



Why is the smartphone market in Indonesia declining?

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ABSTRACT

Technology, particularly communication and information technology, is essential for everyone. As this technology advances, competition among cell phone manufacturers becomes more intense. This is the primary reason that mobile manufacturing companies compete to innovate in order to create mobile products that will catch the attention of market consumers. Cell phones appear to be a basic human requirement. But there is a new irony for Indonesia. Despite a 1.05% increase in population, the smartphone market in Indonesia fell by 11.9% in the first quarter of 2023 compared to the same quarter in 2022. The goal of this study is to determine which factors influence purchase intentions and which factors are the most likely cause of a decrease in purchasing intentions. The study's findings show that the four independent variables, product quality, brand image, brand prestige, and brand trust, all have a positive and significant effect on purchase intention. If there is a decrease in purchase intention, it is reasonable to suspect that the cause is the smallest value, which is far below the other three independent variables.

INTRODUCTION

Everyone needs technology, especially communication and information technology. Even these technology product providers are competing to innovate to advance their products. Cellular telephones are clear evidence of the rapid progress of communication technology today (Lacohee et al., 2013). As we know, cell phones now seem to be a primary human need, wherever someone goes it feels incomplete if they don't bring a cell phone or what is familiarly called a cell phone. The use of cellphones today is not limited to calling and sending short messages (SMS) as was the original purpose of cellphones, but is much broader (Curch and Olivera, 2013). Little by little the functions of cellphones increase along with increasingly advanced technological developments. Even now, it can do things that are usually done by other devices such as cameras, radios, music players and even computers (Kamilaris and Pitsillides, 2016).

As this technology advances, competition among cell phone manufacturers becomes more intense. This is the primary reason that mobile manufacturing companies compete to innovate in order to create mobile products that will catch the attention of market consumers. The smartphone is one type of cellular phone innovation that has recently gained popularity. It is called Smart because this mobile has advanced operating capabilities (Rashvand and Hsiao, 2015). In general, a mobile is considered a smartphone if it can run a specific operating system, such as Android, iOS, or even Windows (Pence, 2010). On the other hand, some define a smartphone as a basic cell phone with sophisticated features like emailing and receiving, web browsing, reading e-books, having an external USB keyboard or an integrated full keyboard, and having a VGA connector.

The company's product development and innovation efforts are aimed at influencing consumer purchasing decisions. According to Kotler and Armstrong (2021:161), purchasing decisions are the process by which consumers form preferences among existing brand choices as well as intentions to purchase the most preferred brand. Starting with the intent to buy, the level of demand for the smartphone product can be determined.

In a bizarre scenario, Indonesia sees a weird irony in which, despite 1.05% population increase, the smartphone market experiences a significant 11.9% fall in the first quarter of 2023, according to Annur's analysis of IDC research institute data. The landscape has changed dramatically, with factors such as replacement products and decreased purchasing power contributing to this unexpected decline. However, at the heart of this transition is a significant decrease in consumer purchasing decisions. Recognising the critical importance of knowing purchasing decisions, measuring purchase intentions is the closest thing that can be measured as stated by Keller and Swaminathan (2020: 353).. This study focuses on the main research question of what the underlying factors are impacting purchase intentions and, as a result, contributing to the drop in the Indonesian smartphone market. The primary goal is to perform a thorough examination of these elements, based on known behavioural intention theory frameworks (Keller and Swaminathan, 2020; Kotler and Armstrong, 2021), in order to provide a nuanced knowledge of consumer behaviour and pave the way for informed market interventions.

LITERATURE REVIEW

1. Purchase Intention

Purchase intention refers to a customer's willingness, expectation or plan to purchase a good or service. This construct is a future-oriented stage that precedes the actual purchase (Simamora; Younus, et al., 2015). Behavioral intention is the the most powerful variable to predict actual purchases, although its prediction capability is not one hundred percent (Ajzen, 1991).

Changes in intention to actual purchase are caused by two factors. The influence of various individuals is the first factor. It will affect customer preferences, particularly if that individual plays a significant role. The second factor is unanticipated factors that result in a reduction of access efforts, such as benefits, price, purchasing power, and others (Kotler and Armstrong, 2021: 161).

2. Product quality and its influence on purchase intention.

Kotler and Armstrong (2020:238) assert that a product's quality is an explicit or implicit attribute that affects the product's capacity to satisfy customer needs. According to Garvin (1984), a company's profitability is directly correlated with the quality of its products because lower production costs translate into higher profits when there are fewer defects in the product.

Consumer satisfaction with a product increases with its quality. This is consistent with the findings of Kotler and Keller (2016: 157), who claim that because this quality is a reflection of performance, it has a strong relationship to satisfaction. When there is positive discussion about a product, it is assumed that the product quality is also positive; on the other hand, when there is negative discussion about the product, it is assumed that the product quality is also poor. Thus, improving the quality of the product will encourage more purchases.

H1: Product quality has a positive effect on purchase intention.

