Premium on a Budget: Second-hand iPhones in Indonesia

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ABSTRACT: Apple, as one of the major players in the global smartphone market, does not have a strong position in the market but there are unique patterns found in the iPhone market in Indonesia as the second-hand market is thriving, although the newer iPhones keep releasing annually. This research is trying to explore the uniqueness of the Indonesia market through several interviews conducted and observation. Through analysing the company's internal capabilities and market conditions in Indonesia, it is found that despite the annual changes, Apple has preserved the older iPhone due to longer life cycle support by the company, releasing the older iPhones as ‘cheaper versions’ at discounted prices as the part of strategy to maintain the premium images of iPhones. This strategy not only meant to increase the sales of iPhones, but also to increase the consumer base of the iOS product as the iPhone was considered a gateway of the Apple software and product ecosystem. The buyer desired to have the iOS experience on a budget. However, most second-hand iPhones in Indonesia were not registered under Indonesian authorities which could potentially be blocked by the Indonesian government and buyers’ concern about the used quality product. Solutions proposed for the Indonesian market meant selling the certified refurbished iPhone that officially shipped to Indonesia as the budget iPhone options with better quality control to ensure the consumer’s peace of mind.

KEYWORDS: Life Cycle, Market Share, Premium Technology, Sales, Smartphone.

I. INTRODUCTION

Indonesia is a fourth largest population country in the world consisting of 266.9 million people by 2019, which internet connectivity turned to be crucial referring to the archipelago conditions to connect the people across the nation. Which has demonstrated the internet penetration of 73.7% or approximately 196.7 million of Indonesia population leveraging internet connectivity to support daily life and managed to expand the Indonesia economy (APJII, 2020). The majority of Indonesian population has accessed the internet through their smartphones on 98.31% (BPS, 2020). The majority of notebook and tablet users also own smartphones to access the internet which means the smartphone in Indonesia remains as a main tool to access the internet, thanks to its portability and cheaper to buy despite the smaller display.

The smartphone user’s distribution in Indonesia was dominated by the Android manufacturers and a small share of iOS was only manufactured by Apple. The Android operating system domination happened due to various price ranges of smartphones from low-end prices to high-end prices. Meanwhile, Apple considered themselves officially as the premium smartphone retailers which did not target the mid and low-end market officially despite the iPhone second-hand markets growing in Indonesia (Yusdani, 2020; Fitri, 2020; Sari & Gautama, 2021). Still, the market share of Indonesian market shares similar story. Based on the IDC research with official shipment approach in Indonesia stated that:

\begin{figure}
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\includegraphics[width=\textwidth]{Figure1.png}
\caption{Indonesia and Global Smartphone Market Share in 2020}
\end{figure}
Referring to the official shipment tracker method, it showed that Vivo and Oppo are considered as the major players in Indonesia smartphone market (IDC, 2021). The conditions happen due to the strong marketing manner in Indonesia, which often relies on the capabilities of the salesperson in offline sales (Rakhman, 2019), which highly influenced the on-site smartphone purchase decision (Ferensia, 2020). However, the global market share shown different findings which turns out, despite the premium pricing of the Apple iPhone, the product has successfully achieved as second largest smartphone manufacturer in global market. Which explained the Apple analogy as the Ferrari brand image due to the premium image, yet with Toyota sales numbers which despite its premium image, Apple has successfully reached the wider consumer (Galloway, 2017). The global market has a difference with the Indonesian market as the global market also combines the shipment tracking from the developed countries and developing countries. New iPhones did not sell well in Indonesia as reported by the official shipment by IDC, however the secondary market in Indonesia is thriving in Indonesia, thanks to its product quality and higher brand image yet with reasonable prices in Indonesia (Widiatmoko & Hadi, 2016; Fitri, 2020; Yusdani, 2020). Despite the second-hand market of the iPhone could tarnish the iPhone premium image on the consumer (Widiatmoko & Hadi, 2016). With consumer-based approach by asking “what kind of smartphone that you use” conducted by Indonesia Internet Provider Association, resulted Apple remains as fifth largest smartphone brand in Indonesia (APJII, 2020). Apple itself could not control the second-hand market officially thanks to the unregulated market. The premium secondhand market findings have shown that even after controlling for price, consumers who purchased used vehicles chose models with higher premium/luxury positioning than those who purchased new vehicles moderated by brand loyalty, which meant that if a consumer previously owned a vehicle of the same brand, their premium-level purchase was amplified even by secondhand products due to higher perceptions of quality along the dimensions of versatility, performance, and prestige. (Miller & Brannnorn, 2021). Which is suitable for emerging market that known for its immense price sensitivity (Guissoni, Sanchez & Rodriguez, 2018), means leveraging the depreciation price of premium product.

