

## CHAPTER I

### INTRODUCTION

#### 1.1 Research Object Overview

##### 1. Brief History of Sony Corporation

Behind the phenomenal success of Sony are two men. Masaru Ibuka was an engineer and Akio Morita a physicist when they decided to create a company repairing and building electrical equipment. On May 7, 1946, Tokyo Tsushin Kogyo K.K. (Tokyo Telecommunications Engineering Corporation), also known as Totsuko, was established in Tokyo. The new company had no machinery and little scientific equipment. Possessing only their own intelligence and engineering expertise, Ibuka and Morita set about to create new markets

In 1955, the company decided to use the SONY logo on Totsuko products and three years later changed its name to Sony Corporation. Two concepts were combined to create the name 'Sony'. One was the Latin word 'sonus' which is the root of words such as 'sound' and 'sonic'. The other was 'sonny boy,' a popular expression used in Japan at the time to describe a young person with a free and pioneering spirit. The new name perfectly captured the mood of the company as a group of young people with the energy and passion for unlimited creation.

Right from those early days, the company developed a reputation for being innovative. In 1950, Totsuko launched the 'Soni-Tape', Japan's first magnetite-coated, paper-based recording tape. This was soon followed by Japan's first magnetic tape recorder, the G-Type.

In 1954, the company won a licence to make transistors, a new technology that had been invented in America but had not yet been applied to radios which were still bulky valve-driven appliances. In May of that year, Totsuko launched Japan's first transistor and then followed this with the world's first all-transistor radio in 1955.

Since then, few companies have matched Sony's track record for invention and innovation. Ground-breaking developments include the first Trinitron Colour Television in 1968, the colour video cassette player in 1971, the Betamax VCR in 1975, the Walkman in 1979, the world's first CD player in 1982, the 8mm camcorder based on a universal standard in 1985, the first consumer-use digital video camcorder in 1995, the next generation high capacity optical disc "Blu-ray Disc" recorder in 2003 and the world's first consumer use digital HD video camera recorder conforming to HDV standards in 2004, just to mention a few historic Sony milestones.

Sony has always been an international company. Akio Morita recognised from the beginning that his company needed to regard the whole world as its marketplace and was careful not to restrict activities to Japan alone. He also insisted that the Sony name be prominent on all company products and materials to maximise the power of the brand.

## **Sony Mobile**

Sony Mobile is a wholly owned subsidiary of Tokyo-based Sony Corporation, a leading global innovator of audio, video, game, communications, key device and information technology products for both the consumer and professional markets. With its music, pictures, computer entertainment and online businesses, Sony is uniquely positioned to be the leading electronics and entertainment company in the world.

On February 15, 2012, Sony announce that they acquired Ericsson's 50% equity interest in Sony Ericsson, and changed its name to Sony Mobile Communications AB ("Sony Mobile") upon becoming a wholly owned subsidiary of Sony.

Sony consolidated Sony Mobile Communications (previously called Sony Ericsson Mobile Communications), manufacturer of Xperia smartphones, into a wholly owned subsidiary, with the aim of combining Sony's innovative technologies, services, content and other assets with Sony mobile's extensive capabilities in the mobile communications sphere and unleashing the power of Sony mobile business.

## **2. Vision and Mission**

### **Vision**

*"To create exciting new digital entertainment experiences for consumers by bringing together cutting-edge products with latest generation content and services."*

### **Mission**

*"Sony is committed to developing a wide range of innovative products and multimedia services that challenge the way consumers access and enjoy digital entertainment. By ensuring synergy between businesses within the organisation, Sony is constantly striving to create exciting new worlds of entertainment that can be experienced on a variety of different products."*

### 3. Product :Xperia™

**Figure 1.1**  
**Xperia™ Logo**



Source : [www.sonymobile.com](http://www.sonymobile.com), cited 23 September 2013

Through its Xperia™ smartphone and tablet portfolio, Sony Mobile delivers the best of Sony technology, premium content and services, and easy connectivity to Sony's world of networked entertainment experiences. Taken from official blog of Sony Mobile :

*"Xperia™ products combine stand-out design and superior entertainment technology with the powerful performance consumers would expect from a Sony smartphone and tablet."*  
([www.sonymobile.com](http://www.sonymobile.com))

They let consumers play, watch, listen and create all within the world of Sony: via the Sony Entertainment Network, Xperia users can watch Hollywood blockbusters on Video Unlimited, stream music from a catalogue of millions of songs on Music Unlimited and enjoy games from PlayStation Mobile. And with simple connectivity consumers can share their entertainment across devices and screens.

## 1.2 Research Background

### 1.2.1 Current Sony Mobile's Market Share Condition

Smartphone, in the last 3 years, has gain a worldwide scale of popularity. Worldwide mobile phone sales to end users totaled 435 million units in the second quarter of 2013, an increase of 3.6 percent from the same period last year, according to Gartner, Inc. Worldwide smartphone sales to end users reached 225 million units, up 46.5 percent from the second quarter of 2012. Sales of feature phones to end users totaled 210 million units and declined 21 percent year-over-year.