3. Brand Image and Its Influence on Purchase Intention

A consumer's perception of a brand is reflected in the brand associations stored in the consumer's memory (Keller and Swaminathan, 2020: 41). Brand image can be used to distinguish oneself from competitors (Keegan and Green, 2018:319). A strong brand image keeps the brand at the top of consumers' minds (Clow and Baack, 2022:46). If the brand image is positive, it indicates that consumers like it, which increases the brand's purchase intentions (Hoyer et al, 2018: 165).

H2: Brand image has a positive effect on Purchase Intention.

4. Brand Prestige and Its Influence on Purchase Intention

The position of a brand associated with relatively high status is referred to as brand prestige (Erdogmus and Budeyri-Turan, 2012; Kemp et al., 2014). This prestigious brand assessment is a collection of group perceptions about the status of a specific brand (Hanzaee et al., 2012). Prestigious status is regarded as a source of respect and even an achievement as an expression of the consumer's own identity (Dubois and Czellar,

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2002; Upamannyu et al. 2015). High Brand Prestige implies that a prestigious brand signal can reduce information costs as well as psychological and social risks that are typically associated with product purchase intentions because consumers can feel they have accomplished something (Baek et al. 2010).

H3: Brand Prestige has a positive effect on Purchase Intention

5. Brand Trust and its Influence on Purchase Intention

Brand trust is defined as a brand's ability to deliver on its promises (Chauduri and Holbrook, 2001). A good brand is willing and able to keep promises consistently, especially when problems arise (Ballester and Aleman, 2005). If marketers can keep their promises, customers will make repeat purchases and even recommend them to others (Chauduri and Holbrook, 2001). The fulfilment of this promise reflects brand trust.

H4: Brand Trust has a positive effect on Purchase Intention.

METHODS

This is an empirical study aimed at determining the factors that influence smartphone purchase intentions. The study began in July 2023, with a total of 240 student respondents.

This study has four variables: one dependent variable and three independent variables. Purchase intention is the dependent variable, while the independent variables are product quality, brand image, brand prestige, and brand trust. For each statement item, all variables are measured using a Likert scale with five degrees of agreement ranging from strongly disagree to strongly agree. Product quality is adapted from Armstrong et al., (2017), brand image is adapted from Severi and Ling, (2013), brand prestige is adapted from Hanzae and Taghpourian, (2012), and brand trust is adapted from Chauduri and Holbrook (2001).

The sampling technique used in this study was convenience sampling, which is a non-probability sampling technique. There were 240 people who responded. In this study, data was gathered through communication techniques. The data collected in this study is primary source data, which was obtained by distributing questionnaires online via Google Form through student WhatsApp groups. The questionnaire is filled out with closed questions provided by the researcher.

The data is analysed using structural equations (SEM). WarpPLS software tools are used for data processing. The structural model (inner model) describes the causal relationship between latent variables based on the theory's substance.

RESULTS

1. Validity and Reliability

The total number of respondents in this study was 240. This figure corresponds to what was previously stated. Table 1 also includes the results of the validity and reliability tests.

Table 1.
Validity and Reliability Test Results

No	Item	FL	AVE	CR	Cronbach Alpha
Product Quality					
1	PQ1	0,808	0,611	0,862	0,789
2	PQ2	0,820			
3	PQ3	0,740			
4	PQ4	0,755			
Brand Image					
1	BI1	0,787	0,673	0,860	0,756
2	BI2	0,855			
3	BI3	0,817			
Brand Prestige					
1	BP1	0,840	0,698	0,874	0,784
2	BP2	0,834			
3	BP3	0,832			
Brand Trust					
1	BT1	0,712	0,599	0,856	0,772
2	BT2	0,780			
3	BT3	0,801			
4	BT4	0,789			
Purchase Intention					
1	PI1	0,847	0,667	0,858	0,751
2	PI2	0,809			
3	PI3	0,794			

Information: LF=loading factor; AVE=average variance extracted; CR=composite reliability.

The loading factor (LF) and average variance extracted (AVE) are used to express convergent validity. The criteria used by Hair et al. (2021) are $FL > 0.50$ and $AVE > 0.50$. Based on these two criteria, it can be stated, as shown in Table 1, that each of the five variables explains the construct coherently ($LF > 0.50$).

The composite reliability (CR) coefficient and Cronbach's Alpha (CA) were used to assess the internal reliability of this research instrument. The limits used by Hair et al. (2021) are 0.70 -0.95 for CR and 0.70 -1.00 for CA. The five variables meet the internal reliability criteria based on CA and CR, as shown in table 1.

2. Descriptive Statistics

The average and standard deviation of every variable are shown in table 2. The product quality average is the highest, while the brand trust average is the lowest.

Table 2.
Descriptive Statistics

No	Variable	Mean	Standard Deviation
1	Product Quality	4,25	0,84
2	Brand Image	4,42	0,78
3	Brand Prestige	4,01	0,96
4	Brand Trust	3,02	1,02

5	Purchase Intention	3,72	0,85
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3. Hypothesis Testing

Figure 1 displays the findings of the research's hypothesis test in compliance with the thinking framework. Subsequently, the test results are sorted and shown in Table 2.