Notable problem of second-hand smartphone problem in Indonesia has been a concern of all communication devices sold in Indonesia with 4G and 5G connectivity shall be included in the 30% local content. Which smartphone manufacturer in Indonesia should take the part in the phone manufacturing for the local market (Wardani, 2021). Despite the regulations, Apple has different approach regarding the local content regulations, which Apple has invested in Indonesia education throughout Apple Innovation Center located in three locations worth of investment range of Rp.550-700 billion which equivalent to 30% local content based on regulation of the Ministry of Industry Indonesia Article 29, 2017, regarding the local content requirements, new iPhones sold in Indonesia were officially imported from other countries remains comply with Indonesian regulations. However, the second-hand iPhones are facing the potentially to be blocked by government as the second-hand iPhone was not imported under Apple’s official distributor in Indonesia but 3rd party importers which do not comply with the Ministry of Industry regulation.

Based on the local and global market landscape described above, the research questions of this study that want to be explored are:
1. What factors could influence someone to buy a second-hand iPhone?
2. How do second-hand iPhones preserve their premium brand image in the Indonesian market?
3. What can Apple do to capture these market needs?

Despite the small number of product variations, Apple has successfully reached the second largest global market share by the end of 2020. Apple has been the leader in the various smartphone markets such as Japan, USA, Australia, Canada, Denmark, etc., Furthermore, the approach was not discovered from users’ base perspective but tracking the official shipment stated by smartphone brands officials.

![Product Lifecycle Management](image)

**Figure 2**: Product Lifecycle Management (Stark, 2011; Wiesner et al., 2015)

Authors are leveraging the product life cycle analysis on the Apple side to explore the Apple strategies how the second-hand iPhone remains attractive to the consumer. The framework basis of Product Lifecycle Management is capable of exploring the longevity of a product from manufacturer or repairman perspective which is an evolution from Product Data Management (PDM), that is rather
focused on design and engineering data (Stark, 2011; Wiesner et al., 2015). The primary concept was to increase openness and information about the product and related processes in order to find chances for optimization and support choices. Over time, it became clear that a broader perspective than just engineering was required. As a result, PLM encompasses the whole lifespan of a product, from the initial idea and concept through recycling and disposal, which means these are capable tools to explore the lifespan of a product based on producer and consumer perspective and how consumers are desired whether to resell their product or dispose of their product.

To analyzing the buying motives of the consumer, authors has leveraging on the Buyer Persona analysis, which described as a representation that is created based on information captured from interviews with various consumers (Revella, 2015; Cruz & Karatzas, 2017). The interview could be conducted elsewhere: at business conferences, internet forums, even social media (Kozinets, 2015). The informant turns into three-dimensional exploration points and can view the world through a consumer perspective. Such as an informant job which might use the product, which in this case is the iPhone to handle a daily-basis tasks, exploring the informant background which potentially motives the users to buy the product, priority initiatives that are able to drive buyers to decide on their smartphone which also able to be described in decision criteria and buying journey process that exploring the experience during the purchasing process. The mobile phone owned by the consumer is able to be an integral part of constructing identity (Padmanabhan, 2008, Indirasari, 2013), especially in larger cities (RFH, Personal Communications, December 2, 2021), in which the perceived quality of a smartphone brand reflects the owner's personality that creates people who tend to buy a more respected smartphone brand that reasonably has reliable performance.

