

CHAPTER I

INTRODUCTION

1.1 Overview of Research Object

1.1.1 Company Profile

Xiaomi Inc is a private electronics company from China headquartered in Beijing that is dedicated to creating a user experience from all aspects. The name Xiaomi comes from Mandarin, which is "small rice". In 2011, CEO Lei Jun said that there is a bigger meaning to the name Xiaomi. He attributed "Xiao" to a Buddhist concept meaning "a grain of rice from Buddha is as big as a mountain", and said that Xiaomi wanted to work from small things, not start big. While "mi" stands for "Mobile Internet" and also "Mission Impossible" because after founding Xiaomi, there were many obstacles that seemed impossible to overcome at the time. He has also said that the name Xiaomi is a funny name. In 2012, CEO Lei Jun said that the name is about revolution and being able to bring innovation to new areas.

Xiaomi company started production in 2010. Then released its first product in 2011, since then Xiaomi has grown rapidly until now it is one of the largest technology companies in China. In the international market, Xiaomi is also one of the biggest smartphone brands in the world. Currently the Xiaomi company does not only produce smartphones but also designs, develops, sells mobile applications and other electronic devices. The founder and CEO of Xiaomi is Lei Jun, who is one of the richest people in China. The Xiaomi company has more than 5,000 employees spread across various countries, especially China and several countries in Southeast Asia. Until now, the Xiaomi company has a fairly high valuation of around 10 billion USD and is expected to continue to increase given the rapid developments in the field of technology and information.

At the beginning of its establishment, Xiaomi was a combination of several partners who were also investors. In terms of capital, Xiaomi received support from its investors, including Temasek Holding, IDG Capital, Qiming Venture Partner, and Qualcomm. The first product officially announced by Xiaomi is their smartphone called "Mi 1". The Mi 1 smartphone is an Android-based device and uses the user interface developed and designed by Xiaomi, namely MIUI. The MIUI

user interface itself is designed to resemble TouchWiz (user interface developed by Samsung) and iOS3 (user interface developed by Apple).

In August 2012, Xiaomi announced its smartphone named Mi 2. This phone is powered by Qualcomm's Snapdragon S4 Pro APQ8064, 1.5 GHz quad-core Krait chip, 2 GB RAM and GPU Adreno 320. Xiaomi later said on 24 September 2013 that Mi 2 has sold over 10 million within 11 months. Mi 2 has been sold by a wireless cell phone vendor called MobiCity in the United States, Europe, United Kingdom, Australia and New Zealand. On September 5, 2013, Xiaomi CEO Lei Jun officially announced plans to launch a 47-inch 3D-capable Android-based smart television, which will be assembled by Sony's Taiwanese television manufacturer Wistron Corporation.

In September 2013, Xiaomi announced the Mi 3 smartphone, which is powered by Snapdragon 800 (MSM8974AB) and the Tegra 4 chipset from NVIDIA. On September 25, Xiaomi announced plans to open a retail store in Beijing. In October 2013, Xiaomi was reported as the 5th most used smartphone brand in China. In 2013, Xiaomi had sold 18.7 million smartphones, and by mid-2014 26.1 million smartphones. In 2014, Xiaomi announced it would expand its marketing outside of China. Xiaomi made its international debut in Singapore. An international headquarters will also be established in the national capital, which will coordinate all activities including product launches in the region in the future. Redmi and Mi 3 are smartphones that were first sold in Singapore on February 21 and March 7, respectively. On March 7, Mi 3 sold out within 2 minutes in Singapore. After Singapore, Xiaomi also entered Malaysia, the Philippines and India. Then, in the following months Xiaomi also entered Indonesia, and will expand to Thailand, Russia, Turkey, Brazil and Mexico.

According to IDC, Xiaomi is currently the second largest smartphone manufacturer in the world followed by Apple and Oppo at third and fourth respectively. Samsung is still in first place despite declining production, followed by Xiaomi in second. Xiaomi also became China's largest smartphone vendor in 2014, after overtaking Samsung, according to an IDC report.

1.1.2 Vision and Mission of the Company

Vision

Constantly refining and enhancing our products to create the best user experience possible

Mission

Making quality technology accessible to everyone.

