CHAPTER I
INTRODUCTION

1.1 Research Object Overview

1.1.1 Smartphone

Smartphone is a cellular telephone with an integrated computer and other features not originally associated with telephones, such as an operating system, Web browsing and the ability to run software applications (Rouse, 2007). The other definition said that "Smartphone is a combination cell phone and a handheld computer that created the greatest tech revolution since the Internet. A smartphone can do everything a personal computer can do, and because of its mobility, much more." (pcmag.com, 1981-2016). It contains functions such as instant messaging, downloading applications, utilising information services such as WiFi and global positioning system (GPS) and entertainment (Ting et al., 2011).

A mobile operating system (OS) is software that allows smartphones, tablet PCs and other devices to run applications and programs. Examples of mobile device operating systems include Apple iOS, Google Android, Research in Motion's BlackBerry OS, Nokia's Symbian, Hewlett-Packard's webOS (formerly Palm OS) and Microsoft's Windows Phone OS. Some, such as Microsoft's Windows 8, function as both a traditional desktop OS and a mobile operating system. (Rouse, 2011)

Operating systems, also known as mobile OS, are the software that run our desktop computers and laptops and manage their resources and memory when they're being used for multi-tasking. But for some time now, smartphones have used operating systems too and it's this development that has brought advanced functions to mobiles that were previously only available on our computers. (www.uswitch.com, 2016)

1.2 Research Background

Along the development of the use of technology for everyday life, there was a change in needs that require the support of telecommunications media. One

of the telecommunication media that can support the changing of these needs is the smartphone.

Smartphone users are currently growing very rapidly. Because of the great need for telecommunication's devices, the number of companies that sell smartphones increases. This rapid growth of smartphone users is influenced by the increase of internet users. The needs of information, communication, entertainment and also health become the reasons why internet users in the world are increasing. They are competing to lure buyers with features and attractive offers which can meet Consumer's requirements that always changing. Because Consumer needs and wants are always changing, the smartphone producers have to be sensitive to these changes. Not only because Consumer needs are always changing, but the smartphone producers also must keep sensitive to changes due to a very tight competition.

Among the brands of smartphones, Apple and Samsung hold almost 40% of the world market in 2016. But sales of the two brands declined from the previous year. As a supporter presented the data, "Top 10 Smartphone Vendors based on Market Share" Table shows below (Table 1.1).

Table 1.1 Worldwide Smartphone Company Market Share (Share in Unit Shipment)

Period	Samsung	Apple	Huawei	OPPO	VIVO	Others
2016Q1	23.8%	15.4%	8.4%	5.9%	4.4%	42.1%
2016Q2	22.7%	11.7%	9.3%	6.6%	4.8%	45.0%
2016Q3	20.9%	12.5%	9.3%	7.1%	5.9%	44.3%
2016Q4	18.0%	18.2%	10.5%	7.3%	5.7%	40.2%
2017Q1	23.3%	14.7%	10.0%	7.5%	5.5%	39.0%

Source: (IDC.com, 2017)

Table 1.1 is explaining that there is decreasing of Samsung market share from first quarter to fourth quarter in 2016. The decreasing was about 5.8%, from 23.8% to 18.0%. But, there is an increase of Samsung market share on the first

quarter in 2017, the increase is about 5.3%. Apple's market share also decreasing from first quarter to third quarter in 2016, and there is an increase in the fourth quarter in 2016. While the market share of Huawei, OPPO and Vivo increase from time to time and decrease in the first quarter in 2017. So, the vendor that has increased on market share in 2017 is Samsung.