II. METHODOLOGY
The method writers consider qualitative approaches and secondary research to strengthen the narratives are suitable for exploring the motives of purchasing decision of a second-hand iPhone. This approach was taken due to the common-sense nature of purchasing decisions based on lower price with higher quality smartphones. As the second-hand iPhone population users were not able to be tracked, the writer desired to choose non-probability sampling, specifically purposive sampling as the sampling model. Non-probability sampling is a sampling strategy in which the researcher chooses samples based on his or her subjective assessment rather than random selection (Bryman, 2016). Which is a more forgiving strategy, meaning the sampling approach is strongly reliant on the researchers’ skill and widely used in qualitative research (Bryman, 2003). The qualitative means to explore and understand people’s attitudes, motivations and behavior, its ideal outcomes are the how and why behind a behavior. The methods are based on in-depth examination of small samples, and its interviewing style entails a casual, conversational, non-directive approach. (Imms & Ereaut, 2002).

Qualitative approaches are capable of allowing researchers to investigate the perspective of homogeneous as well as heterogeneous groups of individuals aid in revealing these differences within a community. As economic capital is relational, it exists between people by asking a group of individuals to react to specific questions and hypothetical conditions together may offer more detailed information than data collected from quantitative approaches (Dudwick et al., 2006; Choy, 2014). Based on this approach, the writer decides that the potential informant conceivably the Second-hand iPhone users, means to capturing the persona of iPhone users and exploring the pains that can be relieved in the solution. Ecosystem player means to capturing the environment based on the retailer’s perspective. Smartphone Market Expert means to capturing the representation of market analyst and market experts which allows the writer to gain the overall view and how the competitors response about the current market conditions and particular solutions.

The questionnaires consist of several points:
1. Buyer characteristic and demographic towards smartphones
2. Reasons bought a second-hand iPhone
3. The Apple software and hardware support towards the iPhone
4. Challenges on second-hand iPhone market
5. Experts’ opinion towards second-hand iPhones

III. FINDINGS AND DISCUSSION
The results of the study and interviews with the stakeholders listed are being retrieved, which the main points of the findings regarding the second-hand iPhones in Indonesia are:
1. Similarities have been found between the seller's statement about the typical buyer persona and the characteristics that they put more effort in research and selective when they choose the iPhone they wanted to buy. The main motive by purchasing second-hand iPhones remains to experience an Apple iPhone but with reasonable prices (A. Meilani, personal communication, December 6, 2021; M. Naufal, personal communication, December 11, 2021; R. Novkaputri, Personal communication, December 6, 2021; S.N. Izzati, personal communication, December 10, 2021). This might be happening due to the premium pricing of new iPhones that are mostly not affordable for those personas. These personas rather spend some time and effort to buy second-hand iPhones at considerable prices rather than spending more on new iPhones as the significant price gap. Which happens due to the various conditions of the second-hand iPhone and as the iPhones itself are able to be checked hands-on compared to the sealed new iPhone that the consumers were not able to pick the best conditions. The second-hand iPhones came from various origins, which determines the warranty only covers for the certain countries.

2. Subjective norms in online communities of second-hand products have a positive and significant influence on prior online communities of second-hand products' experience, attitudes in online communities of second-hand products online, and intentions in online communities of used products over the internet (Chen et al., 2018). Which is relatable to the buyer persona that has the source information from online forums and even gadget influencer from YouTube (A. Meilani, Personal communication, December 6, 2021; E.A. Ihsan, Personal Communication, December 8, 2021). However, respondents A. Meilani has described how the subjective norms can be created through online store reviews, which are able to be written by consumers after buying the product, despite the questionable originality of comments.

