Gen Z Switching Behaviour in Indonesia Smartphone Industry

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ABSTRACT

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Objective – This paper investigates the effect of satisfaction, product consumption, values on the brand commitment, and switching behaviour of Gen Z in the Indonesian smartphone industry. The study focuses on the potential of this generation as a big smartphone market in Indonesia. The behaviour of Gen Z in switching its smartphone brand is also examined.

Methodology/Technique – This research evaluates the relationship between variables and their mediation using the PLS-SEM approach. A total of 944 Gen Z's responses were collected through a face-to-face paper-based questionnaire from 4 capital cities of 4 provinces in Java Island.

Findings – According to the results, satisfaction significantly influences brand switching. Product consumption value is essential in boosting commitment, an essential aspect that influences the switching of smartphone brands. Previous studies established that commitment mediates between product consumption values and brand switching behaviour. However, it has no mediation effect between satisfaction and brand switching behaviour.

Novelty - This research provides new theoretical insight, specifically showing that Gen Z product consumption values and brand commitment could drive them to switch their smartphone brand. These two aspects mediate between product consumption value commitment and brand switching behaviour.

Type of Paper: Empirical.

JEL Classification: M30, M31, M39

Keywords: Product Consumption Values; Satisfaction; Brand Commitment; Brand Switching Behaviour; Gen Z; Smartphone

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1. Introduction

Gen Z is a genuine tech generation of individuals born after 1997 (Schiffman & Wisenblit, 2019). In the 2020s Indonesia was expected to have a significant demographic development that is dominated by 29.23% of Gen Z. This is the highest internet-connected penetration with 93.9%, smartphone-addicted users. In general, 98% of Indonesian access the internet through their smartphone (Alvara, 2020). For this reason, smartphone companies respond to the market by rapidly launching products and introducing new features and technologies that meet the needs of this generation. However, there is a need for a different way of approaching Gen Z and attract their intention by understanding their characteristics.

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This generation of individuals is product-centric and widely open to new technologies. This motivates them to buy a smartphone-based on specifications and not the brand itself. They evaluate the product value through usage experience or examining its appearance because the value is an essential aspect to them (Budac, 2014). The consumption value theory helps explain why consumers choose one product over another (Wong et al., 2018). Therefore, smartphone companies need to take advantage of this situation to grab Gen Z by adapting and suiting their behaviour. This study focuses on the tendency of Gen Z to switch its smartphone brand. Two research questions were formulated, including how effective the predictor variables prevent Gen Z's possibility to switch their smartphone brand in the future, and whether smartphone brands' have proper products to respond to the emergence of Gen Z?

1. Literature Review

This research used the cognition-affect-behaviour (CAB) model (Wong et al., 2018) to examine the behaviour of Gen Z in switching smartphone brands. Cognition, effect, and behaviour are represented by product consumption values, commitment, and brand switching behaviour. Furthermore, satisfaction is a variable that shows Gen Z's behaviour in choosing a smartphone brand, though it relates to the brand commitment and switching behaviour.

2.1 Satisfaction

Satisfaction refers to an assessment of a product that is expressed by a pleasurable level of fulfillment (Chiu and Won, 2016). Previous empirical studies examined the positive relationship between satisfaction and brand commitment (Chiu and Won, 2016; Wang, 2002). This forms a benchmark between customers' expectations and products' perceived performance (Kotler and Keller, 2016). Customers become satisfied and committed when the performance of a product is higher than the expectations. However, customers often switch brands due to dissatisfaction. Dissatisfied customers easily criticize the difference change between product performance (Ganesh et al., 2000). Satisfaction relates to consumers' positive emotions about their decision to purchase a smartphone.

2.2 Product Consumption Values

Product consumption values (PCV) is the degree of fulfillment of consumer needs based on the overall assessment of their net utility or satisfaction of a product by comparing the perceived value and their wants (Biswas and Roy, 2015). This study assesses four aspects, including functional, emotional, social value, epistemic values. Conditional value was eliminated, because some Gen Z in Indonesia still rely on parents for financial needs. Consumers perceiving higher consumption values are likely to have the commitment and less likely to switch to another brand (Wong et al., 2018).

2.3 Functional Value

The functional value measures the perceived utility acquired from a product's function, utility, or physical performance (Suki, 2016). The perceived functional value is a major determinant of consumers' choice (Hur et al., 2012). In the smartphone context, it relates to aspects such as quality, performance, user-friendliness, and price (Wong et al., 2018).

2.4 Emotional Value

Emotional value relates to the feelings or affective states that give pleasure to consumers when using the product (Thomé et al., 2018). Consumers with positive emotional value enjoy the product (Suki, 2016). In the

smartphone context, it involves consumers' perceived feelings or affective states toward different smartphone brands (Wong et al., 2018).

