CHAPTER 1
# INTRODUCTION

1.1 Background

For every generation, communication between human to human is important. The evolution of way to communicate itself already change and growing faster. At first, people using telegram and then cable phone for a long time. After tired using cable phone they tried to make wireless phone to create easiness in communicate with their friends, family, or to finish any business/ work they had. In 1983, Motorola successfully create wireless phone called hand phone. After that, so many new company trying to compete in innovating hand phone. Until, 2002 Microsoft give new innovation from a hand phone become a smartphone. Until now, there are top 5 brands of smartphone that has high worldwide sales number (gartner.com, 2018). In the first quarter of 2018, Samsung reach 20.5% market share. And then 14.1% market share followed by apple and for the third was Huawei. In 7.4% market share Xiaomi sits on the fourth place and last was OPPO (gartner.com, 2018). In indonesia, there are 60% adult using smartphone while 31% other still using hand phone (wearesocial.com, 2018). Every brand compete each other to create new and unique smartphone, many people hard to decide which smartphone they should buy.

In this century, internet becomes source of information to fulfill our needs. Not only for Indonesian people but almost every people around the world. The internet has become an important information source for consumers(Zhang et al., 2017). Using internet, people can access and get information in the form of text, images, videos and we can be connected with other people around the world. Not only internet itself, people also use SNS (Social Networking Service) or social media. Social networking service (SNS) is an online platform enabling people to communicate with one another; they are a new medium of expression allowing users to engage and maintain real relationship (K.-Y. Lin et al., 2015). At first,

people use social media from their laptop or computer. After several years, social media start to create their program to be useable through smartphone. Thus people nowadays always depend on social media to get more information about specific things. There are so many social media in Indonesia for example, Whatsapp, Line, WeChat, Blackberry Messenger, etc. From figure below, shown 45% or 120 million Indonesia citizens use their phone to active as the mobile social users. From so many brands people still confuse to decide which brand they will buy. Thus to buy new smartphone or any electronic devices, so many people ask their friends or family about specific brand. Yet some people rather believe in other people's reviews about particular brand.
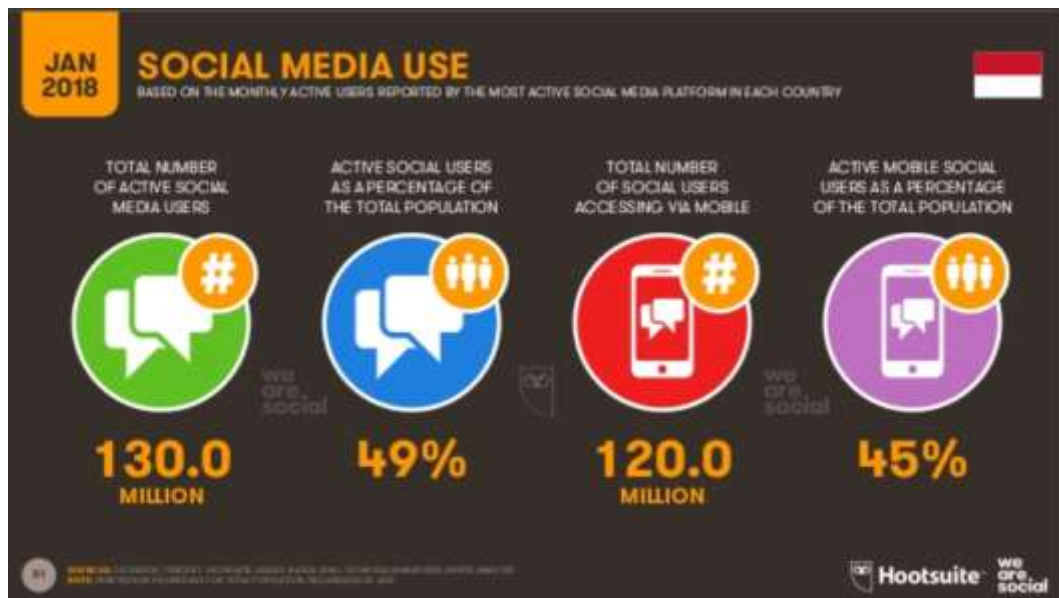
**Figure 1.1 Indonesia Digital Landscape 2018**

Source: we are social 2018 Digital Yearbook (2018)

