CHAPTER I
INTRODUCTION

1.1 Research Object

The first ever iPhone was unveiled by Steve Jobs at the Macworld Conference and Expo in San Francisco in January 2007. Based on the iPod, it was effectively an entire computer that happened to make phone calls. (http://www.telegraph.co.uk/technology/apple/iphone/5477324/Apples-iPhone-a-history-in-pictures.html?frame=1419283, 2015)

Apple's first iPhone debuted in 2007 with the trademark home button, a metal rear casing, and just a 3.5-inch display. Its capacitive touchscreen laid the foundations for modern smartphones. Apple's second iPhone was a big departure from the original. The iPhone 3G dropped in price thanks to a new plastic rear, but also gained 3G connectivity, GPS, third-party apps, and a white model to choose from. A rounded rear completed the look and button placements remained the same. Apple's third iPhone is practically identical to its second. The iPhone 3GS has the same plastic rear, but Apple made the iPhone text stand out with a silver color. Inside, Apple focused on speed improvements and a 3-megapixel camera capable of recording video. Apple also introduced a voice control feature alongside a highly requested cut, copy, and paste feature in iOS 3Apple's first major redesign of the iPhone featured a combination of stainless steel and glass. Both the front and back of the iPhone 4 is covered in glass, and the square and flat look is a radical departure from the previous 3GS model. Apple also introduced a forward-facing camera with FaceTime, a 3.5-inch Retina display, and a 5-megapixel camera with LED flash just like the 3G to 3GS upgrade, Apple's iPhone 4S looks identical to the iPhone 4. After the infamous antenna gate episode with the iPhone 4, the 4S improved on the dual-antenna design capsulated in the stainless steel band, all while gaining a faster processor, an 8-megapixel camera with 1080p video recording, and support for the Siri digital assistant. Apple's second major redesign of the iPhone arrived with the iPhone 5. An all-new aluminum design encased a larger 4-inch display into the thinnest and lightest

iPhone so far. Surprisingly light to hold, the iPhone 5 also included an improved 8-megapixel camera with a sapphire crystal lens cover and HD FaceTime camera at the front. Alongside the radical design, Apple switched to a new Lightning connector and redesigned its EarPod headphones. While many were expecting the iPhone 5C to be a budget iPhone, it debuted as an iPhone 5 with a plastic rear. That made it slightly cheaper, but its internal components are identical to the iPhone 5. While Apple had always stuck to black and white color combinations for its iPhone, the iPhone 5C introduced some much needed color to the range. Continuing the S trend, Apple's iPhone 5S is almost identical in appearance to the iPhone 5 at first glance. New color combinations differentiate it from the 5, and a gold option offered an alternative to the typical black or white. Apple also redesigned its home button for the first time with the iPhone 5S, adding a fingerprint Touch ID sensor to unlock the device by simply touching your finger on the home button. Apple's latest iPhones have one unmistakable feature: size. The iPhone 6 is has a 4.7-inch display, and the iPhone 6 Plus jumps to 5.5 inches. Both have Retina HD displays with a curved body and NFC chips for Apple Pay, but the iPhone 6 Plus includes optical image stabilization with its 8-megapixel camera. (Warren, 2014)

The iPhone 5S is a smartphone developed by Apple Inc. It is part of the iPhone line, and was released on September 20, 2013. Apple held an event to formally introduce the high-range phone, and its mid-range counterpart, the iPhone 5C, on September 10, 2013. (http://en.wikipedia.org/wiki/IPhone_5S, 2015)

As with the naming precedents of the iPhone 3GS and iPhone 4S, the iPhone 5S is a revised version of its predecessor, iPhone 5. The phone maintains a very similar design to its predecessor, aside from the introduction of a new home button design using a laser-cut sapphire cover surrounded by a metallic ring, Touch ID, a fingerprint recognition system built directly into the home button which can be used to unlock the phone and authenticate App Store and iTunes Store purchases, and an updated camera with a larger

aperture and a dual-LED flash optimized for different color temperatures. It also introduced the A7 dual-core processor, the first 64-bit (ARMv8-A) processor to be used on a smartphone, accompanied by the M7 "motion co-processor", a dedicated processor for processing motion data from its accelerometer and gyroscopes without requiring the attention of the main processor. It was also the first Apple device to ship with iOS 7, which introduced a revamped visual appearance and other new features. (http://en.wikipedia.org/wiki/IPhone_5S, 2015)