2.5 Social Value

Social value refers to the perceived utility acquired from one or more social groups associated with consumers (Suki, 2016). The opinion of social groups and peers, pressure, and comparisons are the main components (Biswas and Roy, 2015). In the smartphone context, it relates to the perceived utility of consumers' views regarding how different smartphone brands enhance social self-image (Wong et al., 2018).

2.6 Epistemic Value

Epistemic value is the perceived net utility to satisfy the curiosity, knowledge, and novelty (Biswas and Roy, 2015). When a new product is launched, consumers evaluate the incoming information regarding the new product and their related knowledge or experience (Thomé et al., 2018). In the smartphone context, epistemic value refers to the perceived net utility acquired from an alternative smartphone brand's capacity to lead curiosity, knowledge, and novelty of consumers (Wong et al., 2018).

2.7 Brand Commitment

Brand commitment (BC) is the degree of the emotional relationship between consumers in a particular brand (Wang, 2002). This shows the attitudinal dimension of consumers (Chiu and Won, 2016). Consumers usually advocate for a brand when they have a commitment to it and enhance the perception of other individuals (Shukla et al., 2015). Committed consumers tend to stay and are less likely to switch brands. In this context, brand commitment is the degree to which a brand is the most acceptable choice for buying a smartphone (Wong et al., 2018).

2.8 Brand Switching Behaviour

Brand switching behaviour (BSB) is the outcome of deteriorated consumer loyalty toward a brand (Liu et al., 2016). Different from brand loyalty, utility, and value are the main factors considered when switching (Wieringa and Verhoef, 2007). Switching behaviour is attributed to consumer dissatisfaction from the previous brand (Ganesh et al., 2000). In this study, it is the degree of consumers switching their smartphone brand based on their perceptions (Wong et al., 2018).
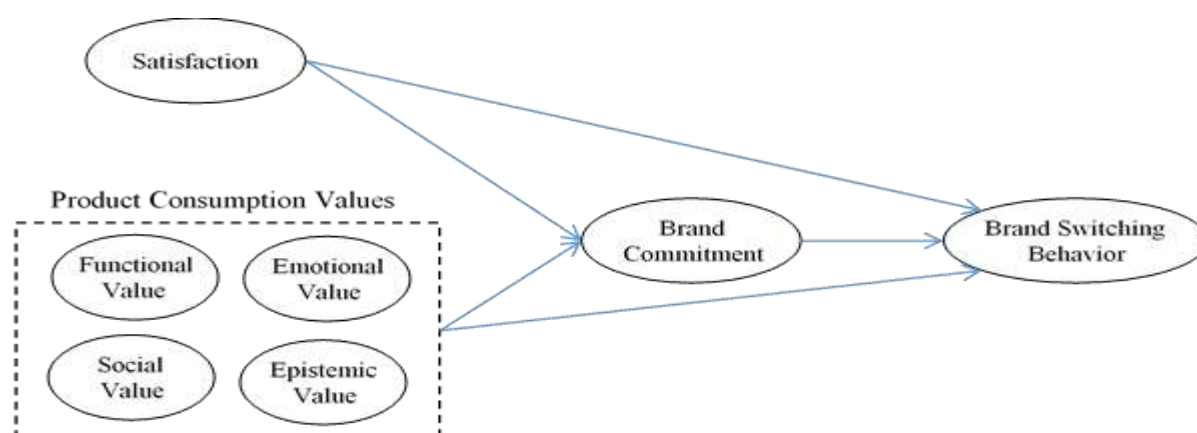
Figure 1. Conceptual Framework

H1: Satisfaction has a significant positive effect on the brand commitment of Indonesian Gen Z in the smartphone industry.

H2: Product consumption values have a significant positive effect on brand commitment.

H3: Satisfaction has a significant negative effect on brand switching behaviour.

H4: Product consumption values have a significant negative effect on brand switching behaviour.

H5: Brand commitment has a significant negative effect on brand switching behaviour.

3. Research Methodology

The study object is Gen Z who have switched smartphone brand is the object. A total of 944 Gen Z answered 29 items construct using a 7 Likert points scale. In terms of age, they ranged from 18 to 22 years old. The responses were collected through a face-to-face paper-based questionnaire from 4 capital cities of provinces in Java, including Jakarta, Bandung, Semarang, and Surabaya. These regions are a huge number of Gen Z and represent Indonesians in seeking behaviour in the smartphone industry. The questionnaires were distributed from mid-November 2019 to early-December 2019 using judgmental sampling. PLS-SEM approach was used for data analysis with WarpPLS5.0 as the statistical tool for evaluating the hypotheses and mediation effect between variables. Second-order factor analysis was used to assess four dimensions of product consumption values that act as indicators for this variable (Malhotra, 2019).