By talking about several brands/ services, people didn't realize that they are giving recommendation to their friends/ family. 93% of consumers trust product and service related information that comes from a person that they know, 70% trust anonymous per reviews and 47% trust company advertising (Nielsen, 2012). That's why it is imperative in today's interconnected world that marketing managers understand the pros and cons of consumer-to-consumer (C2C) web-hosted forums, review sites, other forms of social media and mobile social

network that facilitate electronic word-of-mouth (Pihlaja, Saarijärvi, Spence, & Yrjölä, 2017). Explained by Nielsen (2012) social electronic word-of-mouth (Social eWOM), is WOM transmitted on social media platforms in which membership is restricted and the content providers are known to recipients, should be perceived as more trustworthy and anonymous peer review postings. Also social eWOM indicating any information related to brands/ products exchanged among the users of social networking sites (Kudeshia & Kumar, 2017). Social eWOM here can be concluded as WOM or any information related to brands/ products that transmitted by consumers through social media platforms. Social eWOM happens when consumers give or explore product-related recommendations through distinctive applications of social networking sites (Kudeshia & Kumar, 2017).

Consumer's overall evaluation of a brand is a definition of brand attitude (Kudeshia & Kumar, 2017). Brand attitude become the most significant predictor of consumer behavior for products and services. Attitudes are a critical psychological construct due to their ability in anticipating and influencing behavior (Khamwon & Niyomsart, 2016). The more desirable the attitude towards the behavior, the stronger will be the intention to commit that behavior (Ajzen, 2001). Theory of planned behavior (TPB) also define brand attitude as consumers' positive or negative attitudes toward a brand (Lee, Lee, & Yang, 2017). Consumer's attitude plays big role in defining brand attitude where brand attitude itself is important factor of brand reputation. In this research, author tries to use brand attitude as the mediator to help e-WOM using social media effecting consumer's intention to purchase. Previous research was proven that positive brand attitude giving positive effect on consumer's intention to purchase smartphones through facebook's fanpage. There are so many communication mediators like social media that makes people talk/ give recommendation about particular brand without realizing they are doing eWOM. Thus in this research author try using the same theory on different brand and object. To seek any consumer behavior change through eWOM using social media.

According to Kotler (2009), Consumer's behavior is internal factor of purchase intention in affecting consumer's perception, attitude, and motivation to buy the product. Yet it external factors are consumer's family, group influence that create connection toward attitude and intention to buy. Purchase intention itself is a kind of decision-making that studies the reason to buy particular brand/ use particular object that created by the consumer (Shah et al., 2012). Knowing the purchase intention for a brand is of paramount importance because it depicts the impression of customer retention (Kudeshia & Kumar, 2017). This explains that purchase intention is an important factor for any company. Also, higher actual buying rates will be lie on consumer with intentions to buy certain product/ using certain object rather than consumer who demonstrate.
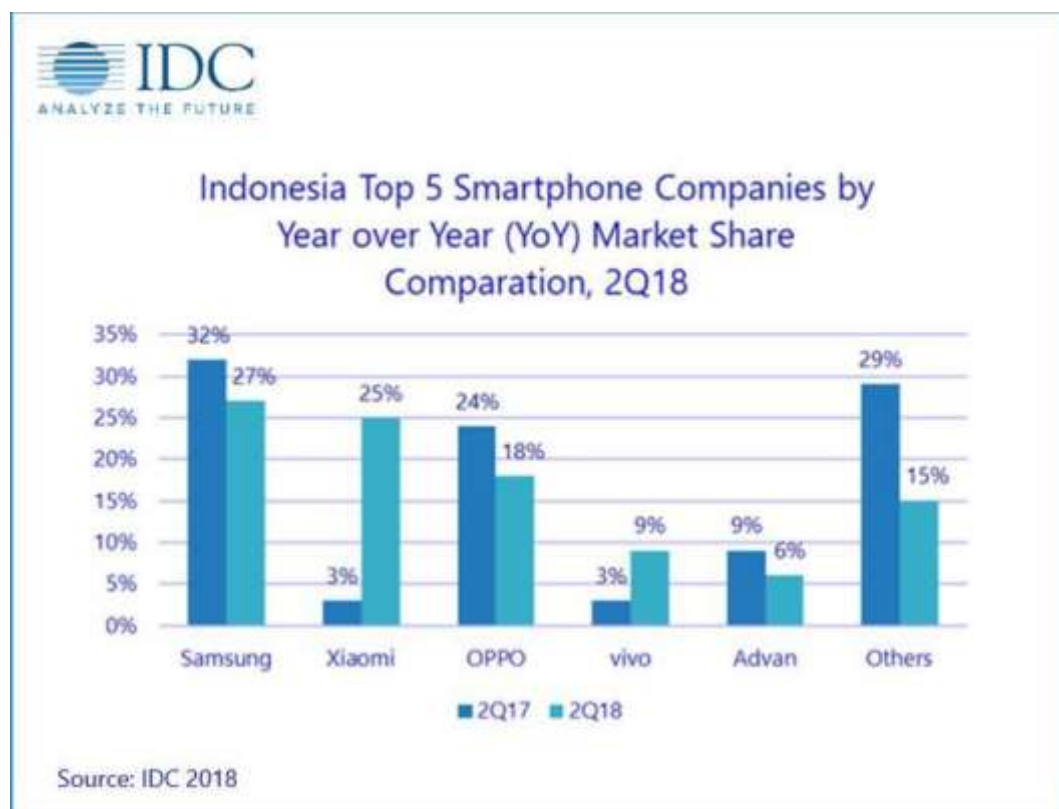
Figure 1.1 IDC Indonesia: 2Q18 Smartphone Shipments Post New Record High with Xiaomi Disrupting the Market into a New Phase