Reception towards the device was generally positive, with some outlets considering it to be best smartphone available on the market due to its upgraded hardware, Touch ID, and other changes introduced by iOS 7. However, others criticized iPhone 5S for being too similar to its predecessors, while others expressed security concerns about the Touch ID system. Nine million units of the iPhone 5S and iPhone 5C were sold on their weekend of release, breaking Apple's sales record for iPhones. The iPhone 5S was the best selling phone on all major US carriers in September 2013. (http://en.wikipedia.org/wiki/IPhone_5S, 2015)

On September 19, 2014, the iPhone 5S was succeeded as Apple's flagship cellphone by the iPhone 6 and iPhone 6 Plus, but the older model remains available for purchase at a reduced price. (http://en.wikipedia.org/wiki/IPhone_5S, 2015)

1.2   Research Background

The technology in this new era is more sophisticated and people with a high level of consciousness using smartphones to support their activities increasingly dense. Access to and use of mobile wireless technology has become critical to social and economic participation for people with disabilities. As the technology increases in power and sophistication, these customers increasingly rely on mobile devices and software for functions previously available only through dedicated 'assistive technology'. Competition for this market is especially keen between the Android and Apple's iOS operating systems.

The number of smartphone users in Indonesia keeps increasing every year. About 80 percent of urban community in Indonesia had a cell phone particularly smartphone. This condition is because the society awareness in developing countries and increased access to information. Also largely become a facility of expressing yourself in social media. This is conveyed by Martin Niens, Digital Specialist from Arcade. (Rezkisari, 2015)

According to the Research Institute MarkPlus Insight, figures the number of internet users in Indonesia will penetrate 100 million people by 2015. Those are the "Netizen" or ordinary internet users who spent more than three hours in the virtual world increased from 24.2 million in 2012 to be 31.7 million in 2013. (http://www.the-marketeers.com/archives/Indonesia%20Internet%20Users.html#.VHWnEIvLcpk, 2014)

Table 1.1: Internet User by Country (2014)

Rank	Country	Internet Users	1 Year Growth %	1 Year User Growth	Total Country Population	1 Yr Population Change (%)	Penetration (% of Pop. with Internet)	Country's share of World Population	Country's share of World Internet Users
1	China	641,601,070	4%	24,021,070	1,393,783,836	0.59%	46.03%	19.24%	21.97%
2	United States	279,834,232	7%	17,754,869	322,583,006	0.79%	86.75%	4.45%	9.58%
3	India	243,198,922	14%	29,859,598	1,267,401,849	1.22%	19.19%	17.50%	8.33%
4	Japan	109,252,912	8%	7,668,535	126,999,808	-0.11%	86.03%	1.75%	3.74%
5	Brazil	107,822,831	7%	6,884,333	202,033,670	0.83%	53.37%	2.79%	3.69%
6	Russia	84,437,793	10%	7,494,536	142,467,651	-0.26%	59.27%	1.97%	2.89%
7	Germany	71,727,551	2%	1,525,829	82,652,256	-0.09%	86.78%	1.14%	2.46%
8	Nigeria	67,101,452	16%	9,365,590	178,516,904	2.82%	37.59%	2.46%	2.30%
9	United Kingdom	57,075,826	3%	1,574,653	63,489,234	0.56%	89.90%	0.88%	1.95%
10	France	55,429,382	3%	1,521,369	64,641,279	0.54%	85.75%	0.89%	1.90%
11	Mexico	50,923,060	7%	3,423,153	123,799,215	1.20%	41.13%	1.71%	1.74%
12	South Korea	45,314,248	8%	3,440,213	49,512,026	0.51%	91.52%	0.68%	1.55%
13	Indonesia	42,258,824	9%	3,468,057	252,812,245	1.18%	16.72%	3.49%	1.45%
14	Egypt	40,311,562	10%	3,748,271	83,386,739	1.62%	48.34%	1.15%	1.38%
15	Viet Nam	39,772,424	9%	3,180,007	92,547,959	0.95%	42.97%	1.28%	1.36%
16	Philippines	39,470,845	10%	3,435,654	100,096,496	1.73%	39.43%	1.38%	1.35%
17	Italy	36,593,969	2%	857,489	61,070,224	0.13%	59.92%	0.84%	1.25%

