

CHAPTER 1

INTRODUCTION

1.1. Background

Business nowadays is so concern about how they can attract people or customers to buy their product. They will try any variant method to win customers heart, Marketers claim that the twofold goal of marketing is to create value for customers and build strong customer relationships, which in turn the company will benefit from when capturing value in return (Kotler, Armstrong and Parment, 2011). In ancient time when people do not used social media, television, and billboard to advertise their product, they usually used papyrus or thick type of paper made from papyrus plant, a copper printing plate, calligraphic signboards and inked papers to advertise their product. All of that advertisement happens before printing machine exists. In 1960 advertising transform into modern approach in which creativity was allowed to shine, producing unexpected messages that made advertisements more tempting to consumer's eyes and also it can open up other channel to do advertisement.

Business in 21 century, they are find some other channel to advertise their product through internet such as social media, blog, and websites. This make advertisement got more intense among company; they compete with each other using creativity to make advertisement that people or consumer more attracted to buy their product. There are many kind of advertisement method that company usually used as a media to delivered their intention and information about their product such as newspaper, television, radio, social media, website, and any other method but there is unusual method that business used to advertise their product, it is celebrity endorsement. The celebrity endorser is known as any individual who enjoys

public recognition and who uses this recognition on behalf on a consumer good by appearing with it in an advertisement (McCracken, 1989, p. 310).

As we know in 2016, population of Smartphone 4G began to increased and according to the IDC (International Data Corporation), Cell phone market share 4g also rose from 58 % in the second quarter 2016 to 68 % in the third quarter 2016 and having sequential growth of 8 %. IDC mention, the increasing of cell phone 4G market share because the operator has compete to expand their market share in an effort to take advantage of increase in the number of Smartphone users in the country through data packets bundling. People nowadays, often used Smartphone for work, entertainment, business, chatting, using internet to get new information because of those reason sales of Smartphone in the world is increasing dramatically and expanding their market from small country until huge country including Indonesia has affected by that expansion.

In line with this expansion, the portion of smart cell phone sales in the telecommunication increased by 22 percent YoY (year on year). Refers to the IDC report , successive five big ruler cell phone in Indonesia is Samsung (26%), followed by Oppo (19%), Asus (9%), Advan (8%), Lenovo (6%), and rest is owned and other brands. This indicates that the big brand of Samsung is dominated the market in Indonesia with market share 26%, followed by Oppo that can compete with Samsung almost equal in the Indonesian Market. This data also show that Oppo can become threat to Samsung in term of sales and popularity among Indonesian people, soon or later the sales of Oppo in Indonesia will be higher than Samsung.

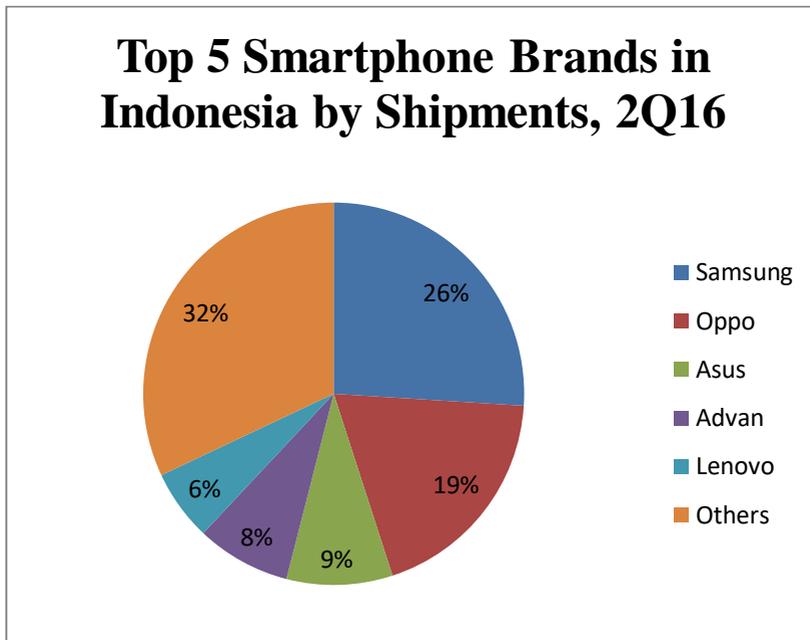


Figure 1.1

Source: Bisnis.com and www.idc.com

According to senior market analyst, client devices IDC Indonesia Reza Haryo, Indonesians used the Smartphone for entertainment, as chat, watch video, play games and access the internet. This encourage an increase in demand Smartphone with the width touch screen that Tablets share increased from 11 % in q3-2015 to 16 % in q3-2016. As we can see in the figure 1.1, Oppo is in competition with Samsung in terms of shipment in Indonesia, they could sell their Smartphone about 18.5% (<http://gadgetplus.id>). Oppo is relatively new Chinese-based Company that has only recently started its hardest to the international market starting with the Oppo Find 5 and officially enters Indonesian market in April 2013. They are the largest and fastest growing in the world, and their rivals