1.1.3 Company Logo

The Xiaomi brand logo is depicted in Picture 1.1:



Figure 1. 1 Xiaomi logo

Source: Mi.co.id

1.2 Research Background

Today's global competition requires companies to always continue to grow and follow market trends that are always different in every era so that they can continue to compete with their competitors. In increasing their market competition, companies must be able to calculate market strategies that are in accordance with the current era, this is necessary so that the company's market reach can continue to expand so that it is not unable to compete with its competitors considering that as the times progress, there are also more and more new competitors in the market. This certainly leads companies to always provide the best for their customers so

that these customers are satisfied with what the company provides to them. One way that can be done by the company is to continue to carry out promotional communications on each product offered. This promotional communication is very important to do to get the attention of potential buyers, so that there are more and more new consumers in the market. Promotion also aims to disseminate information, influence/persuade, and/or remind the target market of the company and its products to be willing to accept, buy and be loyal to the products offered (FandiTjiptono: 1997).

In running a business, every company definitely wants the products they offer to get the attention of consumers. So it is impossible for a company to not provide information about the goods they offer, because in the perception of consumers they want goods according to their wishes, of course they also need to get information related to the goods they want, so therefore this is where promotion is needed. In this era, promotions can be delivered in the form of advertisements or pamphlets. However, along with the development of information and communication technology, advertisements can be conveyed through various media, information such as clans can be delivered from various media such as magazines, newspapers, radio, television and others⁷. However, as time goes by, television media is no longer as effective as it used to be due to the development of existing information and communication media. So one way that many companies do today is product placement.

Sales and purchases are closely related to the marketing process. This process brings together producers (as sellers) and consumers (as buyers) so that marketing communications will indirectly be established. Given the growing era where the scope of the market is getting wider, it demands sellers to be more creative in carrying out the marketing process. One way that can be done is by utilizing information and communication technology based on the internet. Especially in the era of social networking as it is today, there has been a shift in the marketing paradigm, from traditional marketing (offline) to modern marketing (online). The internet, which is one of the newest inventions of the era of globalization in the field of information technology, is very useful for people all

over the world to share information and communicate, including sharing information on products, goods and services being sold.

Basically, social media can be considered as one kind of communication media. Social media in general is a medium that is used to socialize (relate, either personally, in groups, etc.) between users. Some of the terms that exist in social media include Social Network, SNS and Communication Network. Broadly speaking, social media and social networks use the same system, namely online media which is connected to the internet. On social media and social networks, there are many people who are connected to each other without being limited by geographical boundaries, space, and even time with the aim of communicating with each other, sharing something, having opinions, making friends, even in some cases to find a life partner. Marketing by utilizing social media is called social media marketing. Based on Optima Web2, social media marketing is an online marketing effort by creating the visibility, existence and presence of a website on social media networks such as Facebook, Twitter, Digg, Web 2.0, social bookmarking and others. In short, social media marketing is a marketing effort that uses social media as a channel.

