CHAPTER 1

INTRODUCTION

1.1. Background

Although mobile phones have become a fundamental part of personal communication across the globe during the past ten years, consumer research has devoted little specific attention to motives and choice underlying the mobile phone buying decision process. While in the world many companies are facing tough brand war among each other for getting maximum market share, OPPO Smartphone Company is part of it.

Company can get maximum share with the help of offering best product or brand with affordable price. Through providing best quality brand, companies can get a positive brand image with the help of proper and adequate brand positioning through brand trust. However, before they can do so, they need to study their respective market and identify the factor that will steer them to success.

The same concept applies here where the factors which influence consumer purchasing behavior should be identified in order to ensure the success in industry for a smartphone manufacturer. Like the brand OPPO is one of the fastest-growing smartphone maker globally by far which is based in China. OPPO entered the mobile phone market in 2008. By quarter of 2016 OPPO grew by 137% in the second, compared to a year ago, according to market

research firm IDC. The company finished fourth overall, behind Samsung, Apple and Huawei, in that order. OPPO shipped 22.6 million smartphones in the second quarter and grabbed 6.6% of the market, well behind the 77 million shipped by Samsung and the 40.4 million from Apple, according to IDC (International Data Corporation Global, 2016). It has remained in the 4th position while moving its overall share up 1.5 percentage points to 8.1 percent. The Chinese manufacturer has been expanding its international business, and its initial focus is on the Southasian Market. In India, OPPO has opened many new service centres as well as several exclusive retail stores. With its fantastic pace of growth, OPPO is expected to continue to put pressure on high-end phone makers like Apple and Samsung. That's because OPPO's smartphones have attractive, high-end features at lower cost.

OPPO had already prepared for this by establishing its local smartphone factory last year. This facility is manufacturing the made in Indonesia F1 Plus for local consumption only – the same model sold in other South-East Asian countries is made in its Shenzhen factory. Intense competition in the smartphone market has also forced Oppo to take on a more focused strategy: For one, it does not want to be called just a smartphone manufacturer anymore, but wants to be known as a 'camera phone manufacturer.' OPPO also managed to boost sales in Indonesia. With their jargon of 'Selfie Expert', through the F1 series smartphone, the Oppo F1, F1 Plus, and F1s, in 2016 OPPO successfully lure Indonesian smartphone consumers by

relying on the quality of front camera qualified. Even so, despite successful success with selfie smartphones released, OPPO recognizes that setting yourself up to work on selfie smartphones is not easy. OPPO builds its product identity as a selfie product and concentrates on product lines that put forward camera technology.

IDC
ANALYZE THE FUTURE

Comparison of Top 5 Smartphone Companies in Indonesia 2017 vs 2016 by Market Share

2017 Top 5 Smartphone Companies		2016 Top 5 Smartphone Companies	
Company	Market Share	Company	Market Share
1. Samsung	31.8%	1. Samsung	28.8%
2. OPPO	22.9%	2. OPPO	16.6%
3. Advan	7.7%	3. ASUS	10.5%
4. ASUS	6.5%	4. Advan	6.8%
5. vivo	6.0%	5. Lenovo	5.6%
Others	25.1%	Others	31.6%
Total Shipment Volumes (in millions)	**30.4**	**Total Shipment Volumes (in millions)**	**30.3**
Source: IDC Asia/Pacific Quarterly Mobile Phone Tracker, 4Q17			

Figure 1.1 Market Share
Source: International Data Corporation

Table above explained that OPPO become the second biggest sales in Indonesia. We can see the potential of OPPO smartphone in building brand image from year to year. It increased quite a lot from 16.6% to 22.9% and we can see that OPPO is also

trying to build a brand trust through the jargon that they made and by providing best front selfie camera to consumers in Indonesia. Unlike other smartphone that successfully promotes their products through online sales, Oppo successfully pushed into second position by offline sales channel. Plus an aggressive marketing strategy, sponsorship and promotion as well as innovative product presence have helped drive sales in Q4 2017 in Indonesia. OPPO aggressively trying to grow their brand image through the brand trust that they build through offline sales and services that they provide.