**Table 1.1**  
**Worldwide Mobile Phone Sales Q2 2013 (thousands of units)**

<b>Company</b>	<b>2Q13 (unit)</b>	<b>2Q13 Market share (%)</b>	<b>2Q12 (unit)</b>	<b>2Q12 Market share (%)</b>
<b>Samsung</b>	107,526.0	24.7	90,432.1	21.5
<b>Nokia</b>	60,953.7	14.0	83,420.1	19.9
<b>Apple</b>	31,899.7	7.3	28,935.0	6.9
<b>LG Electronics</b>	17,016.4	3.9	14,345.4	3.4
<b>ZTE</b>	15,280.7	3.5	17,198.2	4.1
<b>Huawei</b>	11,275.1	2.6	10,894.2	2.6
<b>Lenovo</b>	10,954.8	2.5	6,821.7	1.6
<b>TCL Communication</b>	10,134.3	2.3	9,355.7	2.2
<b>Sony Mobile Communication</b>	9,504.7	2.2	7,346.8	1.7
<b>Yulong</b>	7,911.5	1.8	4,016.2	1.0
<b>Others</b>	152,701.5	35.1	147,354.60	35.1
<b>Total</b>	435,158.4	100.0	420,120.0	100.0

Source : [www.gartner.com](http://www.gartner.com), cited 23 September 2013

**Table 1.2**  
**Worldwide Smartphone Sales Q2 2013 (thousands of units)**

<b>Company</b>	<b>2Q13 (Unit)</b>	<b>2Q13 Market Share (%)</b>	<b>2Q12 (Unit)</b>	<b>2Q12 Market Share (%)</b>
<b>Samsung</b>	71,380.9	31.7	45,603.8	29.7
<b>Apple</b>	31,899.7	14.2	28,935.0	18.8
<b>LG Electronics</b>	11,473.0	5.1	5,827.8	3.8
<b>Lenovo</b>	10,671.4	4.7	4,370.9	2.8
<b>ZTE</b>	9,687.6	4.3	6,331.4	4.1
<b>Sony Mobile Communication</b>	9,504.7	4.2	7,346.8	4.7
<b>Others</b>	80,708.9	45.8	55,357.2	36.1
<b>Total</b>	225,326.2	100.0	153,772.9	100.0

Source : [www.gartner.com](http://www.gartner.com), cited 23 September 2013

It is showed from the table that Samsung currently leads smartphone market by 31.7%, almost double from Nokia. Even with the increase of sales from 7,346.8 to 9,504.7 (in thousands units), Sony market share is decreasing and left behind in the 6<sup>th</sup> place, defeated by Lenovo and Huawei. It could be said that Sony is struggling in the worldwide market.

Further investigation was done by the author to find an accurate sales data of Sony mobile communications in Indonesia.

**Figure 1.2 :**  
**Sony Xperia Sales Diagram 2012- 2013**



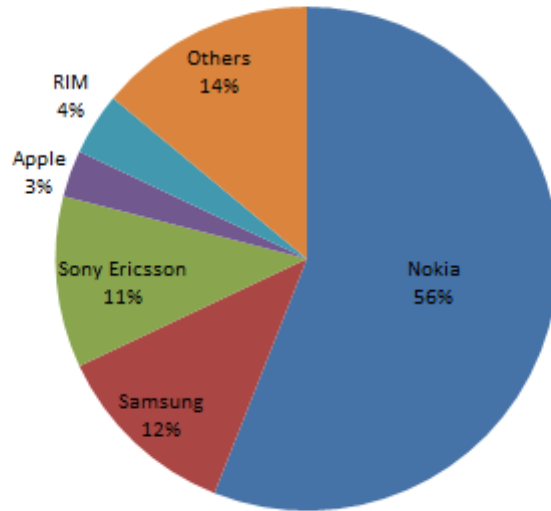
*Source : Sony consolidated financial result report 2013.*

The condition is a little bit different In Indonesian market. Sony in early 2013 became the 4th biggest selling smart phone vendor and has a more successful story in Indonesia during Sony Ericsson era.

**Figure 1.3 :**

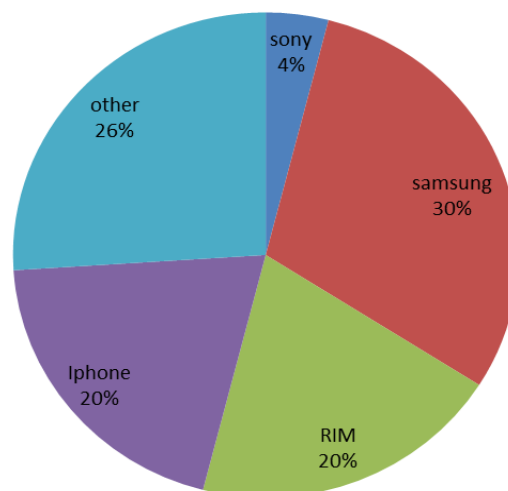
**Smartphone Market Share in Indonesia 2012-2013**

**Indonesia's Mobile Phone Market Share 2012**



*Source : www.inmobi.com, cited 23 September 2013*

**Smartphone Market Share in Indonesia 2013**



*Source : www.jurangadget.com, cited 23 September 2013*

In figure 1.3, it is shown that Sony Xperia in 2012-2013 has a major decrease of Market share in Indonesia. It happens mostly because of the increase of android based phones from China and Samsung market share. This is worse than what happens in the global market.

