The Influence of Product Differentiation and Reference Groups on Xiaomi Smartphone Purchasing Decisions

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**Abstract**

Various smartphone brands with varying prices and specifications continue to emerge and develop in society. This study aims to determine the effect caused by product differentiation and reference groups on consumer purchasing decisions. This research is a quantitative research with product differentiation and reference groups as independent variables and consumer purchasing decisions as dependent variables. This study uses questionnaire data collection techniques and obtained 68 respondents, namely students of D-IV Marketing Management Study Department of Business Administration Malang State Polytechnic who use Xiaomi smartphones. Data analysis used was multiple linear regressions. The results show that partially product differentiation variables have a positive and significant effect on purchasing decisions, besides that the reference group variables also have a positive and significant effect on purchasing decisions. So from that it can be concluded that differentiation and reference groups can influence consumer purchasing decisions by increasing the superiority and value of the product and increasing the company’s image to attract consumer attention.

**INTRODUCTION**

Information technology has a tremendous impact on all aspects of human life. One of them is the demand for smooth communication between individuals and each other (Mukaromah, 2020). Communication is the basis of human relationships and interactions in everyday life. As social creatures, humans cannot be separated from other individuals so communication can occur with anyone, including family, friends, and co-workers and so on. Apart from that, communication can support daily activities both at work and for other purposes (Sulandjari, 2018).

Nowadays, communication is not enough just to communicate directly or face to face. Most communication today is carried out indirectly or using communication media (Finnegan, 2014). One communication medium whose presence cannot be denied in society is the presence of cellular telephones. The emergence of cell phones began with their function to replace fixed telephones such as landlines (Morley, 2017). However, as time goes by, the function of cell phones, which were initially only used to communicate with other individuals, has developed into sophisticated gadgets that are multifunctional and capable of supporting daily human activities. This type of cell phone is often called a smart phone (smartphone) (De-Sola Gutiérrez et al., 2016).

The emergence of various companies producing smartphones resulted increasingly tight business competition (Sulandjari, 2018). Various smartphone brands with varying prices and specifications continue to emerge and develop in society. This is a challenge for companies to be able to develop their products, especially in terms of shape, size and features, while still prioritizing product quality. One strategy that can be used by companies is to differentiate products (Tampi, 2016).
Various smartphone brands with varying prices and specifications continue to emerge and develop in society. One of the smartphones that has a high presence and has always shown development since its inception is the Xiaomi smartphone produced by Xiaomi Inc (Astuti, Sayudin, & Muharam, 2023). Xiaomi Inc is a company that designs and sells smartphones. This company also develops applications and consumer electronic devices. The strategy that Xiaomi Inc has it seems that it has succeeded in making the Xiaomi smartphone the smartphone that many people want today. One of them is today’s teenagers or students, where smartphones are an inevitable need for students. Students belonging to the millennial generation are very open to developments in technology and information. Apart from that, they tend to be more sensitive and selective in seeing the quality and added value of a product.

Differentiation is an effort to design a set of differentiating tools or product attributes to differentiate a company’s products from those of its competitors (Gummelar, 2018). Product differentiation can also be a consideration and comparison for consumers in making purchasing decisions (Simamora & Situmeang, 2018). Mowen and Minor (2002) in (Priansa, 2017) "States that consumer behaviour is the study of purchasing units and exchange processes involving the acquisition, consumption and disposal of goods, services, experiences and ideas." Seeing this, companies and marketers must be careful in reading the market and consumer needs and desires.

In fact, for consumers, purchasing is not just an action (for example because of a product), but consists of several interrelated actions) (Priansa, 2017). This means that reference groups also have a role in providing quite a strong influence on individuals in carrying out the purchasing decision process.

Based on this background, the preparation of this research took the title "The Influence of Product Differentiation and Reference Groups on Xiaomi Smartphone Purchasing Decisions (Study on Students of the D-IV Marketing Management Study Program, Department of Business Administration, and Malang State Polytechnic)." For now influence differentiation product and group reference in a way simultaneous to decision Purchase of Xiaomi Smartphone.

