

## **CHAPTER I**

### **INTRODUCTION**

#### **1.1 Research Background**

Nowadays the technology development grows rapidly and the advanced technology development has attracted consumers' attention. Then, this condition pushes many manufactures to produce more competitive sophisticated products in order to reach more consumers attention to compete their competitors. This condition is also supported by Indonesians interest in advance technology. Indonesians follow the technology development because many information and the advertisements influence their mind to involve and to experience the sophisticated technology in their hand.

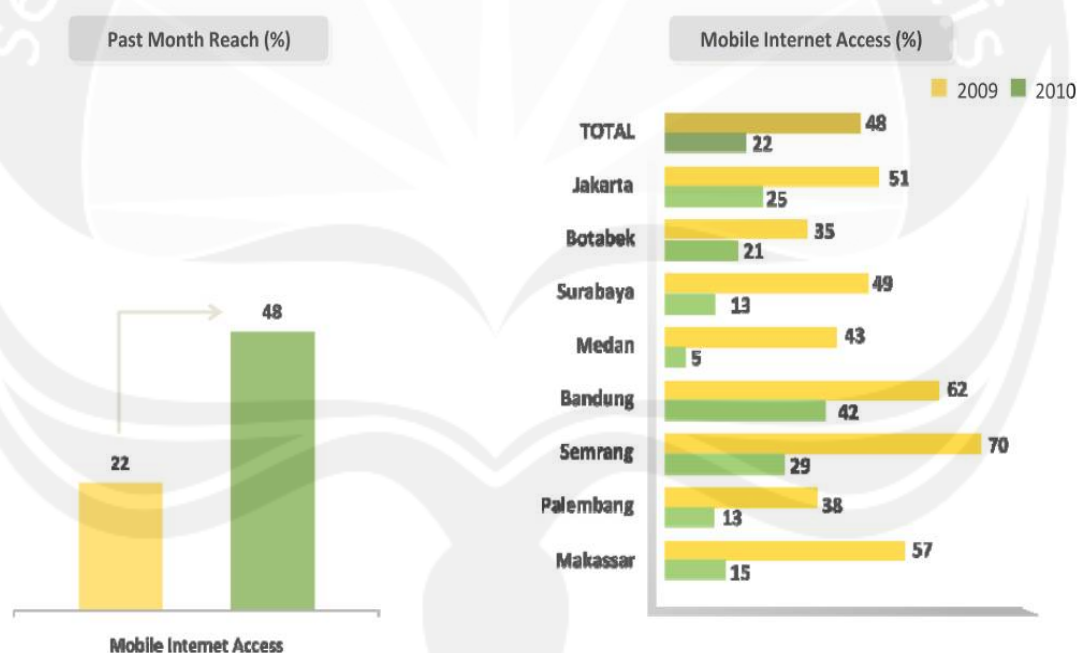
The advanced technology development that becomes trend in Indonesia is smartphone. The Jakarta Post reported that today smartphones have become highly popular (Suling, 20 July 2010). Their launching grabs the Indonesian customer attention. Moreover, the number of smartphones grew 56 percent throughout 2011, reaching 8 million units (Galih and Ngazis, 2012).

The increasing of smartphone number is caused by smartphone attraction. Smartphone as internet mobile provides many facilities such as application for social networking, GPS, traveler, e-mail, online store, etc, and office applications. Sometimes it has Microsoft Office to edit documents and we can download more application to help the users in accomplishing their activities. Therefore, it looks like minicomputer or mini portable that can be brought

everywhere. According to percentage of mobile Internet users in Indonesia had jumped to 48 percent in 2010 from 22 percent in 2009 (Rulistia, 12 July 2011). This increasing was found from the survey done by Yahoo-TNS in urban area consisted of Jakarta, Botabek, Surabaya, Medan, Bandung, Semarang, Palembang, Makasar. The survey was conducted from December 2009 until January 2010 and the samples were 2300 (general media survey) and 1500 (internet media survey) with males and females respondents aged 15-50.

Figure.1.1

#### Internet Mobile Users in Indonesia



Source: Yahoo-TNS Net Index (2010)

This figure shows that Indonesians are aware about the technology development especially for the Smartphone technology. Moreover, Indonesia's mobile phone market is increasing and the competition among the brands tend to be more fierce, especially when big brands have responded by holding back the

launch of several series of smartphones to attract more customer. In this year the Smartphone market is getting bigger and bigger, so Indonesia is moving more and more toward the Smartphone ([www.thejakartapost.com](http://www.thejakartapost.com), 18 August 2011).

Furthermore, the Smartphone brands with many series always offer good products like Nokia, Sony Ericsson, Motorola, Samsung and LG, and they are competing in the launch of Smartphone with fast access to the Internet. Then many developments have been done by some manufactures to defeat their competitors such as Nokia did. One of the main elements in the latest strategy of Nokia Global is its strategic collaboration with leading software company Microsoft to develop a new ecosystem for a global mobile phone, Windows Phone, which will function as a platform for Nokia's smart phone (Yudiman, 4 June 2011).