(Source: http://www.internetlivestats.com/internet-users-by-country/, cited January 6, 2014)

Internet Live Stats shows us that Indonesia is in 13th of 198 countries in the world based on the user of internet (individual, of any age, who can access the Internet at home, via any device type (computer or mo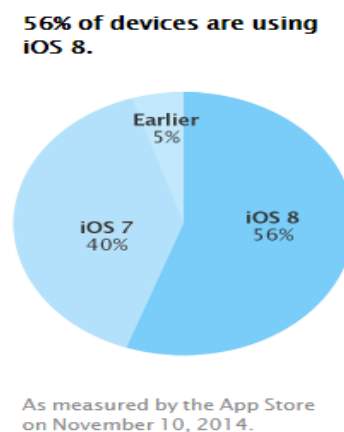bile) and connection). The details available in Table 1.1. (http://www.internetlivestats.com/internet-users-by-country/, 2015)

56% of devices are using iOS 8.

Earlier
5%

iOS 7
40%

iOS 8
56%

As measured by the App Store
on November 10, 2014.

Figure 1.1: The Percentage of Devices Running in iOS

(Source: https://developer.apple.com/support/appstore/, cited November 26 2014)

According to figure 1.1, Apple shows that on November 10, 2014, 56% of iOS devices was now running iOS 8, iOS 7 is about 40% and the earlier is only 5%. One of the Apple's product which runs in iOS 8 is iPhone 5S. The latest ones (iPhone 6 and iPhone 6+) also run in iOS 8.
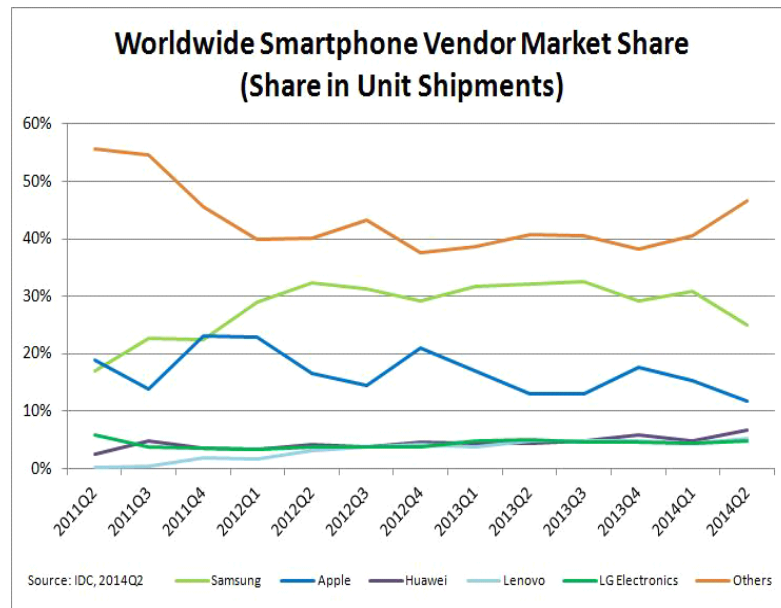
Figure 1.2: Worldwide Smartphone Vendor Market Share

(Source: http://www.idc.com/prodserv/smartphone-market-share.jsp, cited

November 24 2014)

According to Figure 1.2, the worldwide smartphone market grew 25.3%
year over year in the second quarter of 2014 (2014Q2), establishing a new single
quarter record of 301.3 million shipments, according to data from the International
Data Corporation (IDC) Worldwide Quarterly Mobile Phone Tracker. This is the
first time ever quarterly smartphone shipments have surpassed the 300 million
unit mark, representing a major milestone for the industry. Following a very
strong first quarter, the market grew 5.2% sequentially, fueled by ongoing demand
for mobile computing and an abundance of low-cost smartphones. Second quarter
shipments were in line with IDC's forecast and all expectations are that the market
will continue apace in the second half of the year and will likely once again
surpass 300 million units in 2014Q3. (IDC 2014)

