

CHAPTER I

INTRODUCTION

I.1 Background

A brand is the way a company, organization, or individual is perceived by those who experience it. More than simply a name, term, design, or symbol, a brand is the recognizable feeling a product or business evokes. Brands, then live in the minds of everyone who experiences them: employees, investors, the media, and, perhaps most importantly, customers. Based on the statement above it can be said that if the brands that a company, organization, or individual have is good it can lead to customer to be loyal to that brand, of course for a company, organization, or individual to have a customer loyalty is not easy. Because when a customer is loyal to a specific brand, the customer is not easily influenced by availability or pricing, the customer is willing to pay more as long as the customer gets the same quality product or service the customer familiar with and loves.

The reason to research mobile phones is that the usage of mobile phones has increased in the past years, with its increase came new business ideas that can utilize the mobile phone to increase that business. Nowadays, smartphones have become a part of every person's life. People around the world have adopted this new and exciting technology as one of the most important required facilities in people's everyday life. A variety of smartphone applications is available to be used in a wider range of usage situations. It is no doubt a smartphone is a new gadget that can change people's lives. Smartphones are used to replace digital cameras, watches, video recorders, and many more. Having a smartphone is like having a tiny computer in a pocket. With the advancement of the Internet technologies and its applications, smartphones are not only used for making phone calls but also for internet usage such as sending and receiving emails, chatting, sharing photos and documents, reading news, browsing the Internet, and online selling and buying.

The dramatic growth of smartphone users has also increased the growth of social media users. But what a mobile phone means is that the users will not use it on the go. New data on Harvard Business Review (<https://hbr.org>, 25/03/2021) showed that 68% of consumer smartphone use happens at home. And the users' most common activity is not shopping or socializing but engaging in entertainment or hobby for the users. Mobile phones or cell phones have radically altered the way people work, socialize, organize, and entertain the users. From the beginnings of the mobile phone as bulky car phones in the 1980s, mobile phones went and become multimedia communication devices with a level of computing power seen in desktops only a short number of years before. With these benefits the number of users of mobile phone increase, this can be seen in the data below about the number of smartphone & mobile phone users worldwide.

Cell Phone Usage Worldwide, by Country

Tip: Filter table columns by clicking on the headings

RANK	COUNTRY/MARKET	TOTAL POPULATION	SMARTPHONE USERS	SMARTPHONE PENETRATION
1	China	1.42B	851M	59.9%
2	India	137B	346M	25.3%
3	United States	329M	260M	79.1%
4	Brazil	212M	96.9M	45.6%
5	Russian Federation	144M	95.4M	66.3%
6	Indonesia	270M	83.9M	31.1%
7	Japan	127M	72.6M	57.2%

(source: <https://www.bankmycell.com>, Acces: 25/03/2021)

Figures 1. 1 Cell Phone Usage Worldwide, by Country, Author: Ash Turner)

In picture 1.1 Indonesia has become the sixth larger cell phone usage with a total of 83.9 million users. Indonesia is one of the most sought-after markets globally for e-commerce, with large local players and global heavyweights fighting for this enormous growing market. In 2017, about 20 million people were shopping online; this number was forecast to increase to 65 million by 2022. Primarily accessing the internet through mobile devices, it is estimated that more than half of all smartphone users in Indonesia purchase goods and services online.

Besides their websites, most of the top e-commerce companies also have mobile applications allowing users to shop online through mobile devices. When looking at how many people have smartphones in the world over time, the average global figures have increased to 45.1% at the start of 2020. This figure is up from 33.5% back in 2016, a substantial increase in a few short years. Mobile subscriptions are still growing faster than the world's population (Source: <https://www.bankmycell.com>) acces 25/03/2021

Exhibit 1: Indonesia Smartphone Market Share by Sales Q2 2020

Indonesia Smartphone Market Share by Sales (%)	Q2 2019	Q2 2020
VIVO	7.8%	21.2%
OPPO	17.5%	20.6%
SAMSUNG	27.0%	19.6%
XIAOMI	21.9%	17.9%
REALME	7.6%	13.6%
OTHERS	18.3%	7.1%
TOTAL	100%	100%