3. iPhones price could be cheaper thanks to the naturally common sense of depreciations of used products. Depreciation is the loss in asset value and the mechanism used to reallocate, or "write down," the cost of a physical item such as equipment throughout its usable life period. Recently bought iPhones have a price based on the launch price released by Apple and potentially discounted when the newer iPhone launches. There are two options to sell the product, selling the phone which able to do directly or through middleman or stores; and selling the iPhones in terms of joining the trade-in program in order to buy new iPhones in the discounted prices, which is common practice in USA as almost 30% of iPhone owners give them away in trade-in programs (Espósito, 2021).

4. Apple's premium image began with its launch pricing, whereas providing superior capabilities but was pricier than competitors. As evidenced by the second-hand iPhones market, customers have a considerably remarkable perceived quality and high durability in long-term usage, resulting in great devotion to Apple's iPhone. Second-hand iPhone have similar positioning as new iPhones due to their perceived quality as a premium product. However, due to its price segment, the positioning of the second-hand iPhone has more value than the new iPhone, thanks to its depreciations and shorter life cycle left, yet still in the respected manner of life cycle as the second-hand iPhone market still exists. The quality and performance are still higher compared to the cheaper Android, as most users still praise the quality of it, especially on video camera performance and the screen color accuracy (D. Budianto, personal communication, December 11, 2021; M. Naufal, personal communication, December 11, 2021). As the users have a significantly exceptional perceived quality and good durability in long term use, demonstrated in the second-hand iPhones market which at the end resulted in high loyalty on the Apple’s iPhone (Narendra, 2018; Jukic & Mekic, 2019).

5. The company has taken the smartphone life cycle into the next level which focused not only on how long the phone will last, but ensuring the iPhones are capable of receiving the latest software update at least 4 years after the iPhone first launch (Apple, 2020). However, the iPhone 6s which launched in 2015, still received the latest iOS 15 updates in June 2021 that considered as the current longest iPhone update supported by Apple (Johnson, 2021) which far longer than Samsung phones that only received updates for maximum 3 years of software updates support in the high-end phones yet shorter life cycle in the low-end phones (Sharma et al.p, 2021). Referring to the existing research, the Apple product has a longer life cycle than other smartphones due to the nature of Apple that remains to produce and sell their older iPhones model. Thanks to these models, Apple continues to be a luxury goods manufacturer, releasing iPhones priced over $649 while simultaneously selling previous generations at a discount, often $100 less than the previous iPhone's pricing, and sometimes even more than $200 discount (Wieck-Janka et al., 2017). Apple's distinctive iPhones are now available to consumers who desire to spend less money on an iPhone thanks to the discount on other models' strategy. iPhones are also having various usage periods from a year to four years, even more due the fact that most owners decided to resell their phones instead of disposing, which has
created the most sustainable phones for the users among other things that Apple reaches economical sustainability by high profit per device. (Mokosch et al., 2013; Arndt & Ewe, 2017). The quality of the phone and after-sales service which related to the longer life cycle has impacted the perceived quality and value of a smartphone to the users (Tu et al., 2018). The life cycle period, reflected from the operating system supported by Apple. The operating system support translated as the iPhone life cycle and application support for the certain phones remains running. New operating system also means the updated security patch from potential threats. Which aligns with (Weisner, 2015) theory that supporting services from the company plays a significant role to lengthen the life cycle of a product, in this case, the operating system support as the life of the smartphones.

