CHAPTER I

INTRODUCTION

1.1 Background

Technological advances, information, and communication are developing very fast and result in every individual wants a tool to meet their needs in adapting to the environment that refers to follows the changing times. One such device is the handphone. Tells the story of handphone, this tool was originally created to send voice messages we can carry wherever we go.

Lately, people use handphone and this can not be avoided anymore. Sometimes they have more than one handphone, it makes it difficult for someone to change cellphones quickly, because of that companies start thinking to develop new innovations that make handphone have 2 SIM card and also that is not only focused on sending voice messages but also other unique features but useful to fullfill their customers needed and in the end up to the stage of the emergence of a new term as known as *smartphone*. According to (Gary B, Thomas J, & Misty E, 2007: 19), smartphones are phones that are activated through the Internet that usually provides Personal Digital Assistant (PDA) functions such as calendar, agenda book, address book, calculator, and notes. Smartphones that have functions that involve computers, so that they will discuss technology, smartphones that will support computer technology, especially in terms of accessing data from the Internet.

Speaking of smartphones, s martphones based on the device was first introduced in 1993. While the first Android phone to enter Indonesia was HTC Magic in 2009, with many existing smartphone products, the kinds of product base operations (Platforms) such as Android, Blackberry OS, Apple IOS, Symbian, Windows Phone, and others. Smartphone brands that entered Indonesia include: Iphone, Samsung, Oppo, Xiaomi, Vivo, LG, Sony, Advan and other brands. Each company works hard to do innovation intern of type, model, and technology applied that are tailored to the profession, status, lifestyle, and community hobbies. Therefore people are confused by various brands and they have to adjust to their needs.

With a large population, Indonesia is a very promising market for the expansion of new products. Therefore, domestic and foreign companies are competing to establish their companies in Indonesia and make new types of products that they consider to be their target buyers. The products produced by these companies create a business competition, if the companies can meet the demand of customers, of course, they will get huge profits.

The dynamics in the business world, makes each company must be sensitive to the market for their survive in the future. Companies must be deft in terms of distribution and introduce their products in order to reach their target market and maintain their market share. This competition is not only in terms of products but also more on the functions or additional features of the product such as packaging, services provided, advertisements, promotions and others.

In this competition, there are companies that are significantly increasing in terms of their sales, and there are also only up a few percent. for that we can see from the following table :

Table 1.1
Indonesia Top 5 Smartphone Companies Q2 2019 (Unit Market Share)

No	Company	Unit Market Share
1	Samsung	26.90%
2	Oppo	21.50%
3	Vivo	17%
4	Xiaomi	16.80%
5	Realme	6.10%
6	Other	11.70%

(Source : Tekno Kompas)

We can see from Table 1.1, where IDC (International Data Corporation) ranked Samsung at the top with a market share of 26%, OPPO followed at the second place at 21.5%, then followed, vivo with 17%, Xiaomi 16.8%, and Realme with 6% .

Table 1.2
Total Official Smartphone in Indonesia

No	Company	Merk	Amount type
1	PT. Selalu Bahagia Bersama	Oppo	33
		Realme	
2	PT. Samsung Electronics Indonesia	Samsung	21
3	PT. Vivo Mobile Indonesia	Vivo	13
4	PT.Xiaomi Technology	Xiaomi	5

(Source: tkdn.kemenperin)

From the data that i got from website TKDN (Tingkat Komponen Dalam Negeri) Ministry of Industry that officialy come to Indonesia, there are about 72 type of smartphone that officaly release in Indonesia at 2019. The success of samsung is due to the series of new galaxy A series phones which were intensively released in the first half of 2019 from sources that the author got. Galaxy A series contributed 77% calculated when Galaxy A2 Core was released until Galaxy A70.

Because of this rapid competition, researcher wants to know about the loyalty of the customer, are they still loyal to one of those brand from table 1.1. & table 1.2. or they will switch to rival? In this research, the researcher wants to know factor that make samsung users loyal to this brand.