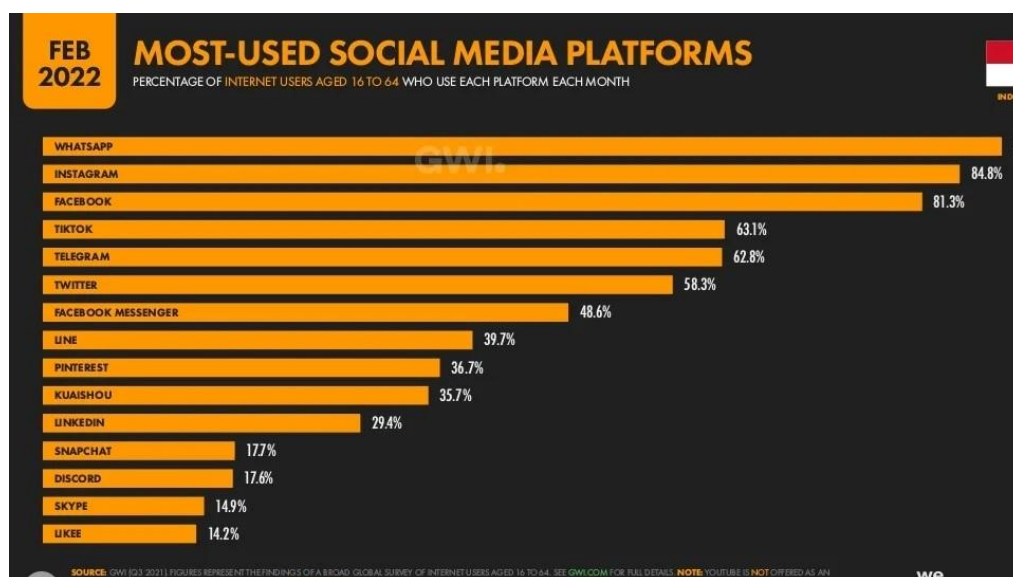


Figure 1.2 Most Active Social Media Platforms

Source: <http://www.datareportal.com>

Based on the statistical data above, social media Instagram is one of the most popular platforms in Indonesia starting from the age of 16 to 64 years, the percentage of use of WhatsApp social media reaches 88,7% and is followed by Instagram at 84,8%, Facebook 81,3% and Tiktok63,1%. In this case, based on these data, all social media users in Indonesia are 191,4 million users (an increase of 170.0 million users from January 2021), an increase in social media users by 21,4million (+ 12.6% between 2021 and 2022).

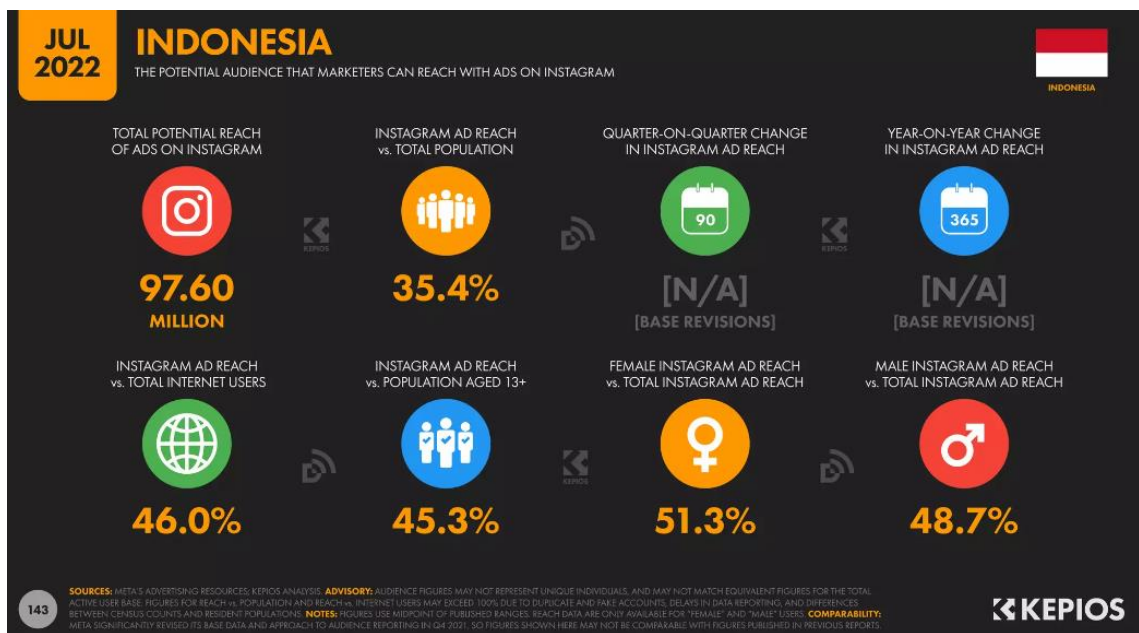


Figure 1.3 Data percentage of Instagram users in Indonesia

Source: <http://www.datareportal.com>

Based on these data, the results show that the total number of Instagram users in Indonesia is 97.60 million users (35.5% of the total population of Indonesia). And of the total number of internet users in Indonesia, namely 204.7 million users (73.7% of the total population of Indonesia), 94.7 million of them are Instagram users. If the percentage of Instagram users is 46% of the total internet users in Indonesia. From these data it can be seen that Instagram is one of the most popular social media platforms in Indonesia.

Social media Instagram is a popular photo and video sharing website where users can load and watch various photos and videos. In this case, we all need to know that Instagram was founded by Kevin Systrom in October 2010. Instagram

usually contains photos, video reels, and stories made by its own users. In this case, we can see how popular Instagram is and it can be said that Instagram is one of the largest social media databases in the internet world. The Instagram application offers several interesting features that users can use, not only for entertainment, but also for business promotion, including:

- a) Instagram story, which is a feature used to share a story in the format of photos, short videos, and writing. Apart from that, Instagram stories can also be used to share your own posts or those of others.
- b) Reels, which is a feature used to share videos on a personal dashboard. The duration of the video in reels is limited to a maximum of 90 seconds.
- c) Share a link, on the personal profile dashboard besides being able to add a personal bio the user can also paste a link. For official brand accounts, it is usually used to link to their website or personal marketing contacts.
- d) Professional dashboard, which is a feature provided by Instagram so that users can find out the attention of other users. In a professional dashboard, it usually contains general statistics about the number of likes or attention from followers and non-followers on each post.
- e) Advertising, this feature allows users to do or see a promotion about a post on a personal Instagram account or official brand.
- f) Instagram shop, is a feature provided by Instagram to allow users to shop for products from official brands on Instagram.