### **1.2.1 Brand Image and e-Word of Mouth**

Sony Ericsson, formed by Sony and Ericsson in 2001. Through several years they succeed in keeping their brand image as a reliable mobile phone product. A lot of innovation was also initiated by the company.

Sony Ericsson struggled following the launch of Apple's iPhone in the third quarter of 2007. Losing Their brand image as high quality and innovative product, makes Sony suffers in the market. In 2012, Sony decide to buy all Ericsson share and change their name to Sony Mobile communication in order to recapture their market. Until today, the condition remains the same and as a result, since Sony Ericsson change their brand name, Sony Mobile's brand suffers from best three to rank nine. (*Source : www.phonearena.com, cited 26 January 2014*).

Consumers have always valued opinions expressed directly to them. Marketers may spend millions of dollars on elaborately conceived advertising campaigns, yet often what really makes up a consumer's mind is not only simple but also free: a word-of-mouth recommendation from a trusted source. (Jacques *et al.*, 2010). Word-of-mouth (WOM) communication is generally acknowledged to play a considerable role in influencing and forming consumer attitudes and behavioral intentions (Mohammad and Neda, 2012).

It is 21st Century and Word of Mouth evolved alongside with technology and digital lifestyle. Whereas WOM communication initially referred to the idea of person-to-person conversation between consumers about a product, the worldwide spread of the internet brought up less personal but more ubiquitous form of WOM communication, so-called online WOM communication (Xia and Bechwati 2008).

The potential of having huge Internet User that keep growing also could make this WOMM becomes more powerful in Indonesia. APJII (Asosiasi Penyelenggara Jasa Internet Indonesia) revealed that in 2013 total Internet user in Indonesia is 71.19 million, increased 13% from 2012 which is 63 million. It Predicts that in 2014 it will reach 107 million by the end of 2014 (*Source : www.antaraneews.com, cited 26 January 2014*).

Based on these findings, we could see the potential of e-WOM that could affect both brand image and purchase intention. Therefore the authors decide to conduct a research with the title **“THE INFLUENCE OF E-WOM TOWARDS BRAND IMAGE AND PURCHASE INTENTIONS OF SONY XPERIA IN INDONESIA”**.

### **1.3 Problem Formulation**

With all the fact that was mentioned in the research background, it shows that Sony Mobile Communication is suffering from poor performance in Indonesian market. These symptoms has already been researched and predicted by several researchers (Yossie, 2006; GSM arena, 2010).

Knowing the performance has been in poor condition since 2010, it shows that Sony hasn't found the solution for their problem yet.

Several researches (mohammad & Neda, 2012; Mohammad noer, 2009; Yossie 2006) has touch these aspects as their research topic. But in specific case of smartphone industry, such research has not yet been done.

Therefore the researcher tries to formulate research questions as below:

1. Is e-Word of Mouth has significant impact on brand image of Sony Xperia Product?
2. Is e-Word of Mouth has significant impact on purchase intention of Sony Xperia Product?
3. Is brand image has significant impact towards purchase intention of Sony Xperia Product?

## **5 Research Purposes**

### **1. Theoretical Aspect**

- a. Through this research will be able to apply the experience and knowledge based on science or theory that has been acquired during the course and during the study so that it can add an insight.
- b. This study is useful as a reference for further research in studies as the effect of the development of Digital Word of Mouth Marketing on Customer Purchasing Decision Process.

### **2. Practical Aspect**

- a. Through this research, the author hopes to determine the influence of electronic word of mouth marketing on brand image and purchase intentions, and use it for an evaluation to create strategy to increase sales.



- b. The results of this study are expected to contribute ideas that can be helpful and also provide information to others who want to know the issue of electronic word of mouth marketing, brand image and purchase intentions.

## **1.6 Writing Structure**

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

### **1. CHAPTER I INTRODUCTION**

This chapter contains a review of the object study, the background, formulation matter, purpose of study, benefit of research, and research outline.

### **2. CHAPTER II LITERATURE STUDY AND SCOPE OF RESEARCH**

This chapter contains a general description of the theories related to research and problem solving support. The Theories used in this research are integrated marketing communication and Brand Awareness.

### **3. 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.

### **4. 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.

### **5. CHAPTER V CONCLUSION AND SUGGESTION**

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