Source: Counterpoint Research Channel Share Tracker June 2020

(Source: Counterpoint Research Channel Share Tracker, Accesed: 25/03/2020

Figures 1. 2 Indonesia Smartphone Market Share by Sales Q2 2020)

In picture 1.3 it shows the smartphone market player in Indonesia, in those market player almost all of the brand is Chinese brand from Xiaomi, Oppo, Realme, Vivo, and also Huawei. These brands increase the sales of the smartphone in Indonesia. For example Realme. It is doing flash sales by partnering with various online channels, Realme C2 and Realme 3 series are the key models driving sales. It is also expanding in the offline channel.

The contribution from e-commerce retail platforms reached 12%. Not only that the Online smartphone sales in Indonesia grew 70% YoY and 7% QoQ during Q2 2020. The total online smartphone market share reached an all-time high of 19% during Q2 2020, compared to 9% in Q2 2019. This spurt was mainly due to the COVID-19-triggered need for social distancing and innovative marketing strategies such as shopping through WhatsApp. E-commerce platform Lazada topped the chart with 50% share, leaving behind Shopee (24%) and Tokopedia (15%).

The reason smartphone usage is increasing is that the trend that has been followed by smartphone companies, there are several of this trend. The first is that the usage of mobile is increasing for most of the internet's existence, mobile was something of an afterthought. Many businesses focused on optimizing for visitors who were using a traditional mouse and keyboard. Nowadays, however, the average American spends 3.6 hours a day on a mobile device, accounting for over half their daily digital media usage. Based on the chart above the usage of mobile in the USA increase every year from 2016-2019 that is from 0.4 to 0.7. Because of these increases, it will look promising for a mobile brand like OPPO to increase the sales revenue. Secondly is the Bold Colours and Gradients.

When Instagram made its app icon bolder and more stylized in 2016, many users were up in arms, decrying the new direction as too generic and less appealing. However, in the years since, many brands have joined Instagram in embracing bold colors and contrasting gradients in their mobile designs. The third is the trend of more rear cameras. Nowadays consumers don't want only a high megapixel camera but also more rear cameras on a smartphone, with more rear cameras there are more than one sensors to choose an example from a primary sensor, a telephoto, a wide-angle, a bokeh lens, a macro lens, etc. Fourth is the rise of 5G, this technology doesn't just mean faster and more reliable cellphone connections, but anything else that uses a cellular network (such as internet-of-things technologies) will also receive a massive upgrade. The G in this 5G means it's a generation of wireless technology.

While most generations have technically been defined by their data transmission speeds, each has also been marked by a break in encoding methods, or "air interfaces," that makes it incompatible with the previous generation. 5G brings three new aspects to the table: bigger channels (to speed up data), lower latency (to be more responsive), and the ability to connect a lot more devices at once (for sensors and smart devices). Fifth is super-fast charging, having a big battery makes users' phones bulky, so not everyone prefers that even though everyone wants to have long battery life.

The alternate route is to have the option to fast charge so that users don't have to spend hours waiting for the phone to charge. With these trends this research wants to see if the subject follows these trends or not, and if not what kind of trend that the subject does to make it popular.



(source: <https://kenyandigest.com>, Accessed: 04/04/2021)

Figures 1. 3 5 Key Things That Make OPPO the Smartphone Brand of Choice)