Beside the brand of smartphone that become the market leader, the fact that Indonesia is the largest smartphone user in Southeast Asia also became my concern. The data below will show the smartphone user in Southeast Asia from 2016 to 2019, which quoted from databoks.katadata.co.id.
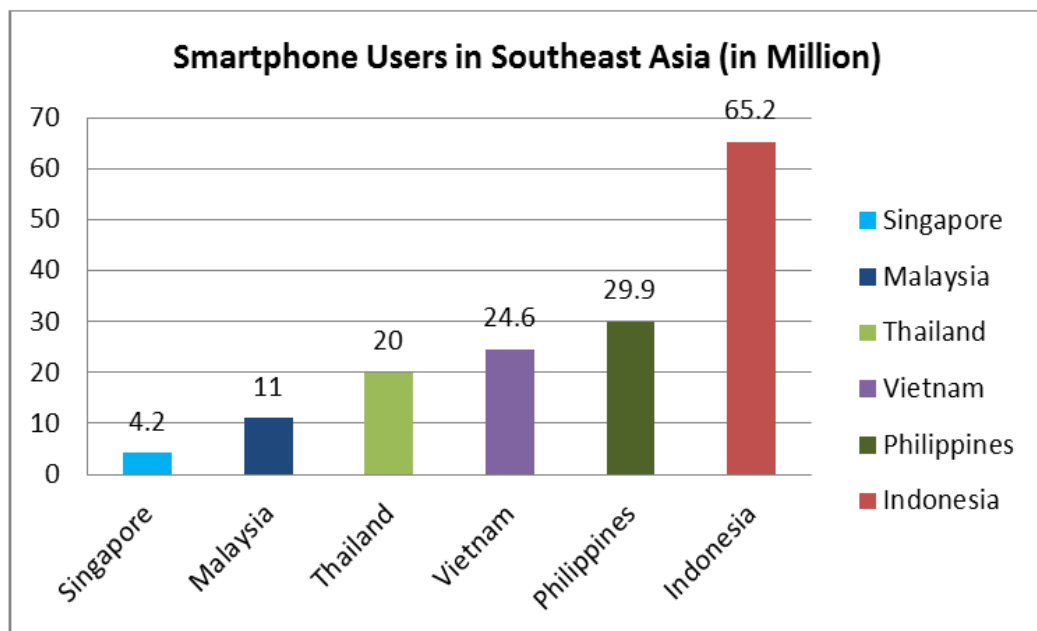

Figure 1.1 Projections of Smartphone Users in Southeast Asia 2016-2019

Source: (katadata.co.id, 2016)

Figure 1.1 explains that Indonesia is the largest smartphone user in Southeast Asia in 2016, with 65.2 million units, followed by Filipina with 29.9 million units. The smartphone users in Indonesia were predicted will increase from year to year until 2019. The increasing of the smartphone users is also influenced by the increase of internet users in Indonesia. There is also a big gap if we compare it with the other country that makes Indonesia predicted still become the largest smartphone user in Southeast Asia until 2019.

From the Figure 1.1, we can see that Indonesia is the largest smartphone user in Southeast Asia, with 65.2 million units. The most favorite brand in Indonesia is Samsung. The table that quoted from www.idc.com below will explain it more.

Table 1.2 Top 5 Smartphone Vendors in Indonesia, Market Share, 2016Q3

Rank	Vendor	Market Share 2016Q3
1	Samsung	32.2%
2	OPPO	16.7%
3	ASUS	8.2%
4	Advan	6.0%
5	Smartfren	5.7%
6	Lenovo	5.7%
7	Others	25.5%

Source: (IDC.com, 2016)

Table 1.2 explained that Samsung is the most favorite smartphone in Indonesia on 2016 third quarter with 32.2% market share. The second place was held by OPPO with 16.7% market share and followed by Asus, Advan, and Smartfren. The fact that Apple, the vendor that holds the second place in the world on 2016 third quarter, is not included in the Indonesia's top 5 list.

From the data above, we can see that the preference of Indonesian people in choosing smartphone is not the same as the average world smartphone users. The differences of the data above, Table 1.1 and 1.2 are the reasons why the author wants to analyze and know the Behavior of the Consumers on using smartphone in Indonesia.

In the Theory of Planned Behaviour of Ajzen in Amireaultet al. (2008), considered as one of the most useful theories to study the cognitive determinants of behaviour, intention is a key predictor of behaviour in a wide range of health domains (Amireaultet al., 2008). According to Amireault et al. (2008), Intention was found to be a significant determinant of behavior. Measuring behavioral intentions of the Consumers on using smartphone can be the best way to predict future buying behavior. This statement is affirmed by Zeithaml et al. (1996: 32), "the consequences of service-quality perceptions on individual-level behavioral

intentions can be viewed as signals of retention or defection and are desirable to monitor".