Intense competition in the smartphone business has resulted in decreasing inter-brand differences, more choices, and increasing information complexity to utilize. Therefore consumers may find it difficult to differentiate so many brands available in the market. In addition, this situation drives consumer hard to make decision in buying Smartphone. Beside that, manufactures can get consequences caused by consumer confusion to such as negative word of mouth, decreased trust and dissatisfaction. Hence, Consumer confusion caused by similar product, overload and ambiguous information becomes a problem that should be dealt with both consumers and marketers or manufactures.

Consumer confusion is not yet considered in well-established consumer behavior textbook (Schweizer *et al.*, 2006) and the subject remains

under researched (Walsh *et al.*, 2007). Thus, it will be interesting to measure the how far the effect of the consumer's confusion toward Smartphone. Not to mention, Leek and Kun (2006) stated that only few consumer confusion studies have examined in Eastern Culture since the research majority research has focused on Western Culture. Therefore, this present research was conducted in Indonesia and during this time research about consumer confusion on the Smartphone in Indonesia is not conducted yet. This research may give information and information to solve the problems of consumer confusion.

Thus, to conduct the research, the author replicated the work of Walsh and Mitchell (2010) in their article "The Effect of Consumer Confusion Proneness on Word Of Mouth, Trust, and Customer Satisfaction". However, the paper focuses on the elaborating of the consumer's confusion towards Smartphone based on the knowledge from the article mentioned above.

## **1.2 Research Questions**

Based on the problem mentioned in the background above, the research question is: "How does consumer confusion affect consumer satisfaction, trust and word of mouth?"

## **1.3 Scopes of Research**

This research was narrowed into some scopes based on the limitation experienced by author when dealing with wide research context. Therefore the scopes of this research were:

1. This research was the replication of the article Walsh and Mitchell (2010) about consumer confusion of market share in German.
2. Walsh and Mitchell (2010) employed SEM as their data analysis technique. However the current research used multiple regression analyses. It was done to simplify the current replication research.
3. The current research adopted three dimensions of consumer confusion (similarity confusion, overload and ambiguity confusion) and their effects on word of mouth, trust and consumer satisfaction. These three dimensions have been studied and verified by pervious research such as Walsh and Mitchell (2010), Walsh *et al.*, (2007), and Leek and Kun (2006).
4. The research was conducted in Yogyakarta that involved university students as the respondents. Questionnaires were distributed to the universities that consisted of Atma Jaya Yogyakarta University, Pembangunan Nasional University, Sanata Dharma University, and Duta Wacana University.
5. The researched object was smartphone to specify the measurement of consumer confusion effect on word of mouth, trust, and consumer satisfaction.

#### **1.4 Research Objectives**

Based on the problems formulation mentioned above, so the research objective is to examine consumers' general tendency to become confused and its effect on word of mouth, trust and consumer satisfaction.

## **1.5 Potential Contribution**

The research outcomes are expected can give some benefits for:

a. Potential academic contribution

Walsh and Mitchell (2010) conducted consumer confusion research in Germany. Meanwhile, the present research was conducted in Indonesia. Thus, the result may gives information and new knowledge for the academician about the difference and the similarity consumer confusion research result between previous research done in Germany and present research done in Indonesia.

b. Potential managerial contribution

The issue about the consumer's confusion in purchasing Smartphone could give insight for the smartphone manufactures in order to understand the consumer behavior towards their product in the market. The findings can help the marketers to operate the consumer confusion proneness scale to assess their own customer and they can make more informed decision based on the perception of their product.

## **1.6 Research Report Outline**

In developing research paper to make it systematically in order to be understood well by the reader, so, the author built the systematic writing. The systematic writing as follow:

Chapter 1 Introduction

This chapter reveals elaborates the background of the topic. Then, the author will explain and mention the research questions, scopes of the research, research objectives, potential contribution and research report outline.

## Chapter 2 Literature Review

This chapter elaborates the information from the journals and theories related to the topic as the knowledge and basis to do the research. The literature review supports the author to strengthen the masteries that will be used to conduct the research. Additionally, the literature review guides the author to do the good research based on the information given.

## Chapter 3 Research Methodology

This part of this chapter gives the explanation about the methods used to examine the consumer confusion in the case of smartphone. The things that will be explained consist of research context, population and Sample, data, research variables, reliability and validity, and data analysis tools.

## Chapter 4 Data Analysis and Interpretation

This chapter presents and explains about the findings and the analysis from the research result. The finding and the analysis of the research result will be the base to make conclusion and managerial implications.

## Chapter 5 Conclusion and Managerial Implication

Chapter 5 consists of conclusions that summarize the all information from the research findings. Next, the author will elaborate managerial implications that have relation to the research conducted. Beside that, this chapter will elaborate the research limitation, and the suggestion for the next research.