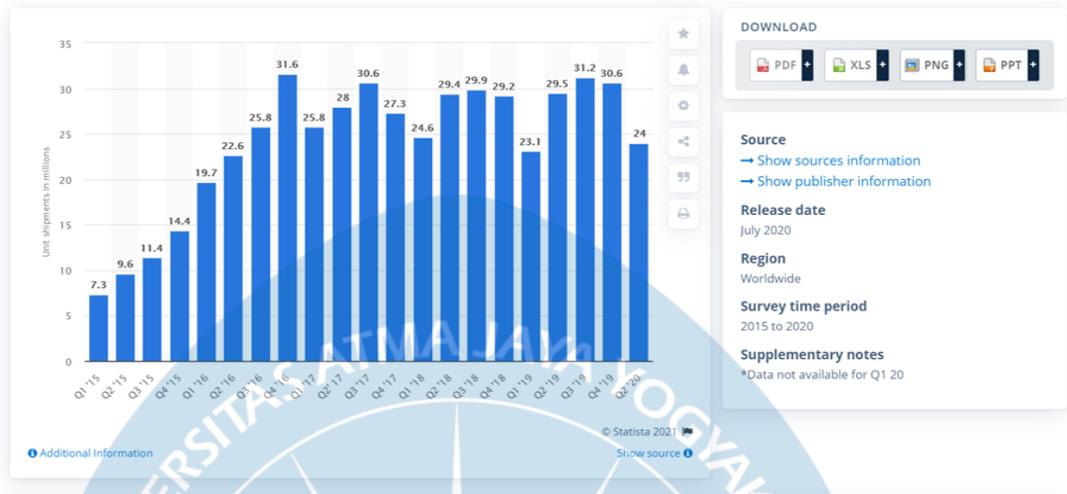
The subject that this research chooses is the OPPO smartphone, here the research will include the history, evolution, and benefit of the OPPO smartphone. Previously huge in its native China, OPPO has made significant steps into the European phone market over the last couple of years, cementing itself as a genuine and reliable alternative from more well-known brand names. The brand name "Oppo" was registered in China in 2001 and launched in 2004. Since then, they have expanded to more than 40 countries. In 2013 the company launched the N Series, the world's first smartphone with a rotating camera.

The same year, the company launched the ColorOS, the company's proprietary operating system. In June 2016, OPPO became the biggest smartphone manufacturer in China, selling its phones at more than 200,000 retail outlets. OPPO was the top smartphone brand in China in 2019 and was ranked No. 5, in market share, worldwide. In 2019 OPPO has invested \$1.4 billion in technological innovation furthering design through technology. OPPO Company has a vision and mission, the vision is that OPPO strives to be a sustainable company that contributes to a better world.

And the mission is that OPPO exists to elevate life through technological artistry. Based on Honest Pros and Cons by Sakshi (<https://honestproscons.com>) OPPO has several qualities that make it one of the popular smartphones, first is that it has good features for photography. Oppo operates an AI-enhanced camera technology capable of identifying facial features precisely, including a variety of lighting modes and filters permitting the customer to personalize every picture in the customer's approach. Secondly is its camera innovation. Since, Oppo doesn't only get caught up with the development of new models and manages to focus on the attributes of the older ones too, resulting in less likeliness of the smartphone becoming outdated and redundant after a while. Third, OPPO is always looking for ways to enhance the lives of more people. VOOC was not only invented and patented for OPPO customers, but the ecosystem has been expanded to external partners, with more than 23 companies participating to date. With all of these variables, OPPO can be seen as one of the leading smartphone products in Asia, the example that can be seen in Indonesia is its Market shares.

Smartphone unit shipments of OPPO worldwide from first quarter 2015 to second quarter 2020

(in million units)



(source: <https://www.statista.com>, Accessed: 18/03/2021)

Figures 1.4 Smartphone unit shipments of OPPO worldwide from first quarter 2015 to second quarter 2020)

Based on picture 1.5, the company has significantly increased the production and sales of OPPO smartphone range over the past five years, shipping 24 million units in the second quarter of 2020. The company – launched in 2004 – shipped 7.3 million units in the first quarter of 2015. Not only that, OPPO's growth has placed the company among the top five smartphone producers in the world. Picture 1.6 shows that OPPO shipped 115.1 million units in 2019, 9.7 million units fewer than Xiaomi. While many of those shipments were domestic shipments in the company's home country of China, OPPO has gained a footing in international markets, accounting for three percent of the smartphone market in Europe.