THEORETICAL BASIS

Marketing is an activity where a company introduces the products or services it produces to the public. Marketing is one of the most important things for a company in carrying out its business activities. With marketing, companies can find out and fulfil consumers’ wants and needs precisely. Apart from that, through marketing a company can achieve its appropriate market targets and objectives. According to Stanton (2005) in Priansa (2017:2) "States that marketing is a total system of business activities designed to plan, determine prices, promote and distribute goods that satisfy the desires and services of both current and future consumers. Potential.” Sales and marketing activities can run smoothly if marketers clearly know the right and appropriate strategies for marketing their products. To support this, marketers need to understand the marketing mix of their products and companies. According to Kotler (1992) in Kotler and Nancy (2005:202) "The marketing mix is a group of marketing tips to achieve marketing goals in the target market." The marketing mix or marketing tips according to Kotler (1992) in Kotler and Nancy (2005:202) include:

a. Products
   A product is anything that is expected to meet human or organizational needs.

b. Promotion (Promotion)
   Promotion is a one-way flow of information or persuasion created to direct a person or organization to action that creates exchange in marketing (Basu Swastha and Irawan, 1985)

c. Price
   Price is the value referred to in rupiah and cents/other monetary mediums as a medium of exchange (Stanton, 1991)
Distribution Channels (Distribution)

Distribution channels are a series of often dependent organizations involved in the process of making a product or service ready for use or consumption.

Product is one of the marketing mix elements owned by each company. Products can be goods or services. In producing and marketing its products, companies will classify products based on certain characteristics or criteria (Dangelico & Vocalelli, 2017). Each type of product owned certainly has a different marketing mix and strategy. This product classification will make it easier for companies to implement appropriate marketing strategies in accordance with each product’s criteria.

According to Adisaputro (2014:171) Products can be classified according to:

1. Durability and embodiment of the product, which consists of
   a. Durable goods
   b. Items are not durable
   c. Service

   The first two products are tangible, while the third product is intangible. Therefore, products are often divided into goods and services.

2. The classification of consumer goods, namely goods that can be immediately consumed and sold in the consumer market, consists of:
   a. Consumer goods (convenient): relatively cheap, purchased many times in small quantities, can usually be obtained at the nearest shops, without having to sacrifice too much time and energy.
   b. Shopping goods: namely goods that are quite expensive, purchased not too often, can be used many times because the price is quite expensive, buyers are usually more careful in choosing and comparing the same goods with various brands in various shops.
   c. Specialty goods: namely goods that have special value, are of high price, can be used repeatedly and are purchased relatively rarely, such as watches, or jewellery, clothes from boutiques.
   d. Goods that are less sought after or aware of their need (unsought goods): goods like this are only realized when they are really needed.

3. Classification of industrial goods

   Industrial goods can be:
   a. Materials and spare parts: items like this cannot be used immediately but need to be processed first before being presented as a final product.
   b. Capital goods: usually purchased by manufacturers to produce or process final products such as machinery and factory installations.
   c. Supplies and business services: such as paper and stationery for the office, notary and accounting services and lawyers.

Increasing business development is a challenge for marketers and companies. To remain able to compete and survive in the market, companies and marketers must be able to provide excellence in the products they offer and differentiate them from their competitors (West et al., 2015). For this reason, product differentiation is one way that companies can continue to develop their products and be able to create more value for consumers. There are several indicators of product differentiation according to Kotler & Keller (2009:9), including:

1. Form
   Many products can be differentiated based on form – the size, shape, or physical structure of the product.

2. Feature
   Most products can be offered with varying features that complement their basic functions.

3. Adjustment
   Marketers can differentiate products by tailoring them to individual desires.
4. Performance Quality
   Most products are assigned to one of four performance levels: low, average, high, or superior. Performance quality (performance quality) is the level at which the main characteristics of the product operate.

5. Quality of Conformity
   Buyers expect products to have high conformance quality, namely the level at which all units produced are identical and meet the promised specifications.

6. Resilience
   Is a measure of a product’s expected operating life under normal or stressful conditions, a valuable attribute for certain products?

7. Reliability
   Buyers will usually pay more for a more reliable product. Reliability is a measure of the probability that a product will not malfunction or fail within a certain period of time.

8. Ease of Repair
   It is a measure of the ease of repairing a product when the product malfunctions or fails.

9. Style
   Describes the appearance and feel of the product to buyers.

10. Design
    It is a factor that often gives a company a competitive advantage. Design is the totality of features that influence the appearance, feel and function of a product based on customer needs.