Source: www.idc.com

In the table above shown there is huge increase in 2017 to 2018 of Xiaomi smartphone's market share. In 2017, Gartner announce that Xiaomi in the 5th place of their sales. Between each brands, only Xiaomi's shown 142% increase year to year (Gartner, 2018). Also shown at table 1.1 Xiaomi's market share increase for 22% in a year where the others only 2% until 14%. It is one of the reasons why author choose Xiaomi as the research's object. Xiaomi is a mobile internet firm dedicates to create new experiences for consumers through unique features. Xiaomi was establish in 2010, and Xiaomi worth more than $10 billion. Xiaomi has more than 3000 employees, also produce 3 types of smartphones. Other than smartphones, Xiaomi also produce television, smart device, power bank, and audio. Xiaomi also produce 3 services; MIUI ROM that use in Xiaomi and other brand's smartphones, MiTalk which is a messaging application, and last is MiBox to support the use of Xiaomi's television (mi.co.id, 2018). In such a short time, Xiaomi can surpass OPPO that was established since 2004. Also with the fact that Xiaomi never use conventional advertisement (advertisement in Television/ Newspaper/ Billboard) like Oppo/ Vivo/ Samsung's strategy make every business analysts asking how they can surpass Oppo. Donovan Sung (2017) as director of product management and marketing of Xiaomi global said "we won't waste their money to use conventional advertisement, it's not our style" (www.tekno.kompas.com, 2017). Xiaomi's logo also has their own meaning which is Mobile Internet but, it also called as Mission Impossible for Xiaomi because there are too many obstacles for Xiaomi to reach their success in smartphone business (mi.co.id, 2018).

Through the background and data above, author wants to understand the impact of social electronic word of mouth about Xiaomi's smartphone sales also support of the consumer's attitude towards the brand can give push/ impact towards consumer's intention to purchase Xiaomi as their smartphone.

1.2   Research Questions

From the background and problems elaborated above, problems in this research can be formulated as follows:

1.   Does *Social Electronic Word-of-Mouth* have an effect on *Brand Attitude*?

2.   Does *Brand Attitude* give positive and significant effect on consumer's *Purchase Intention?*

3.   Does *Social Electronic Word-of-Mouth* give direct effect on *Purchase Intention*?

1.3   Objectives of the Study

Answers toward the research questions will help this research to understand the impact of *Social Electronic Word-of-Mouth* and *Brand Attitude* to the *Purchase Intention*:

1.   To know and analyze why *Social Electronic Word-of-Mouth* can directly affect *Purchase Intention.*

2.   To examine and analyze how *Social Electronic Word-of-Mouth* affected *Brand Attitude.*

3.   To analyze how *Brand Attitude* with help of *Social Electronic Word-of-Mouth* can give effect to *Purchase Intention.*

1.4   Significance of the Study

From the elaborated objectives above, this study is expected to provide significant advantages within theoretical and practical significance.

1.4.1 Theoretical Significance

This study leads and gives theoretical advantages such as:

1.   To provide further study about the influences of *Social Electronic Word-of-Mouth* and *Brand Attitude* toward *Purchase Intention*.

2.   To provide additional information about the connection between each variables and how *Social Electronic Word-of-Mouth* can utilize *Brand Attitude* to affect consumer's *Purchase Intention*.

1.4.2 Practical Significance

Other than academic, this study can help smartphone brand and other product brand to create new plan to understand things such as:

1. This study would be helpful for Xiaomi and other smartphone brand to know about opportunities they create to reach customers and control their buying behavior.

2. This study also can help Xiaomi to evaluate their company when they produce new type of smartphone how people behave toward Xiaomi also know consumer's suggestion about the product in the result of the study.