Based on this, researchers are interested in knowing the phenomena that occur with samsung users, so researchers conducted an initial research to find out what causes they chose to use samsung and loyal as their smartphones by interviewing 10 respondents of samsung users. Researchers choose students as objects. The reason, because students are considered critical and literate in technology. They are sensitive to technological developments and gadgets that can help them find information. They are very close to gadgets, especially smartphones. They are more sensitive to the latest smartphones information. This is also the impact of the development of the technology industry in education. Because the researcher is one of students in Andalas University, so researcher decide to do initial research samples from Andalas University students and produced the following.

Table 1.3
Initial Observation Result Samsung User

Responden	Factor That Influence Customer Loyalty				
	Satisfaction	Emotional Bonding	Trust	Simplicity	Brand Image
1	√	√	√	√	√
2	√	√			√
3	√		√	√	√
4	√	√	√	√	√
5	√		√	√	
6	√		√	√	
7	√	√	√		√
8	√	√	√		√
9	√	√	√	√	√
10	√	√	√	√	√
TOTAL	10	7	9	7	8

Source : Initial Survey, 2019

Viewed from table 1.2. can be explained that the factors that influence customer loyalty are dominated by customer satisfaction, brand trust, and brand image. It can be concluded that the factors that dominate customer loyalty are these 3 factors in terms of loyalty to samsung smartphone products.

Customer satisfaction is factor that support customer loyalty. The result of Mulyadi (2017) is costumer satisfaction support the loyalty of the customer, that means samsung have to make sure the customer experience when using their

smartphone is good and then loyalty of customer getting high and make their expectation of this product is match with when their do promotion.

Another factor that affect customer loyalty is Trust. The definition of brand trust according to Costabile (2002) is as following rating of reliability from the customer's point of view or point of view at the stage of the transaction or interaction which is characterized by fulfilling expectations product performance and achievement of satisfaction. This illustrates that a customer has trust in a brand will try to share the risk inside the brand. So the context of trust in the brand, The entity that is trusted is not the person, but the symbol of the product. So in this point, users samsung is believe on products smartphone that bought of them. Trust on brand to faced the risk because customer expect that the brand they are buying will provide positive and beneficial result for the customer (Lau dan Lee, 1999:343)

This study investigate the affect of brand image toward customer loyalty on user of samsung. Brand image has almost become a benchmark for someone's satisfaction in making choices when buying something, so when they buy a product that is already well-known, they will be satisfied, and reinforced by research from Aaker (1991) defines brand image as a "set of brand association that are anything linked in memory to a brand, usually in some meaningful way" and can be defined as the perception about a brand as reflected by the cluster of associations that consumers connect to the brand name in memory (Rio et al., 2001). On other hand, Kotler and Armstrong (1996) define brand image as "a set of beliefs held about a particular brand".

From explanation above, researcher use customer satisfaction as intervening variable in order to know, which is customer satisfaction can moderated brand image and brand trust or not.

Based on the statement from the background above, the presenter was interested in researching with these variables with the title **"The Effects of Brand Image and Brand Trust on Customer Loyalty with Customer Satisfaction as Intervening Variables (A Case Study on User Samsung Smartphone At Andalas University)**

1.2 Problem Statement

1. How does the effect of brand image on customer loyalty ?

2. How does the effect of brand trust on customer loyalty ?

3. How does the effect of customer satisfaction on customer loyalty ?

4. How does the effect of brand image on customer satisfaction ?

5. How does the effect of brand trust on customer satisfaction ?

6. How does the effect of brand image on customer loyalty intervene by customer satisfaction ?

7. How does the effect of brand trust on customer loyalty intervene by customer satisfaction ?

1.3 Objectives of the research

Based on the formulation of the problems above, objectives of the research is as follows :