The differentiation dimension criteria according to Ciptono (2008) in Priansa (2017:19) include the following:
1. Important
   The selected differentiation variables provide highly valuable benefits for target consumers
2. Distinctive
   Differentiation variables are delivered in a unique or distinctive way
3. Superior
   Differentiation variables are superior compared to other ways of getting the same benefits
4. Preemptive
   Differentiation variables cannot be easily imitated by competitors
5. Affordable
   Buyers are willing and able to pay for the differentiation provided by the company
6. Profitable
   Companies can benefit from efforts to introduce the differentiation in question.

Apart from product differentiation, basically the reference group has an influence in making purchasing decisions and using products or services. This is because this reference group becomes a reference or guide for individuals to behave and behave (De Mooij, 2019). Before making a purchasing decision, consumers will tend to study and seek information through reference groups around them so that a reference group can be defined as a person or group that has relevance and involves forming a person's behavioural patterns, either directly or indirectly. In social life, of course, every individual has their own reference group. Reference groups also become a forum for searching for information for consumers in making purchasing decisions. The types of reference groups that exist in society include:

According to Kotler and Keller (2009:170) reference groups are divided into two types including:
1. Groups that have direct influence are also called membership groups. Membership groups are divided into two, namely:
   a. Primary Group (Primary Group)
      Who a person interacts with on an on-going and informal basis, such as family, friends, neighbours, and co-workers.
b. Secondary Group (Secondary Group)
   Society becomes secondary groups, such as religious, professional and trade union groups, which tend to be more formal and require less continuous interaction.

2. Groups that have indirect influence
   People are also influenced by groups outside their group, including:
   a. Aspirational groups are groups that a person wants to join
   b. Dissociative groups are groups whose values and behaviour are rejected by the person.

   Based on the opinion above, it can be concluded that the reference groups in society are divided into two. First, membership groups which have a direct influence on individuals. Second, groups that do not have a direct influence on individuals or individuals. Referring to the description of the types of reference groups that exist in society, we can see that reference groups can determine the behaviour of an individual or a person. Reference groups can also be a primary source of information about a product or brand for individuals (Homans, 2017). However, reference groups between each other have their own ways or steps to inform individuals about products or brands. Yuniarti (2015:207) describes three influences that can be provided by reference groups as follows:

1. Informational
   Namely by providing useful information to consumers, both verbally and by demonstration. This relevant information makes consumers influenced by the reference group. Information can be provided in several ways:
   a. Deliberately (finding out information);
   b. Unintentionally (usually in the form of mutual chat);
   c. Information that can be transferred to consumers when the reference group begins the process

2. Utilitarian
   That is, where the reference group has control over important rewards or punishments. Consumers conform to the desires of a reference group if:
   a. They believe that the group can control rewards and punishments;
   b. The behaviour is real or can be known by the group;
   c. They dominate to gain rewards or avoid punishment.

3. Value-expression influences
   That is, it reflects the desired meaning. The influence of references on products and brands consists of the following two dimensions:
   a. Relating to a product or brand, it is something that is needed or a luxury object
   b. The object in question is of interest or is known to others

   Apart from creating quality products and having a competitive advantage, marketers must be able to understand the behaviour of their consumers. By understanding consumer behaviour, companies will be able to fulfill consumer wants and needs through the products they offer. This will make it easier for marketers or companies so that their products can be well received in society. According to Kotler and Keller (2009: 166) "Consumer behavior is the study of how individuals, groups and organizations choose, buy, use and how goods, services, ideas or experiences satisfy their needs and desires." After a company understands consumer behaviour, marketers must be able to read and take opportunities in creating the products they offer. Consumer behaviour is not only determined by the individual's own behaviour, but there are other main factors. So marketers and companies must consider factors other than consumers' wants and needs or other factors outside consumers' personal factors. Consumer purchasing behaviour is influenced by cultural, social and personal factors (Kilter and Keller, 2009:166). Cultural factors provide the broadest and deepest influence on X because they involve various factors in society. Some of these factors include:
1. Cultural Factors
   Cultural, subcultural and social class greatly influences consumer purchasing behaviour. Culture is the basic determinant of a person's desires and behaviour. Each culture consists of several smaller subcultures that provide more specific identification and socialization for their members. Subcultures include nationalities, religions, racial groups, and geographic regions.