Table 1.2: Worldwide Smartphone Vendor Market Share

Period	Samsung	Apple	Huawei	Lenovo	LG	Others
Q2 2014	24.9%	11.7%	6.7%	5.2%	4.8%	46.7%
Q2 2013	32.2%	13.0%	4.3%	4.7%	5.1%	40.7%
Q2 2012	32.2%	16.6%	4.1%	3.1%	3.7%	40.2%
Q2 2011	17.0%	18.8%	2.5%	0.2%	5.7%	55.7%

Source: IDC, 2014 Q2

(Source: http://www.idc.com/prodserv/smartphone-market-share.jsp, cited

November 24 2014)

Table 1.2 shows the percentage of worldwide smartphone vendor market share. There are the explanation about the smartphone companies:

Samsung saw the Galaxy S5 ship over 18 million units this quarter, amidst the criticisms leveled at it. However, S4 and even S3 volumes persisted in the market as more affordable alternatives, together accounting for another 9 million. Collectively, Samsung lost 7% market share compared to a year ago, despite having one of the largest smartphone portfolios of all OEMs. To maintain its position at the top, Samsung will need to focus on building momentum in markets dominated by local brands.

Apple's second quarter is always the seasonal low of the year, but even more so this time in advance of the iPhone 6, with consumers holding a collective breath for the long-awaited bigger screens. Apple noted continued success in BRIC markets, a good sign of building its footprint in emerging markets. Given the pent up demand, the third quarter could be a drought or a flood, depending on the timing of the next launch.

Huawei's story centered on 4G LTE pick up, particularly in China, as all three national carriers subsidized 4G handsets like the P7 to encourage consumers to upgrade from 3G. Outside of China, large volumes of its lower-cost range, the Y series, fuelled growth across most regions. The company continues to focus on broadening its global reach, and results support that this momentum is undoubtedly there.

Lenovo's sales increased in China, despite tremendous pressure from local brands. During the quarter, Lenovo had increased success from the A788T, as well as the 3G A388T. At the same time, even while its Motorola acquisition is

undergoing approval, it continued to gain traction in international markets. While less than 5% of Lenovo's shipments was registered outside of China in the second quarter of 2013, this share nearly tripled in 2014Q2, with emerging markets, particularly BRIIC countries, picking up the largest volumes.

LG volumes were largely driven by its L series, helped by models like the L70, which performed well in many markets including the United States. With the G3 launched at the end of the quarter in Korea, greater volumes are expected to show up in Q3. (IDC 2014)
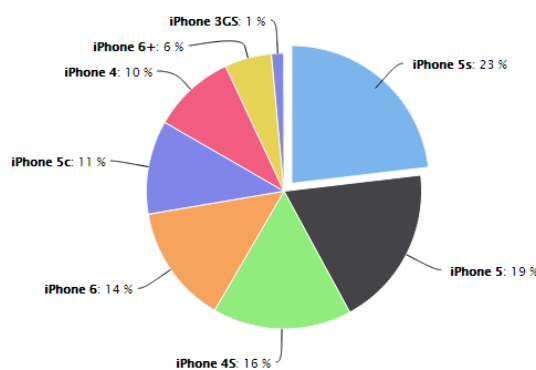

Figure 1.3: iPhone Usage Percentage

Source: http://david-smith.org/iosversionstats/, cited January 6, 2015)

According to figure 1.3, we can see clearly that the iPhone 5S has the highest percentage of user which is 23% compared to other iPhone versions, even the latest ones (iPhone 6 and iPhone 6+).

iPhone 5s is the next iPhone 5 with the starting price of USD 649 or about IDR 7,600,000 for 16 GB. iPhone 5C is a new category of Apple in which the target market segment is intermediate. The price is also cheaper than iPhone 5S. The price of this product is USD 549 or about IDR 6,400,000 for 16 GB version. (Panji, 2013)

The price of iPhone 5C that is cheaper than iPhone 5S does not affect the purchase where iPhone 5S is more saleable than iPhone 5C. The ratio is 1:8; it means that when one iPhone 5C is sold, eight iPhone 5S are sold in a day. Apple Authorized Reseller in Indonesia sells iPhone 5s and iPhone 5C only and not sell iPhone 6 but iPhone 6+ in this time. (Apple Bandung, 2014)

