

CHAPTER I

INTRODUCTION

A. Research Background

Information and communication technologies (ICTs) have become a critical factor that needs to be considered in increasing the country's economic growth due to their role in strengthening business efficiency and creating employment opportunities (Hussain et al., 2021). This is proven by the rapid growth of internet use in Indonesia, reaching 78.18 percent (Badan Pusat Statistik Indonesia, 2022). This growth in the internet is followed by the population using mobile technologies. Based on data from Badan Pusat Statistik Indonesia (2021), the number of mobile technology users shows an increasing trend from 2019-2021. The development of technology has forced people to follow its advancement as it facilitates people to communicate better.

Recently, mobile technologies have undergone remarkable innovations. The smartphone represents the new technological convergence of mobile technologies and personal computers. Smartphone usage has increased over the last few years, engaging users from different age categories, especially young adults (Busch & McCarthy, 2021). The smartphone penetration in Indonesia is expected to increase in the coming years, and the number of smartphone users in the country is estimated to reach 269 million in 2028 (Statista Research Department, 2023). This penetration rate has changed Internet use (Badan Pusat Statistik Indonesia, 2022). Smartphones provide easy access to Internet resources, and it is widely believed that always-on smartphones are changing people's lives everywhere in significant ways (Puspitasari & Ishii, 2016). The increasingly affordable price and social media influence are why smartphone use in Indonesia keeps increasing (Macmud & Hidayat, 2020).

As a result of the anticipated rise in smartphone demands, numerous technology-based businesses are beginning to compete to produce smartphones that can satisfy the needs of

consumers across the globe, including Indonesia. One of the smartphone brands that attract the interest of the Indonesian people is iPhone. iPhone is a smartphone brand from Apple Inc. Result of a survey conducted by iprice.co.id (2022), the entire iPhone series from 2019 to 2021 managed to become the most popular flagship smartphone by the Indonesian people (Purnama, 2022). iPhone is a smartphone brand from Apple Inc. (Apple) launched in 2007 (Gregersen, 2023). Apple products, including iPhone, are known to operate using its exclusive operating system called iOS. Apple's operating system is being marketed as the most secure operating system than any other and has a great user interface that is suitable for users with age differences (Sharma, 2022).

Based on the CIRP (Consumer Intelligence Research Partners) survey results in 2022, 27% of all iPhone users are between 18-24 years old, while the 25-34 and 35-44 age groups make up 22% and 23% of the iPhone user base (Sellers, 2022). This shows that Apple's current consumer base is mostly Gen Z and a line with the fact from Badan Pusat Statistik Indonesia(2022) that Gen Z and millennials dominate 27.94% of Indonesia's population. Another reason is that Gen Z is the most online of any group – spending up to six hours a day on their smartphones – the dominance of the iPhone forms the social circle of young people (McGee, 2022). In accoByet study conducted by Annur (2022), 50,7% of iPhone customers in Indonesia are interested in continuing to buy Apple's iPhone product because the iPhone has an outstanding processing system, and 48.9% of the respondents believe that the iPhone has an exclusive operation system compared to other smartphone products.

On the other hand, smartphones are expected to enhance the quality of education by helping teachers and students to promote collaborative learning and accelerate knowledge exchange, as smartphones will help them to have better access to information (Sarwar et al., 2013). Apple aims to support learning by providing its products with power, performance, and capabilities (Apple.com, 2023).

Yogyakarta, a city in Indonesia, is known as a city of students and a city of cultures; nearly 20% of the population in Yogyakarta are students from different cities and islands across Indonesia (Kasam et al., 2020). Yogyakarta is one of the cities in Indonesia with high smartphone sales potential, as smartphones are mainly used to exchange knowledge through information and communication technologies. This is based on data obtained from iBox, an Apple-authorized reseller in Yogyakarta. There was an increase in iPhone sales throughout 2017-2022 (Figure 1.1). The increasing number of iPhone sales in Yogyakarta over five years proves Apple has a broad market share. Although Apple has diversified its product line with iPad, Mac, and other services, the iPhone still contributes the most to Apple Inc.'s revenue, reaching 50% (Annur, 2022).