2. Social Factors
   Apart from cultural factors, social factors such as reference groups, family, and social roles and status influence purchasing behaviour.
   a. A person's reference group is all groups that have a direct (face-to-face) or indirect influence on that person's attitudes or behaviour.
   b. Family
      The family is the most important consumer purchasing organization in society and family members represent the most influential primary reference group.
   c. Role and Status
      People participate in many groups – families, clubs, and organizations. Groups are often important sources of information and help define norms of behaviour. We can define a person's position in each group of which he is a member based on role and status. Roles consist of activities that a person is expected to carry out. Each role carries a status.

3. Personal Factors
   Buyer decisions are also influenced by personal characteristics. Personal factors include the buyer's age and stage in the life cycle; employment and economic conditions; personality and self-concept; as well as lifestyle and values.
   a. Age and life cycle stage
      Our tastes in food, clothing, furnishings, and recreation are often related to our age. Consumption is also shaped by the family life cycle and the number, age and gender of people in the household at any given time.
   b. Employment and economic conditions
      Work also influences consumption patterns. Product choice is strongly influenced by economic circumstances: disposable income (level, stability, and time pattern), savings and assets (including percentage of liquid assets), debt, borrowing power, and attitudes toward spending and saving.
   c. Personality and self-concept
      Every person has personal characteristics that influence their purchasing behaviour. What is meant by personality is a set of human psychological traits that cause relatively consistent and long-lasting responses to environmental stimuli (including purchasing behaviour).
   d. Lifestyle and values
      People from the same subculture, social class, and occupation may have quite different lifestyles. Lifestyle is a person's pattern of living in the world which is reflected in activities, interests and opinions.

Consumers will gather as much information as possible before fulfilling their needs regarding the goods or services required. In addition, consumers will tend to make comparisons before making a purchasing decision. Therefore, consumer purchasing decisions are not only based on needs and desires. Kotler and Armstrong in Priansa (2017: 89) "Suggest that for consumers actually purchasing is not just one action (for example because of a product), but consists of several actions which are related to each other." The purchasing decision making process is a stage carried out by consumers before finally making a purchasing decision. This stage begins with consumer needs regarding a product and consumer curiosity about the product or brand in more depth. Consumers also tend to pay attention to the image of the company and the brand image of the product. According to Shinta (2011:42) the decision to buy or consume a product with a certain brand will begin with the following steps:
1. Recognition of Needs
   Recognition of needs arises when consumers face a problem, namely a situation where there is a difference between the desired situation and the situation that actually occurs. A need must be activated before it can be recognized. There are several factors that influence the activation of needs, namely: time, changes in situations, product ownership, product consumption, individual differences, and marketing influences.

2. Information Search
   Information searches begin when consumers perceive that these needs can be met by purchasing and consuming a product. Searching for information can be through internal or external information. Factors that influence information seeking are (a) product risk factors (financial, functional, psychological, time, social, physical (b) consumer characteristic factors (consumer knowledge and experience, personality and demographic characteristics), (c) situational factors (time available for shopping, number of products available, store location, availability of information, consumer psychological condition, social risk of the situation, shopping goals).

3. Evaluation of Alternatives
   Alternative evaluation is the process of evaluating product and brand options and selecting them according to what consumers want.

4. Purchase Action
   After determining the product choice, the consumer will continue the next process, namely taking action to purchase the product or service.

5. Consumption of a product
   To understand product consumption in more depth, a marketer must know 3 things, namely: frequency of consumption, amount of consumption and purpose of consumption.

RESEARCH METHODS
   The type of research that will be used is quantitative research. Population in study this is student level 1 to with level 4 in the D-IV Management Study Program Marketing Polytechnic Malang country ever or currently using a Xiaomi smartphone. Sample can used in study these as many as 68 respondents. The sampling method used on study this is probability sampling with simple random sampling technique. Method data collection carried out in study this is a questionnaire and documentation. Method analysis of the data used is analysis regression multiple with equation $Y = a + b_1 X_1 + b_2 X_2 + e$.

RESULTS AND DISCUSSION
   Validity test
   All items used as measuring instruments for product differentiation variables, reference groups and purchasing decisions were declared valid.