include big names such as ZTE, Huawei, Lenovo, Xiaomi. Before its products are marketed to Indonesia, Oppo first expanded their businesses to some states such as, Thailand, Vietnam, Russia, America and Qatar. Since then Oppo continue to promote and introduce their quality of brand through printing media, TV, and the internet.

There are top products that Oppo sell in Indonesia such as Oppo F1 Plus, Oppo A37, Oppo F1s, and Oppo A39. This 4 product are now popular among youth because of their reasonable price that offering excellent specification and their usefulness such as high resolution of camera to get better picture when taking a picture with friends or with yourself. Their product Oppo F1s sold 6000 unit on first launching, they used Raisa as their brand ambassador and also use this opportunity to do celebrity endorsement to boost their sales. They launch a limited edition phone and we call it Raisa phone with selfie expert camera also decorated with Raisa signature on the back of the phone. An effective approach to building relationships between the company and its customers is through the usage of *celebrity endorsement*. It is known that customers tend to feel stronger about a product or brand when someone they can relate or look up to is endorsing it (Erdogan, 1999). The *celebrity endorser* is known as any individual who enjoys public recognition and who uses this recognition on behalf on a consumer good by appearing with it in an advertisement (McCracken, 1989; 310). Hence, there are a great number of well known examples and celebrities from all kind of different professions that are used in order to endorse brands and products, for example athletes, actors, pop stars, television personalities and business men.

In Indonesia celebrity endorsement is really popular when it comes to promote a product or even new products that want to boost in sales after

an endorser promote their product. For example, media social recently has a huge influence on youth generation they used media social very often in 24 hours, many business see that phenomenon as opportunity to spread their market through media social. They used endorser services to promote their product in social media, believe it or not the fact is after they used endorser to promote their demand of goods or services is increasing rapidly. Some of the consumer said that they want a product that this celeb used because it looks good on him/her, some of them said that they want to buy that product because their favorite celebrity used that product. Much different opinion when some product being endorse by some celebrity not only company got a benefit from that but also the celebrity also earn additional income from that. Martin Roll (2014) states that celebrity endorsement is thought to provide a specific differentiation and strengthen the brand image in a market with intense competition, of local, regional and international brands. Furthermore, in order to be effective, it is said that a symbolic match should exist between the celebrity image and the brand image (McCracken, 1989).

Brand image is the perception of brand that created in memory of consumer due to brand involvement (Keller and Jacob, 2011). People are so concern about their status and tend to use branded product to show off their status symbol. A brand is the complete expression of an entity (company, product, person, etc) that is being communicated creating an experience in the public, both rational and emotional. In our local scenario it also considered as valuable asset for any business as it can change people's buying behavior and also it can play an important role to expand any business. *Brand image* can be strong influence to compete with our competitor but it needs long time to be developed. Customers depend on branded product and prefer to buy product that is already well known brand

name in the world. *Celebrity endorsement* as a marketing strategy and its impact on a firm's brand image has been moderately researched during recent decades (Erdogan, 1999). Apart from the findings mentioned in the background section, research has shown that celebrity endorsement increase attention and brand recognition. It also helps underpin global campaigns, simplifies potential image polishing and brand repositioning, and makes a product or service more believable (Pappu and Bettina, 2011). *Celebrity endorsement* has an impact on brand image according to the research before because when we used Celebrity as our endorser even brand ambassador, people can easily get attracted and interested towards some kind of product using celebrity endorser. It can easily boost the sales of products and also we can gain the brand recognition, brand awareness, brand experience, and even the good one brand loyalty from customer who is already buy the product. Celebrity endorsement is a common marketing communication strategy for building brand image. Advertisers believe that the use of a celebrity affects advertising effectiveness, brand recall and recognition, as well as purchase intentions and follow-through (Spry *et al.*, 2011).