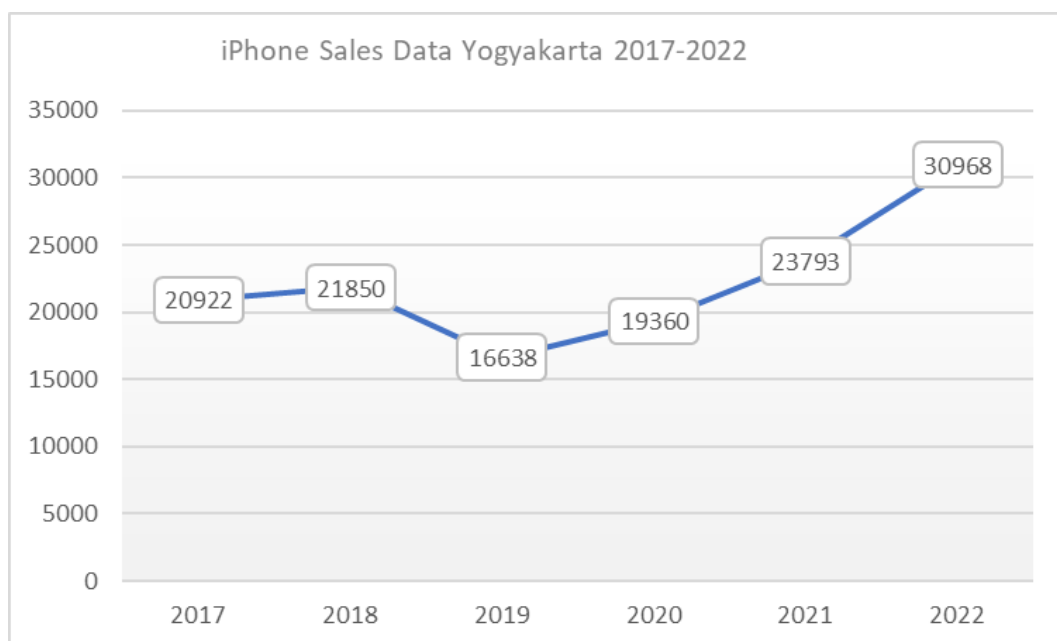


Figure 1.1 iPhone Retail Store Yogyakarta Sales Data 2017-2022
Source: Secondary Data iPhone retail store Yogyakarta, 2023

Hence, it is necessary for Apple to take deliberate action to improve its efficiency and productivity, which could serve the customers in the long term and continue gaining competitive advantages. Apple has implemented Customer Relationship Management (CRM) to improve customer relationships (Kumar, 2018). As stated by Hanaysha and Al-Shaikh (2022), customer relationship management (CRM) is a technology-based system that allows

companies to get necessary information about their customers by learning about their past purchases and brand likings. CRM has emerged as the main marketing activity of the companies to maintain the long-lasting relationships with the customers.

CRM systems aim to form and sustain valuable customer relationships (Hanaysha & Al-Shaikh, 2022). This is in line with Apple which has already implemented precise data on customer sales trends; CRM encourages a focus on customer loyalty and retention, intending to win a large share of the total lifetime value of each profitable customer (Chiang, 2019). As stated by Ledro et al. (2022), by having a great deployment of CRM systems, businesses are expected to have better ability in designing and developing innovative products as they have a deep knowledge of their customers. Furthermore, an effective implementation of CRM can increase customer satisfaction level because the system would allow companies to have access to customers' specific needs and wants which later allow them to create products that are tailored to those specific needs and wants (Hanaysha & Al-Shaikh, 2022). Meaning, customers are becoming the focal point within the implementation of CRM to facilitate the management of overall marketing processes in certain businesses.

This research is replicated from Siti Shofiah, I Made Sukresna and Sugiyono in 2017 with the title "Study of Influence of Customer Relationship Management on Customer Satisfaction in CV Batik Semarang¹⁶" with the addition of two new hypotheses. The first hypothesis that the author added, are the influence of customer relationship management to customer satisfaction, according to Dean (2018), it has confirmed that customer relationship management has a significant impact to customer satisfaction. The second hypothesis that the author purpose is the influence of product innovation to customer value. This relationship according to Lestari and Ardianti (2019) it has confirmed that product innovation has a significant impact to customer value.

In the study, there are three independent variable namely Customer Relationship Management (CRM), Product Innovation, and Customer Value and one dependent variables namely Customer Satisfaction. The novelty in this study is that there are differences in the research object, examining iPhone users in Yogyakarta. This is expected to impact the implementation of CRM carried out on small businesses and large companies, namely Apple. According to a research study conducted by El-Gohary et al., (2013), the application of CRM in higher product classes has a more excellent risk orientation, perceived higher environmental complexity and hostility, and a more open business change orientation. So, this research will look at the side of large companies because they have different sides and are expected to be a research update.

B. Research Problem Formulation

The research questions are as follows:

1. Does customer relationship management positively and significantly influence product innovation?
2. Does customer relationship management positively and significantly influence customer satisfaction?
3. Does customer relationship management positively and significantly influence customer value?
4. Does product innovation positively and significantly influence customer value?
5. Does product innovation positively and significantly influence customer satisfaction?
6. Does customer value positively and significantly influence customer satisfaction?

C. Research Objective

Researchers conducting this study aimed to

1. To investigate the effect of customer relationship management on product innovation
2. To investigate the effect of customer relationship management on customer satisfaction
3. To investigate the effect of customer relationship management on customer value
4. To investigate the effect of product innovation on customer value
5. To investigate the effect of product innovation on customer satisfaction
6. To investigate the effect of customer value on customer satisfaction

D. Research Benefit

The benefits of this research are theoretical and practical, including the following:

1. Theoretical benefit

This research can be used as a source of information for marketing research, for example, describing the impact of customer relationship management, product innovation, and customer value to shape customer satisfaction.

2. Practical benefit

This research is expected to be an essential reference for decision-making for Apple Smartphones, especially in Yogyakarta, Indonesia. The results of this research can be used as a strategy to maintain customer relationships to create customer satisfaction.