Some of the features provided in the Instagram application have proven to be able to attract the attention of social media users. As it is known that Instagram users are not only teenagers, even adults are also now using the Instagram application as their online social media advice.

This opportunity is also able to change the style of business people in carrying out their marketing activities. Many business people use social media as a means of marketing their products, especially smartphone products. As modernization and digitalization progress in Indonesia, without us realizing it, one of the most important products for today's society is a smartphone. The use of smartphones seems to have become a necessity of clothing for the community.

Because in this era smartphone technology is made by prioritizing increasingly dynamic functions so that it makes it easier for all user needs. In Indonesia itself, since the advent of the internet network, people's interest in using digital products has increased. Coupled with the easier and cheaper access to the internet network in Indonesia, many smartphone manufacturers sell their products in the Indonesian market. The following is a list of the most popular smartphone brands in Indonesia.

Table 1.1

List of best-selling smartphone brands in Indonesia (2020-2022)

#	Vendor	2020		2021		2022	
		Unit Share	Annual Growth	Unit Share	Annual Growth	Unit Share	Annual Growth
1	Oppo	24%	-9%	21%	-14%	23%	-8%
2	Samsung	14%	-45%	16%	10%	21%	-3%
3	Vivo	25%	0%	22%	-17%	20%	-23%
4	Xiaomi	15%	-7%	15%	-7%	13%	-30%
5	Realme	15%	-1%	13%	-17%	12%	-22%

Source: <http://www.canalys.com>

From this list, in this year Oppo is the most selling smartphone brand in Indonesia with a unit share of 23% and annual growth of -8%. Then in second place followed by Samsung with a unit share of 21% and annual growth -3%. followed by Vivo with a unit share of 20% and annual growth of -23%. And in positions 4 and 5 followed by Xiaomi and Realme with a unit share of 13% and an annual growth of -30% (Xiaomi), then a unit share of 12% and an annual growth of -22% (Vivo). From this data it can be concluded that Oppo has the largest unit share percentage and Realme has the smallest unit share. However, annual growth both have a minus percentage. Especially for Xiaomi in the previous year in Q2 had occupied the first position as the most popular smartphone brand in Indonesia. And in Q3 of the same year, it dropped dramatically to 4th place, which still holds up today.

Xiaomi is a smartphone brand that is well-known for its user community (known as the Mi Community). The relationship between their consumers is very good and they even have their own forum which provides input to Xiaomi Indonesia

about the advantages or disadvantages of existing products. In fact, often complaints from consumers are often used by Xiaomi as their reference in releasing further products. So that for the last few years Xiaomi has been a smartphone brand with the strongest *Brand Image* in Indonesia. Apart from that, in the marketing aspect, the Xiaomi brand is also known for the great public attention to every product that has just been released by Xiaomi. This high attention is inseparable from the positive reviews from its users. The Xiaomi brand has various advantages, apart from its low price, the design and technology embedded in it are no less sophisticated than other big brands (iprice.co.id, 2022).

Some of the reasons above are indirectly an advantage for the Xiaomi brand in the marketing process. In this way, brands can advertise their products by utilizing word of mouth from their loyal users. It can also reduce advertising costs, which other brands spend quite a lot of money on advertising their products. Even now Xiaomi does not have advertisements on television for any of its products. They only use social networks to promote every new product that will be released. One of them is Instagram. When releasing a new product, usually Xiaomi Instagram and YouTube accounts will broadcast live showing the presentation or introduction process for the product being launched. Apart from that, they also take advantage of content creators to make their first impressions about the product.