1. To investigate the effect of brand image on customer loyalty.

2. To investigate the effect of brand trust on customer loyalty.

3. To investigate the effect of customer satisfaction on customer loyalty.

4. To investigate effect of brand image on customer satisfaction.

5. To investigate the effect of brand trust on customer satisfaction.

6. To investigate the effect of brand image on customer loyalty intervene by customer satisfaction.

7. To investigate the effect of brand trust on customer loyalty intervene by customer satisfaction.

1.4 Contributions of the research

The contribution of research on " The Effects of Brand Image, Brand Trust on Customer Loyalty with Customer Satisfaction as Intervening Variable " (A Case Study on User Samsung Smartphone at Andalas University)

1.For Researcher

This research is expected to add the knowledge and insight of researchers regarding the Marketing Management Strategy, especially the application of brand image, brand trust, and customer satisfaction affect on customer loyalty in the product and service industry.

2.For academics

This research can be a reference source and can provide contribute to the development of studies on strategic marketing and can used as a reference in future research on the same theme.

3.For Company

As a reference how to build customer loyalty on their customer, considered by many factors that can affect such as brand image, brand trust, customer satisfaction and customer loyalty.

4.For other parties

This research can be used to apply the knowledge in assessing a problem in the field in accordance with the knowledge learned and increase knowledge, especially regarding marketing activities.

1.5 Scope of Research

The scope of the Research will focus on Brand Image, Brand Trust, and Customer Satisfaction as the independent variable, and Customer Loyalty as the dependent variable. The object of this research is college student of Andalas University who use samsung smartphone.

1.6 Outline of Research

In order to make it easier and make moderate the forwarding of content, this research is divided into five chapters, they are:

CHAPTER I : Introduction

Elaborating on the background of the problem, formulation of the problem, limiting the problem, research objectives, the benefits of research, and systematic thesis.

CHAPTER II : Review of the Literature
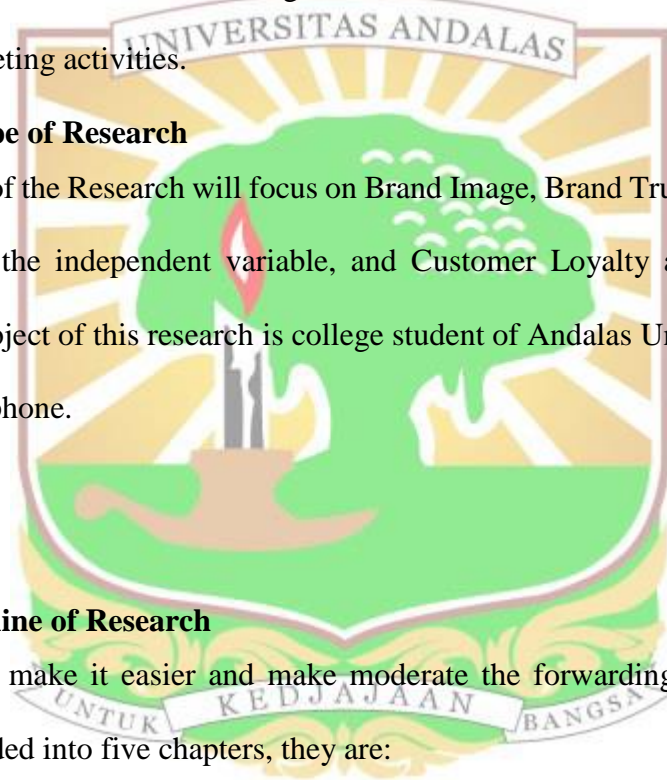
This chapter contains description of theoritical variables that include the theories that support and underline the variables used in the research and framework.

CHAPTER III : Research Design

In this chapter, the author put forward about the object of study, population data and data sources, techniques data collection, operational definitions of variables, data presentation techniques, and data analysis techniques.

CHAPTER IV : Result and Analysis

This chapter contains the characteristic of the respondent, descriptive analysis, data collection and result of the research.

CHAPTER V : Conclusion

This chapter contains the conclusion of the research result, research implementation, limitedness of research and recommendation.