As for the thesis, the focus will be about brand image OPPO trying to build through brand trust and its influence to consumer buying behavior. Brand image is an integral component of brand equity as it conveys the worth of the brand to the consumers. Image defined as the set of beliefs, ideas, and impression that a person holds regarding an object. So when we talk about brand image, it is about the mental representation of the brand based on individual consumer's beliefs, ideas and impression. For marketers, whatever their companies' marketing strategies are, the main purpose of their marketing activities is to influence consumers' perception and attitude toward a brand, establish the brand image in consumers' mind, and stimulate consumers' actual purchasing behavior of the brand, therefore increasing sales, maximizing the market share and developing brand equity.

By creating brand positioning in the market, companies try to develop various ways through which consumer's perception

develops. This perception is called Brand Image. This perception generally creates positive or negative brand identity/positioning which could improve or demolish the overall performance of the brand. Consumers categorize a bunch of attributes and generate an image connection associated to the brand around both functional and symbolic dimensions. These images are evaluated against numerous reference points (product category image, social image, ideal social image, self image, or ideal self image, to influence consumers' reactions to a given brand, including brand attitude, brand preference, and brand loyalty).

When consumers choose to select a brand it might be based on whether he / she had an experience with the chosen brand or maybe the image about the brand that already spread widely. The previous experience with certain brand create trust, brand trust is defined as "the willingness of an average consumer to rely on the ability of the brand to perform its stated function" (Chaudhuri & Holbrook, 2001.)

The purpose of this study is to identify and analyze the influence of brand image on purchase behavior as well as identifying and analyzing the mediating role of brand trust in the relationship between brand image and purchase behavior of OPPO smartphone in Surabaya.

1.2. Problem Statement

According to background stated above, the problem that should be analyzed will be :

1. Does brand image influence purchase behaviour of OPPO smartphone in Surabaya?
2. Does brand image influence brand trust of OPPO smartphone in Surabaya?
3. Does brand trust influence consumer purchasing behaviour of OPPO smartphone in Surabaya?

1.3. Objectives of the Study

Based on the background and statement of the problems that have been described previously, the objective of this study to analyze the influence of:

1. Brand image to consumer purchasing behavior on OPPO smartphone in Surabaya.
2. Brand image to brand trust on OPPO smartphone in Surabaya.
3. Brand trust to consumer purchasing behaviour on OPPO smartphone in Surabaya.

1.4. Purpose Of The Study
1.4.1. Theoretical Purpose

This research will provide broader understanding and extend existing knowledge about brand image, brand trust, and consumer buying behavior.

1.4.2. Practical Purpose

This research will be useful for OPPO management in concern of brand image, brand trust, and to understand the behavior of consumer buying behavior of OPPO smartphone in Surabaya.

1.5. Writing Structure

The writing structure of this research are arranged as the following:

Chapter 1. Introduction

Background, research questions, research objectives, significant of study and systematic of study are discussed in this chapter. The aims of this chapter are to introduce the gap or problem from previous research and issues recently. It also introduces the variables that used for study.

Chapter 2. Theoretical Background

This chapter presented the previous study, relevant journal, theoretical background and hypothesis. The theoretical background will explain about influence of brand image to consumer purchasing behavior through brand trust also relationship between variables.

Chapter 3. Research Methods

This chapter describing the process of analyzing the data including research design, identification of variable, operational definition, type of source data, variable measurement, data collection method, population, sample and sampling technique,

data analysis technique, validity and reliability, fitness model task, and hypothesis testing.

Chapter 4. Data Analysis and Discussion

This chapter consists of research data description, data analysis, and discussion, also discussing about respondent description, research variable statistic descriptions, hypothesis testing.

Chapter 5. Conclusion

This chapter is the closing of this study that consists of conclusion and suggestion for the research object and for the consumer or researher to do a further research.