Table 1.2
list of the number of Instagram followers of smartphone brands in Indonesia (Per december 26, 2022)

No	Vendor	Number of Followers		
		2020	2021	2022
1	Xiaomi	1.769.098	2.033.430	2.112.885
2	Samsung	1.641.361	1.875.541	2.008.086
3	Oppo	1.232.802	1.277.660	1.348.192
4	Realme	1.012.011	1.102.336	1.179.202
5	Vivo	725.147	764.373	848.224

Source: <http://www.socialblade.com>

Based on the number of followers on Instagram social media, Xiaomi is a smartphone brand with the most followers on Instagram accounts in Indonesia. This

number outperforms the number of followers of its competitors, which are still under 2 million followers. This proves that the Xiaomi brand is highly regarded by the people of Indonesia. even through its Instagram account Xiomi Indonesia invites its users to make complaints or just ask about their products in the comments column and not a few of these questions or complaints have been answered directly by the Xiaomi Indonesia Instagram admin. This is proof of Xiaomi's commitment to maintaining a good brand image. Moreover, their fan community (Mi community) is so active in providing reviews about the advantages and disadvantages of each Xiaomi product so that it really helps other consumers in making their choices. And for Xiaomi this method can create more and more attention to their products and attract consumers.

From some of the phenomena above, the authors are interested in seeing how big the relationship and the role that occurs between some of the variables used and whether the relationship is significant or not. So that it can increase the interest of Xiaomi customers with the increasing number of electronic word of mouth (e-wom) on the social media Instagram so as to increase brand image and consumer purchasing decisions. Based on this, the researcher will conduct a study entitled **“THE EFFECT OF BRAND IMAGE AND ELECTRONIC WORD OF MOUTH IN SOCIAL MEDIA INSTAGRAM TOWARD ON PURCHASING DECISION OF XIAOMI SMARTPHONE.”**

1.3 Problem Statement

Based on the description mentioned in the research background can be formulated the following problems:

1. How does the effect Brand Image on Instagram @xiaomi.indonesia toward the Purchasing Decision of Xiaomi smartphones?
2. How does the effect of E-WOM (Electronic Word of Mouth) on Instagram @xiami.indonesia toward the Purchasing Decisions of Xiaomi smartphone?
3. How does the effect of Instagram @xiaomi.indonesia toward the Purchasing Decision of Xiaomi smartphone?

4. How are the simultaneous influences of Brand Image, Electronic Word of Mouth, and social media Instagram toward the Purchasing Decisions of the Xiaomi smartphone?

1.4 Research Objectives

1. To determine the influence of Brand Image on purchasing decisions on the Xiaomi smartphone;
2. To find out the influence between the Electronic Word of Mouth on purchasing decisions on the Xiaomi smartphone;
3. To find out the influence of social media Instagram on purchasing decisions on the Xiaomi smartphone;
4. To determine the influence of Brand Image, Electronic Word of, and social media Instagram simultaneously on purchasing decisions on the Xiaomi smartphone.

1.5 Research Benefit

This research is expected to provide the following benefits:

a) Academic Aspects

In the academic aspect, it is hoped that this research can provide additional information about the influence of social media on brand image and electronic word of mouth and increase insight and knowledge about this field.

b) Practical Aspects

Practical aspects can be practiced and taken into consideration so that brands can maintain business continuity and can provide input and suggestions related to the effect of brand image and electronic word of mouth on social media Instagram.

1.6 Final Task Writing Systematics

a. CHAPTER I INTRODUCTION

This chapter is a general, concise and concise explanation that accurately describes the content of the research. The contents of this chapter include: Overview of the object of research, Research Background, Problem Formulation, Research Objectives, Research Benefits, and Final Project Writing Systematics.

b. CHAPTER II LITERATURE REVIEW

This chapter contains theories from general to specific, accompanied by previous research and is followed by a research framework that ends with a hypothesis if necessary.

c. CHAPTER III RESEARCH METHOD

This chapter contains sample determination, data sources, data collection methods, research variables and operational definitions, types and methods of analysis and hypothesis testing.

d. CHAPTER IV RESULTS AND DISCUSSION

The results of the research and discussion are described systematically in accordance with the formulation of the problem and research objectives and are presented in separate subtitles. This chapter contains two parts: the first part presents the research results and the second part presents discussion or analysis of research results. Every aspect of the discussion should begin with the results of data analysis, then interpret it and then follow it by drawing conclusions. In the discussion, it should be compared with previous research studies or relevant theoretical foundations.

e. CHAPTER V CONCLUSIONS AND SUGGESTIONS

The conclusion is the answer to the research question, then becomes a suggestion related to the benefits of the research.