   Reliability Test
   All items used as measuring instruments for product differentiation variables, reference groups and purchasing decisions were declared reliable.

   Normality test
   The regression model follows the direction of the diagonal line and spreads around the diagonal line, so that the linear regression model meets the normality assumption.

   Heteroscedasticity Test
   These points are spread randomly and spread both above and below the numbers 0 and $Y$, thus showing a heteroscedasticity-free regression model.

   Multicollinearity Test
   There is no multicollinearity in this study so it will not interfere with each other.

   T Test (Partial Test)
   All items used as measuring instruments for product differentiation variables, reference groups and purchasing decisions were declared valid.
F Test (Simultaneous Test)

Based on the F test, it can be concluded that product differentiation (X1) and reference group (X2) have a positive and significant influence together on purchasing decisions.

Discussion

Based on the results of research conducted on 68 respondents, an adjusted R square result of 0.863 or 86.3% was obtained, which means that the purchasing decision variable is influenced by product differentiation and reference groups, while the other 13.7% is influenced by other variables. The research results showing the Adjusted R Square of 0.863 or 86.3% provide a deep understanding of the relationship between product differences and purchasing decisions in the context of this study. Adjusted R Square is a measure used in regression analysis to measure how well the variability of the dependent variable (in this case, purchasing decisions) can be explained by the independent variable (product differences).

First of all, a high Adjusted R Square such as 0.863 indicates that the regression model used in the study is able to explain around 86.3% of the variation in observed purchasing decisions. This means that most of the variation in purchasing decisions studied can be attributed to differences in the characteristics of the products studied, such as quality, price, features, brand, etc. In this context, these results indicate that product-related factors play a significant role in consumer decision making (Prasetya et al., 2019; Pratama et al., 2024). It is important to clarify that the Adjusted R Square is not a measure of the strength of direct causality between product differences and purchasing decisions, but rather an indicator of how much variation in purchasing decisions can be explained by the variation in product differences examined in this study. This provides powerful insight into how relevant and significant product differences are in the context of purchasing decisions (Khasbulloh et al., 2023).

Thus, these findings have several important corroboration. First, for companies, it shows the importance of understanding and carefully managing product attributes to increase their appeal in the marketplace. Companies can use this information to direct their marketing strategies, make appropriate product adjustments, and improve their competitive position by exploiting the advantages their products have (Kharisma et al., 2023; Rahman & Suhayani, 2020).

Second, from an academic perspective, these results confirm that this research makes a significant contribution to our understanding of consumer behaviour and the factors that influence purchasing decisions. This expands our knowledge base about how variables such as product differentiation can influence consumer decision processes in specific contexts (Aprileny & Andriani, 2018; Simamora & Situmeang, 2018). However, there are several important considerations that need to be taken into account. For example, the relatively small sample size of 68 respondents may limit the generalizability of these results to the broader population. Additionally, other factors beyond product differences, such as personal preferences, previous experiences, and psychological factors, may also influence purchasing decisions and may be the subject of further research.

Thus, although these results provide valuable insight, follow-up research with larger samples and more complex modelling could provide a deeper understanding of the dynamics underlying consumer purchasing decisions. Based on the hypothesis test, it can be seen that F count > F table, namely 169.148 > 3.14 and the significance level is 0.000 < 0.05. So H3 is accepted, meaning that the calculated F value is positive and significant. With these results it can be said that the product differentiation variable (X1) and reference group (X2) simultaneously influence the purchasing decision variable (Y).

Therefore, the alternative hypothesis is accepted, which states that product differentiation and reference group variables do influence purchasing decisions simultaneously. These results provide confirmation that these two independent variables have a significant role in influencing consumer behaviour in the context of purchasing decisions, which is relevant to the development of marketing strategies and product management in the market.
CONCLUSION

Based on the results of the hypothesis test, it can be concluded that the product differentiation and reference group variables have a positive and significant influence on purchasing decisions. This means that the characteristics that differentiate a product from competitors and the influence of reference or recommendation groups play an important role in influencing consumers’ decisions to purchase a product. These results support the importance of effective product differentiation strategies and the use of reference or support groups in an effort to increase product attractiveness and influence consumer behaviour. The implication is that companies can focus on developing unique products and building good relationships with relevant reference groups to improve sales performance and consumer loyalty.

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