Many of OPPO's smartphones are available at a lower price-point than the flagship phones of vendors such as Apple, giving the company opportunities in emerging markets. While OPPO failed to make the top five vendors in the second quarter of 2020, the company regularly appears among the top vendors in the African smartphone market. A key reason for OPPO's success in Africa is that 96 percent of all phones sold in the region sell for less than 400 U.S. dollars. With all of the information above this journal wants to find if the loyalty of customers to a brand is because of its trust, affection, and the quality of the brand itself through mediating variables that are attitudinal loyalty. That success is in part because of the wide variety of options available.

I.2 Research question

1. Does Brand trust significantly affect the brand affection of OPPO smartphones?
2. Does brand trust significantly affect attitudinal loyalty of OPPO Smartphone?
3. Does brand trust significantly affect behavioral loyalty of OPPO Smartphone?
4. Does brand affection significantly affect attitudinal loyalty of OPPO Smartphone?
5. Does brand affection significantly affect behavioral loyalty of OPPO Smartphone?
6. Does brand quality significantly affect attitudinal loyalty of OPPO Smartphone?
7. Does brand quality significantly affect behavioral loyalty of OPPO Smartphone?
8. Does attitudinal loyalty significantly affect behavioral loyalty of OPPO Smartphone?
9. Does brand trust significantly affect behavior loyalty with attitudinal loyalty as mediating variable of OPPO smartphone?
10. Does brand affection significantly affect behavior loyalty with attitudinal loyalty as mediating variable of OPPO smartphone?
11. Does brand quality significantly affect behavior loyalty with attitudinal loyalty as mediating variable of OPPO smartphone?

I.3 Research Objective

1. To examine the Brand trust effect on brand affection of OPPO Smartphone
2. To examine the Brand trust effect on attitudinal loyalty of OPPO Smartphone
3. To examine the Brand trust effect on behavioral loyalty of OPPO Smartphone
4. To examine the Brand affection effect on attitudinal loyalty of OPPO Smartphone
5. To examine the Brand affection effect on behavioral loyalty of OPPO Smartphone
6. To examine the Brand quality effect on attitudinal loyalty of OPPO Smartphone
7. To examine the Brand quality effect on behavioral loyalty of OPPO Smartphone
8. To examine the Attitudinal loyalty effect on behavioral loyalty of OPPO Smartphone
9. To examine the brand trust effect on behavior loyalty with attitudinal loyalty as mediating variable of OPPO Smartphone
10. To examine the brand affection effect on behavior royalty with attitudinal loyalty as mediating variable of OPPO Smartphone
11. To examine the brand quality effect on behavior royalty with attitudinal loyalty as mediating variable of OPPO Smartphone

I.4 Research Benefits

From this research, the writer hopes that this study has the benefits that are divided into theoretical and practical benefits.

1. **Academic:** the result of this research can be used as a reference for the student, teacher and new researcher alike. This can improve the student and new researcher general idea of the research.
2. **Company:** this research can gives solution to find out if brand quality, brand affection and brand trust on attitudinal loyalty and behavioral loyalty does effect OPPO product. The writer hopes that with this findings on the research it can give information to the company so that it can improve with its product.

I.5 Research Systematic

Chapter 1 Introduction

The first chapter is the introduction of the research paper. This introduction consist of background of the research, the research Question, the research objectives, the research benefits and the research systematic.

Chapter 2 Literature Review

The second chapter is review of related literature which covers previous study. This chapter consist of the basic theory, the related previous research and study, definition and explanation of terms, the research framework and the hypothesis development.

Chapter 3 Research Methodology

The third chapter is the method used for this research. This chapter consist of the method explanation, the research sampling, the data sources, the variable, the data collection and the analysis method.

Chapter 4 Data Analysis & Discussion

The fourth chapter is data Analysis & Discussion. This chapter consist of the explanation of data analysis and the discussion of the research result.

Chapter 5 Conclusion and Suggestion

The fifth and the last chapter is conclusion and suggestion. This chapter consist of the conclusion, the limitation and the suggestion.