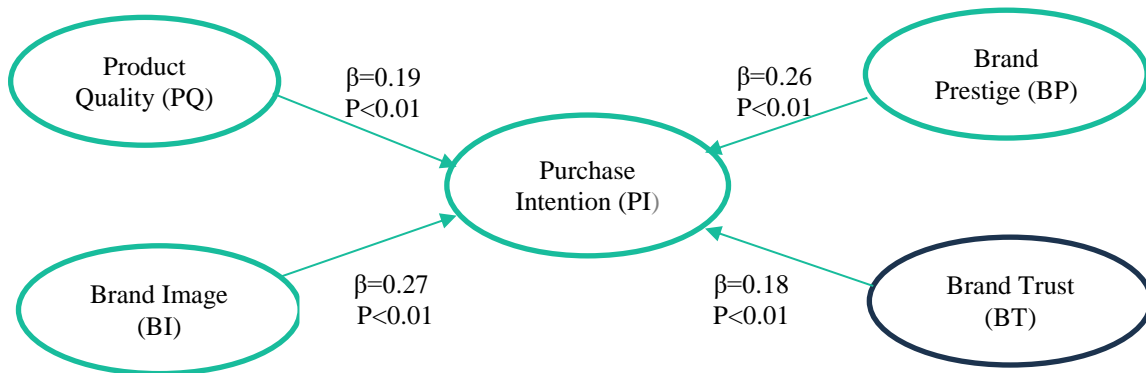


Figure 1. Structural Model Test Results

The structural equation obtained from the resulting output is:

$$PI = 0.19 PQ + 0.27 BI + 0.26 BP + 0.18 BT ; R^2 = 0.28$$

The four independent variables account for 28% of the variation in purchasing intentions, according to the R² value of 0.28. Table 2 displays the influence test results.

Table 3.
Influence between variables

Path	B	P-value	Result
Product Quality → Purchase Intention	0,19	p<0,01	Hipotesis accepted
Brand Image → Purchase Intention	0,27	p<0,01	Hipotesis accepted
Brand Prestige → Purchase Intention	0,26	P<0,01	Hipotesis accepted
Brand Trust → Purchase Intention	0,18	p<0,01	Hipotesis accepted

DISCUSSION

Table 3 displays the test results. It is evident that a 19% influence of product quality has a positive and significant effect ($\beta = 0.19$ and p-value <0.01) on purchase intention. This demonstrates the acceptance of hypothesis 1. These findings support a study by Palma and Andjarwati (2016) that found a positive relationship between purchase intentions and product quality. Customer satisfaction is directly impacted by product quality. When a customer is pleased with a brand, or feels they like it, they are likely to plan to make another purchase.

Additionally, Table 3 demonstrates that purchase intention is positively and significantly influenced by brand image ($\beta = 0.27$ and p-value <0.01). As a result, hypothesis 2 is confirmed, and brand image has a 27% influence. These findings are consistent with those of Aryadhe and Rastini's (2016) research. Positive brand

perceptions lead to feelings of like, and likes in turn lead to a intention to buy. Conversely, if the perception is unfavourable, there won't be any motivation to buy.

According to table 3, brand prestige has a positive and significant effect ($\beta = 0.26$ and $p\text{-value} < 0.01$) on purchase intention, influencing purchase intention by 26%. The findings indicate that hypothesis 3 is correct. These findings are also consistent with the findings of Hanzaee et al. (2012). Consumer evaluations of well-known brands were found to be positively related to a brand's prestige as well as their perceptions of the brand's quality. They also stated that brand prestige has a significant impact on purchase intent.

Brand trust has an 18% influence on purchase intent. Because this effect is both positive and significant ($\beta = 0.18$ and $p\text{-value} < 0.01$), hypothesis 4 is accepted. This finding is consistent with the findings of Sinambela et al. (2022), who discovered that brand trust has a positive and significant effect on purchase intention. When a consumer trusts a brand, it means they believe the product provider will keep all of their promises. This gives customers confidence that if a problem arises in the future, they will be well served. This belief encourages consumers to make a purchase decision.

According to the magnitude of the influence of the four dependent variables, brand image has the greatest influence on purchase intention. Following that are brand prestige, product quality, and brand trust.

Brand trust has the smallest value based on the average of the four independent variables. Meanwhile, the other three variables' average values are all evenly above it. In the meantime, these four variables have a significant positive impact on purchase intent. This means that the higher the value, the higher the purchasing intention, but the lower the value, the lower the purchasing intention. If purchase intention falls, it is reasonable to suspect that the cause is the variable with the smallest value, namely the brand trust variable.

CONCLUSION

Product quality, brand image, brand prestige, and brand trust are four independent variables that have a positive and significant effect on purchase intention. These four variables can be used to increase consumer purchasing intentions. Brand image has the most influence, according to the influence value.

Smartphone product providers should improve their ability and willingness to deliver on promises, as this is the foundation of brand trust.

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