6. Some second-hand iPhone came from the developed countries. The iPhone trade-in program in the developed countries such as the USA has also taken account of the used smartphones in the developing countries. For instance, the trade-in program conducted by Apple has attracted the users to trade their old phones back into the company (Espósito, 2021; Sellers, 2021; Faroque, 2021). The majority of retiring phones are in good working order, with usable screens and batteries that last all or most of the day. As a result, many previous phones are sold or traded in, given to a friend or family member, or stored for future use. The report's main insight is that almost one-third of iPhones are traded in for a new phone, compared to 10% of Android phones. Which resulted in millions of iPhone users trading in their old iPhones over the next quarter in order to obtain the newest iPhone in trade in program. Apple assisted people in purchasing new phones by granting trade-in credit, even as prices began to rise, which the company began to heavily promote the trade-in program in 2017, which after the staggering $999 iPhone launched (Shankland, 2017). Apple gains benefits on this program, as Apple won’t end up losing whatever trade-in credit they offered in profit if they could not do anything with the devices that were traded in. For phones in decent condition, the corporation can restore them and resell them at a lower price if used or refurbished in the emerging countries (Gatewood, 2021). Based on the writer's observations in several shopping malls in Jakarta, the second-hand iPhones are popular among the sellers, especially the unauthorized physical retail stores. The second-hand iPhones are dominating the shelves in those retail stores. Almost 70% of second-hand retailers in the shopping mall are second-hand iPhones with non-Indonesia origins.

IV. PROPOSED SOLUTION

Second-hand iPhones are growing within the grey area as those phones have not registered IMEI officially to operate in Indonesia which are considered as illegal smartphones, yet still allowed to be imported by customs, but inoperative due to IMEI restriction by Ministry of Industry. The solution is to create a Certified Refurbished iPhone that is specifically designed for the emerging market, specifically the Indonesian market. Certified Refurbished iPhones are not considered a used product but as a remanufactured product by Apple with new IMEI numbers released by Apple with the model number starting with letter ‘F’, such as FQ8G2LL/A (Apple, 2021). The refurbished certified phones might be feasible options due to the remanufactured by Apple that increase the peace of the user’s mind regarding the product quality with Apple support of one year warranty which similar with fully brand new, but also with cheaper prices than new phones as the product have been depreciating (Esmaeilion et al., 2021). The solutions might be feasible as the Apple remains do not have to had manufacturing facilities to comply with local content standards as the Apple has invested in Apple Innovation Center worth of investment in Rp.550-700 billion which equivalent to 30% local content based on regulation of the Ministry of Industry Indonesia Article 29, 2017.

V. CONCLUSION

There are several factors that influence someone to buy a second-hand iPhone. However, the main objective of the buyers means to have hands-on experience on the Apple products yet with ‘considerably’ price for most of the consumers in Indonesia. The other factors that related means the expectational performance and dependability to handle daily use cases also found appealing by the consumers despite the old iPhones might be outdated, but the added variables with the long-life cycle provided by the Apple, the second-hand iPhones keeps running with exceptional performance.

Through the long-life cycle and only focusing on producing the premium iPhones with high performance capabilities, the iPhones could maintain their premium brand image in the Indonesian market. Thanks to the great performance when it was launched, for 2-4 years later, the older iPhone has the ability to preserve its performance thanks to the operating system optimization as
developed in-house by Apple. The company does not have to launch the mid-end model as the older premium iPhones still have some fortitude to compete with the mid and low-end androids. While being premium means retaining the premium material of the iPhones such as glass back, aluminum body shells and iOS operating system.

However, there are some problems related to the emerging second-hand iPhones in Indonesia as most iPhones in Indonesia have not registered officially in Indonesia, which are prone to be blocked by the Indonesian government. Overcoming the consumer problems of emerging ‘cheap’ iPhones in Indonesia through the certified refurbished iPhones with new packaging, battery, shell, and new serial number. The proposed solutions are considered as suitable for the Indonesian as the emerging markets, potentially increasing the market share of Apple in Indonesia and increasing its consumer base.

VI. LIMITATIONS

The limitations of this research are the uncertainty of COVID-19 pandemic situation that makes the smartphone purchase tracking might be tricky as the opening of the store might be limited, and due to the unregulated nature of used smartphones market, the used smartphone market shipments are unable to track as the used smartphone market may be related to the personal sellers which not in a business entity. The other limitation was that the time availability to execute the research was considerably limited from October to mid-December 2021 as the allowed period. The other limitation occurred during the market expert interview which the informant unwilling to expose the information of the company research result to the specifically iPhone sales numbers in Indonesia due to compliance of General Data Protection Regulation (GDPR).

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