Iphone 6 and iPhone 6+ are reportedly finished by the ministry of Communication and Informatics (Kemenkominfo, 2014). This means that, pretty soon, both will start to sell in Indonesia. To know the schedule of this new iPhone sales, Kompastekno contacted the President Director or PT Trikomsel Oke Sugiyono Wiyono. Trikomsel is one of the parties that registers testing the iPhone 6 to the Directorate Postel. Although the iPhone 6 will enter the country in the year of 2015, Sugiyono explained that the schedule is not yet known. To get into the Indonesian market, cell phone or electronic device should indeed be in the kitchen testing of directorate general of resources and a device post information of the Ministry of Communication and Information. (Nistanto, 2014)

Apple has had a sufficient firm grip on the smartphone market over the years due to their first mover advantage, innovation and incredible brand power. The iPhone has had an excellent user interface, making it a simple transition for consumers who have never owned a smartphone. This perception has had its share of bumps along the road, like antenna gate and battery gate, but by and large there's no debating that Apple u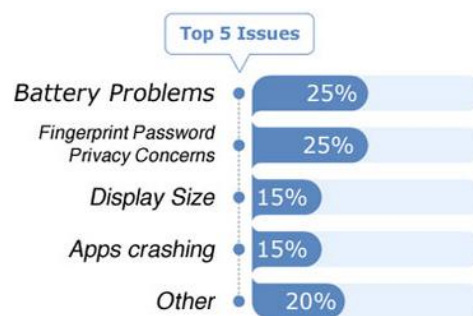nderstands how to make a product that appeals to the mass. (http://www.fixya.com/reports/smartphones-iq-test?displayfullsite=1, 2015)

Figure 1.4: Top 5 iPhone 5S Issues

(Source: http://www.fixya.com/reports/blackfriday, cited January 9, 2015)

Figure 1.4 shows the percentage of iPhone 5S issues and these are the explanations:

Battery Problems - As we mentioned in the Samsung Galaxy S4 section, battery life is a common complaint for users with cutting-edge smartphones. The

new A7 chip improves battery life compared to previous iterations (such as the iPhone 5), but issues with the battery still continue to Apple devices according to Fixya users, especially when running apps and using directions via location services. These battery issues aren't a new thing for Apple users, who underwent some pretty significant battery drain problems with the iPhone 4s, and may turn off some consumers who are travelling a lot and in the market for a phone that has extremely reliable battery life on the road.

Fingerprint Passwords - With the NSA's programs thrust into the national discussion during the release of the iPhone, it's probably to be expected that users would be concerned about the presence of a fingerprinting chip in a user's cell phone. However, we should make it clear that this concern should not be a pressing one for users at this time. Apple stores the fingerprint password on an A7 chip on the actual phone device and does not upload that data to iCloud or share it with any other apps. Furthermore, users are able to forgo using the fingerprint app if they choose to—instead of logging into their device via fingerprints, they can utilize the common numerical code or not choose to implement a password at all. Furthermore, the fingerprint password feature received an extremely limited amount of reported issues with the actual implementation of the feature—there doesn't appear to be a widespread issue with the passwords not working or anything of the sort.

Display Size - Although there are a limited number of complaints about the implementation of the display and how it functions on a day-to-day basis, Fixya users do complain about the phone occasionally crashing and being forced to reboot due to screen freeze. Fixya users also report disappointment with the display size in comparison to competitors' phones on the market. Apple's roughly 4-inch by 2.3-inch display is small in comparison to other select phones on the market, which makes mobile browsing and app usage more difficult as a result. Although the display size for Apple has increased in size from the 4s to the 5 (and 5s), it's uncertain whether Apple will make the decision to increase screen size again in response to pressure from Android manufacturers making larger and brighter phones.

Apps Crashing – 15% users disappointed with a number of applications that experienced error or crash when they will be opened. Whereas iPhone 5S have used A7 64-bit processor.

Other – As many as 20% of iPhone users complaining about lack of 5S the quality of camera that is not so "GOOD", the price is not friendly and some product claimed 'a defective product' in the production process.