4. Results

Table 1 shows the profile of respondents, while Table 2 represents the outer model evaluation by measuring the results and a minimum level of acceptance. The Cronbach's Alpha is 0.5, composite reliability 0.7, and AVE 0.5 (Hair et al., 2017). Table 3 shows the effect size or R-squared coefficients, where 0.02, 0.15, and 0.35 is the recommended standard value for WarpPLS (Kock, 2015).

Table 1. Respondents' Profile

	Category	Number	Percentage
Age	18	203	21.50%
	19	207	21.93%
	20	185	19.60%
	21	193	20.44%
	22	156	16.53%
City	Jakarta	263	27.86%
	Bandung	235	24.89%
	Semarang	219	23.20%
	Surabaya	227	24.05%
Last Time Switched Smartphone Brand	2019	270	28.60%
	2018	265	28.07%
	2017	221	23.41%
	2016	188	19.92%

Table 2. Variable Validity and Reliability Indicator

Variable	Cronbach's Alpha	Composite Reliability	AVE
Satisfaction	0.899	0.930	0.768

Product Consumption Values	0.815	0.879	0.647
Functional Value	0.891	0.932	0.821
Emotional Value	0.919	0.939	0.755
Social Value	0.923	0.945	0.812
Epistemic Value	0.834	0.890	0.672
Brand Commitment	0.864	0.902	0.648
Brand Switching Behaviour	0.773	0.855	0.599

Table 3. R2 coefficients/Effect Sizes

	R2	Result
Brand Commitment	0.529	Strong
Brand Switching Behaviour	0.103	Weak

Table 4 shows the summaries of the direct relationship between the hypotheses, where the p-value < level of the significance $\alpha=5\%$. Satisfaction present p-value = 0.477 toward brand commitment with positive path. The significant positive relationship between product consumption value and brand commitment, where p-value = <0.001. Satisfaction shows a significant negative effect on brand switching behaviour since p-value = <0.001. The p-value = 0.063 was reported in the positive effect of product consumption value to brand switching behaviour. Lastly, brand commitment shows a significant effect (p-value = 0.046) but on a positive path.

Table 5 shows the mediating role of brand commitment, where brand switching behaviour acts as the target. Sobel's standard error is adopted to assess the mediation effect using the indirect effects (p-value < $\alpha=5\%$) as the standard (Kock, 2014).

Table 4. Direct Relationship

Hypotheses	β coefficient	Significance p-value	Result
S → BC	0.002	0.477	Not supported
PCV → BC	0.727	<0.001	Supported
S → BSB	-0.361	<0.001	Supported
PCV → BSB	0.050	0.063	Not supported
BC → BSB	0.054	0.046	Not supported

Table 5. Indirect (Mediation) Relationship

Path	Significance p-value	Result
S → BC → BSB	0.498	No Mediation
PCV → BC → BSB	0.042	Has Mediation

5. Discussion

This study shows that satisfaction does not effectively enhance BC. However, this finding contravenes Chiu and Won (2016), which reported a significant influence of satisfaction on BC. PCV and BC have a significant relationship, which is in line with Wong et al. (2018). Satisfaction has a significant influence in preventing brand switching behaviour, which is also in line with Liu et al.'s (2016) study. However, PCV

does not impede switching behaviour and acts the opposite way. Furthermore, there is a significant positive relationship between BC and BSB, a finding that contravenes Wong et al. (2018). BC particularly mediates the relationship between PCV and BSB. However, it has no mediation role between satisfaction and BSB relationship.

6. Conclusion

The findings of this study show Gen Z's satisfaction prevents them from switching smartphone brand, though it does not build commitment. Additionally, product consumption value is the most significant factor considered when buying a smartphone. Building commitment towards a brand influences the switching behaviour. Brand commitment significantly influences the decision to switch to a new smartphone brand. The commitment is narrow as an attitude dimension for Gen Z, unlike loyalty that reaches the behavioural dimension.

Companies should create distinctive smartphone features and technologies to increase their brand preference compared to competitors' brands. This is because Gen Z is more product-centric than its predecessor generation. Therefore, it is vital to always consider and evaluate Gen Z's perceived product consumption values. Smartphone companies need to use internet-connected based advertising channels to grab Gen Z effectively. Further research should consider this concept, focusing on a particular brand, region, and different conditions. More related variables should be applied, such as advertisement, reference recommendation, and expert advice.

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