The fourth chapter contains the explanation about results and consists of characteristic of respondent, descriptive analysis, structural measurement indicators (reflective indicators) and hypothesis testing.

### **CHAPTER V CONCLUSION**

The fifth chapter conducts the conclusion of the research that discussed based analysis that has been carried out, limitation and recommendation of the research.