The fingerprint problem is sometimes it forgets the prints. That issue makes people forget about that feature. So, they use the passcode as usual to lock and unlock their iPhone 5S. The users of iPhone 5S also has problem about the battery drains rapidly even they have notice about which applications affect that problem (Notification, screen brightness, volume, and etc). The apps crash problem also makes the users of iPhone 5S feel uncomfortable. Sometimes the application closed by itself when in the process of use. (People in Bandung, 2015)

Competition between Google and Apple is increasingly fierce in recent years, they even tend to be brutal head-to-quarrel. It is recognized directly by Google Chairman, Eric Schmidt. In an interview with Bloomberg, Schimndt is a bit worried about the rivalry between Google and Apple that are already very brutal according to him. In fact, now it is more brutal than ever before. But bottom line, he said, a big competition going on between Google and Apple, which is represented through the Android vs. iOS, will ultimately bring benefits to consumers. According to that issues, competition between Google and Apple should make the Apple more satisfying for the customer with some aspects. (Williams, 2014)

Kotler & Keller (2012:152) determined that for customer-centered companies, customer satisfaction is both a goal and marketing tool. Companies need to be especially concerned with their customer satisfaction level today because the Interned provides a tool for consumers to quickly spread both good and bad word of mouth to the rest of the world. Companies that do achieve high customer satisfaction ratings make sure their target market knows it.

Apple provides Apple Support Communities on their website for customer complaining about Apple product. There are 154 same questions about iPhone 5S,

iOS 8.1, and wifi problems. The number of questions about the same problem is not a little, so the company has to find a way to fix it. Some of them also complained about freezing safari, unworthy price, in which even some of their friends moved to Android, and quality of service problems. (Resume from Apple Discussion website, 2015).

Based on some issues above, the author concludes that iPhone 5S has some weaknesses that can cause the decreasing of customer satisfaction. According to IDC data, it shows that the competition between Samsung and Apple is so tight, thus Apple has to increase the sales to beat Samsung. The advanced technology nowadays causes the information to spread rapidly. The information can be good or bad about Apple product. The unsatisfied customers can spread a bad rumor in Internet, thus the rest of the world will know about that rumor. Apple's company needs to avoid the decreasing of sales by increasing the customer satisfaction.

1.3   Research Questions

1.   Does product quality has significant influence to customer satisfaction on iPhone 5S?

2.   Does price has significant influence to customer satisfaction on iPhone 5S?

3.   Do product quality and price have significant influence to customer satisfaction on iPhone 5S?

1.4   Research Objectives

Based on the existing problems in identified data, the purposes of this study are:

1.   Determine the significant influence of product quality on customer satisfaction.

2.   Determine the significant influence of price on customer satisfaction.

3.   Determine the significant influence of product quality and price on customer satisfaction.

1.5   Research Purpose

1.5.1 Theoretical Aspect

1.   This study is conducted to apply the knowledge based on theory that has been acquired during the course and during the study so that it can add an insight.

2.   This study is useful as a reference for further research in studies as the effect of product quality, price, and customer satisfaction.

1.5.2 Practical Aspect

1.   The writer hopes to determine the effect of product quality and price towards customer satisfaction for Apple Company.

2.   The results of this study are expected to contribute ideas that can be helpful for Apple Company and also provide information to others who want to know the issue of product quality, price, and customer satisfaction.

1.7   Writing Structure

The writing structure is arranged to provide a general overview about research performed with the following structure:

CHAPTER I INTRODUCTION

This chapter contains a review of research object, research background, problem statement, research objectives, research purpose, benefit of research, and research outline.

CHAPTER II LITERATURE STUDY AND SCOPE OF RESEARCH

This chapter contains a general description of the theories related to research and problem solving support.

CHAPTER III RESEARCH METHODOLOGY

This chapter contains a type of research used, operational variable, and the scale of measurement, collection data methods, sampling techniques, and data analysis techniques.

CHAPTER IV RESEARCH RESULTS AND ANALYSIS OVERVIEW

This chapter will explain about how the collection of questionnaires that have been deployed, processing using predetermined method, and analysis of the data process that has been obtained.

CHAPTER V CONCLUSION AND SUGGESTION

The final chapter describes the conclusions derived from all the data processing and analysis that will be used as a practical guideline for the company and recommendation for further research in this field.