The next important variable that will be analyzed here is *Repurchase Intention*. Refers to plan to buy again something in future for use but prior to this a cognitive process works behind where several factors consumer perception about product or source person really matters. In purchase intention process main focus of the study is the attitude towards the source person, Celebrity endorser. The attributes of celebrity develop the attitude towards buying. According to Bagozzi *et al.*, 1979 and Ostrom 1969, "*Repurchase intentions* are personal action tendencies relating to the brand. Basically, people will got attracted when they already seen the advertisement of the product or they got sense of moved when the product

has branded brand". People usually called that moved is intention, they want buy those product because he/she has intention to buy when they see some advertisement or the product has branded brand. Intentions are distinct from attitudes. Whereas attitudes are summary evaluations, intentions represent "the person's motivation in the sense of his or her conscious plan to exert effort to carry out a behavior" (Eagly and Chaiken, 1993). After a celebrity endorse some product, company will got people intention and they surely know that the product is being endorse by the celebrity and make them more interested to getting know the product, at least company got people intention to see the product first rather than no one that see the product because the chance of people going to buy the product is not zero and company who is using celebrity endorsement service will get a lot of fame because of the popularity of celebrity.

Message of advertisement is easily recalled and likeability of ad increases due to involvement of celebrity which results in purchase intention (Pringle and Binet, 2005). That's why *celebrity endorsement* has positive impact on *Repurchase Intention* not only consumer but the *brand image* of the company also get positive impact. Many researchers believe that an advertisement featuring a celebrity delivers a higher degree of appeal, attention, recall rate and possibly purchase compared to the ads without celebrities (Cooper, 1984; Dean and Biswas, 2001). Different studies have used different dimensions of a celebrity endorser to find out the said impact, this research adapting of two previous researches, which discusses *Celebrity endorsement* to the *brand image and repurchase intention*. The first research has been done by Mukherjee (2009), the title is *Impact of Celebrity Endorsement on Brand Image*. The second research has

been done by Khan et al. (2016), the title is Influence of *Celebrity Endorsement* on *Repurchase Intention*.

The purpose of this research is findings and analyzes the impact of *celebrity endorsement* which is Raisa as brand ambassador of Oppo and as *Celebrity endorsement* impact on *brand image* of Oppo, and the impact of Oppo using Raisa as celebrity endorsement on *repurchase intention*. The respondent of this research will be people who know Raisa as Celebrity endorsement, people who live in Surabaya, people who know brand Oppo as Smartphone brand, and at least they ever bought a Oppo Smartphone to prove that *Celebrity endorsement* can created excellent *brand image* and get *repurchase intention*.

1.2. Research Question

Several questions that may help to understand the impact of *Celebrity Endorsement* on *Brand Image* and *Repurchase Intention* in Oppo Smartphone are as follows:

1. Does *celebrity endorsement* have impact on *brand image*?
2. Does *celebrity endorsement* have impact on *repurchase intention*?
3. Does *brand image* have impact on *repurchase intention*?

1.3. Objective of the Research

These answers of research question serves to fulfill the objectives of the study which to understand the impact of *Celebrity Endorsement* on *Brand Image* and *Repurchase Intention*:

1. To analyze the positive impact of *celebrity endorsement* on *brand image* of Oppo Smartphone at Surabaya.
2. To analyze the positive impact of *celebrity endorsement* on *repurchase intention* of Oppo Smartphone at Surabaya.

3. To analyze the positive impact of *brand image* on *repurchase intention* of Oppo Smartphone at Surabaya.

1.4. Scope of the Research

This research will explain to the readers what is the impact of celebrity endorsement on brand image and repurchase intention of Oppo Raisa Smartphone at Surabaya, it will involve Oppo and the other variables such as celebrity endorsement, brand image, repurchase intention and shows that they are correlated to each other.

In this case, the impact of celebrity endorsement on brand image and repurchase intention will be discussed in detail. This study also will involve the people who use Oppo Smartphone product as their gadget.

1.5. Advantage of the Research

This study has significant impact both on:

1. Academic

The result of this research study can be used as one of the reference for those who do similar study or continual study especially about the impact celebrity endorsement on brand image and repurchase intention.

2. Practice

The result of this research study can be used as the source of information of making decision to increase sales, especially for any management student that is studying in depth about the impact celebrity endorsement no brand image and repurchase intention.