UTAUT has distilled the critical factors and contingencies related to the prediction of behavioral intention to use a technology and technology used primarily in organizational contexts (Venkatesh et al., 2012). UTAUT explained about 70 percent of the variance in behavioral intention to use a technology. To match with the analysis about Consumer or individual use of technology, Venkatesh et al. (2012) integrate hedonic motivation, price value, and habit into UTAUT and develop UTAUT2.

1.3 Problem Statement

The number of Internet users in Indonesia is always increasing. Internet users in the world always increase because of the needs of information, communication, entertainment and also health. Data states that the Indonesian people tend to use smartphones in accessing the internet. Due to the increase of the needs above, the dependence on smartphone use is also increasing. Now a day, people use social media to show their existence. This phenomenon is a business opportunity for smartphone companies to continue to develop their products with the aim of meeting the needs of Consumers for information and technology continue to grow. The researcher is going to researching the behavioral intention of Consumers on using smartphone in Indonesia that are different with the intention in the world. It can be seen in the Table 1.2 and Table 1.1. This research is using modified UTAUT2 model that proposed by Indrawati and Haryoto (2015) as the framework. The modified UTAUT2 that used in this research is consisting of seven independent variables, one dependent variable, and three moderate variables.

1.4   Research Questions

1. How is the Consumer's assessment of factors based on the modified UTAUT 2 (Performance Expectancy, Effort Expectancy, Social Influence, Facilitating Condition, Hedonic Motivation, Price Value, and Habit) towards Behavior Intention of Consumers on using Smartphone in Indonesia?

2. How big is the Behavior Intention of Consumers towards Smartphone in Indonesia?

3. Based on the modified UTAUT 2, what are the factors that influencing Consumer's Behavior Intention in the context of Smartphone in Indonesia?

4. Do Age, Gender, and Income differences affect the influence of modified UTAUT 2 model factors towards Behavior Intention of Consumers in the context of Smartphone in Indonesia?

5. Can this proposed modified UTAUT 2 be used for predicting the Behavior Intention of Smartphone in Indonesia?

1.5   Research Objective

The objectives of this research are:

1. To know the Consumer's assessment of factors based on the modified UTAUT 2 (Performance Expectancy, Effort Expectancy, Social Influence, Facilitating Condition, Hedonic Motivation, Price Value, and Habit) towards Behavior Intention of Consumers on using Smartphone in Indonesia.

2. To know how big is the Behavior Intention of Consumers towards Smartphone in Indonesia.

3. To know what are the factors in the modified UTAUT 2 that influencing Consumers Behavior Intention in the context of Smartphone in Indonesia.

4. To know, do Age, Gender, and Income differences affect the influence of modified UTAUT 2 model factors towards Behavior Intention of Consumers in the context of Smartphone in Indonesia.

5. To know, can this proposed modified UTAUT 2 be used for predicting the Behavior Intention of Smartphone in Indonesia.

1.6   Significant of the Study

The results of this study can be useful for many parties, including for author herself, companies engaged in the field of smartphones, as well as other parties who need it, such as:

    1. Academic Uses

It is expected that author can use the insight and knowledge in order to apply it in the actual circumstances and can be trained to analyze problems systematically and conceptually and also as a comparison material for other scientific research with the same topic and field of study.

    2. Practical Uses

This research can become an input and consideration for smartphone companies in determining smartphone product development strategy in Indonesia.

1.7   Scope of the Study

This research is about Behavior Intention of Consumers on using smartphone in Indonesia. So, the object of this study is the behavior intention on using smartphone. To determine the factors that influence people in order to choose the smartphone should be based on the smartphone user itself. In addition, the experience of smartphone users also required to performing the analysis of this research. The research location is limited only by collecting the respondents from Indonesia. Variables that will be used in this research are Performance Expectancy, Effort Expectancy, Social Influence, Facilitating Condition, Hedonic Motivation, Price Value, Habit, and Behavior Intention.