

CHAPTER 1

INTRODUCTION

1.1 Company Profile



Figure 1.1 Telkomsel Logo
(Source: Telkomsel website)

Telkomsel first started operations in 1995. Twenty-one years later, Telkomsel has established itself as the leading cellular operator in Indonesia, with more than 173 million customers, 129,000 BTs and more than 5,100 employees operating in 11 regions across Indonesia. Telkomsel go-to-market brand for postpaid customers is kartuHalo, while for prepaid customers, who account for almost 98% of their base, they have three distinctive brands targeted at different customer segments: simPATI, kartu As and LOOP. Telkomsel is a subsidiary of PT Telekomunikasi Indonesia Tbk (65%) and singapore Telecom mobile Pte Ltd (35%). We have the country's widest network coverage, with estimated 2G population coverage of 99% and 3G population coverages of 67%. In 2016, we deployed almost 26,000 new Base Transceiver stations (BTss), of which 92% were 3G/4G-based. Telkomsel was the first operator to commercially market 4G LTE technology in Indonesia and as of the end of 2016; they had coverage in 80 Broadband Cities with 19.0 million LTE users. The telecommunication industry in Indonesia is rapidly changing. To ensure that

Telkomsel maintain their competitive edge and are able to continue to lead and shape the industry, Telkomsel must undergo a transformation to become a Digital Company and leading mobile Digital Business.

Telkomsel has been repositioning the company to transform all aspects of our business, people, organization and corporate culture so that Telkomsel is ready to capture Digital Business opportunities and stay ahead in the industry. In terms of their people, organization and corporate culture transformation, they tend to focused on developing the following three aspects: Accelerate People Transformation, Accelerate Digital Leadership and Global Readiness, and Implement Organization for New Business. Telkomsel is committed to making this transformation into a Digital Company a success, in order to better connect to the customers and to add value to their customers' lives. The key indicators in their Digital Business are strongly positive, with revenue growth at +36.9%, supported by strong growth in payload at +94.8% YoY, 3G/4G capable devices at +33.9% YoY and Digital services at +38.8%, with data yield showing signs of stabilizing in 2017.

Telkomsel also enhanced our digital service ecosystem to strengthen their digital business by promoting and socializing our digital products covering digital music, digital content, digital payment and digital campaign. Through creative programs promoting the use of digital products, they built a community and ecosystem that will help sustain digital revenue in the future (Annual report, 2016).

1.2.1 Organizational Structure

Based on annual report of Telkomsel in 2016 this is the organizational structure in the company as we can see at figure 1.2 below:

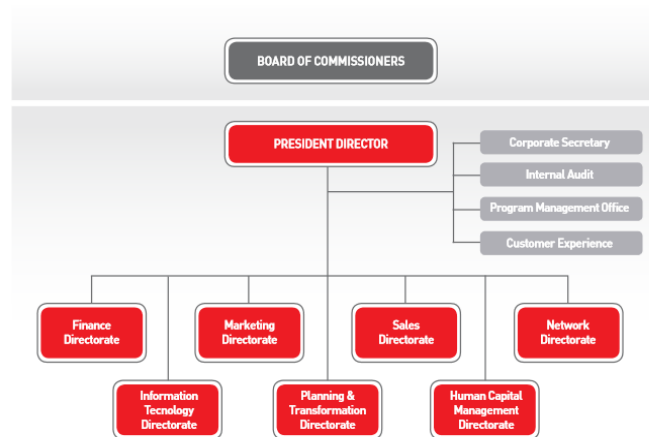


Figure 1.2 Telkomsel Organizational structure
(Source: Telkomsel Annual report 2016)

1.2.2 Vision and Mission

Vision : Be a world-class, trusted provider of mobile digital lifestyle services and solution.

Mission : Deliver mobile digital services and solutions that exceed customers' expectations, create value for our stakeholders, and support the economic development of the nation.

1.2.3 TCASH Overview



Figure 1.3 TCASH logo

(Sources: www.digitalpayment.com/TCASH)

TCASH is an electronic money service from Telkomsel, with official license from Bank of Indonesia. Different from airtime/pulsa, we can use TCASH to pay many things; merchants, billings, Telkomsel airtime, purchase online, share money, and other exciting things. TCASH can be used by all Telkomsel users, postpaid and prepaid. For top-up the TCASH balance is from bank account (ATM bersama, mobile banking, or internet banking), Indomaret, Alfamart, and GraPARI).

In particular, in 2016 our digital business focused heavily on TCASH as a digital payment service, for which the opportunity is enormous. They acquired national and local brands to become TCASH merchants, and created and collaborated to hold events with TCASH as main payment method, for example FoodTruck Fest Balikpapan, TAPtivity and maxcited among others.

TCASH implemented the trial of a merchant app a smartphone application that enables our merchant partners and agents to register new users, as well as execute payment and transaction without an EDC terminal. The app was used in social welfare distribution trials for the government of Indonesia, enabling thousands of beneficiaries to securely access to their welfare funds through TCASH accounts. TCASH also started the trial of TCASH Hybrid solution, an offline-online wallet solution to enable the fastest transactions using TCASH TAP with the aim of expanding TCASH as a solution for the transportation sector from toll road to public transportation payments. Commercial implementation will start in early 2017 (TCASH website). There are 2 kinds of TCASH services as we can see from figure 1.4 below:

| | Basic Service | Full Service |
|---------------------|------------------------|------------------------|
| Maximum Balance | Rp 1.000.000 | Rp 10.000.000 |
| Maximum Transaction | IDR 20.000.000 / month | IDR 20.000.000 / month |
| Cash-in Balance | ✓ | ✓ |
| Merchant Payment | ✓ | ✓ |
| Top up Airtime | ✓ | ✓ |
| Purchase Online | ✓ | ✓ |
| Pay on Mobile | ✓ | ✓ |
| Share Money | ✗ | ✓ |
| Cash-out Money | ✗ | ✓ |

Figure 1.4 TCASH type of service

(Sources: www.digitalpayment.com/TCASH)

Table 1.1 TCASH PRODUCTS

| Core product | Actual product | Augmented product |
|-----------------------------|---|--|
| Electronic Money (TCASH) | The actual product is E-money that using NFC. | T-Wallet, This is the added value of TCASH |

(Source: Interview with TCASH Manager)

In other to make the understanding about TCASH we can see from the table 1.1, that TCASH is electronic money that using NFC with the adding features T-Wallet.

1.2 Background

Electronic money has become one of attractive payment method in Indonesia. It can be seen by the increasing number of users that using the Electronic money. Based on Bank Indonesia data, they are 25 companies that launch electronic money as one of their product.

Table 1.2 Number of E-Money

| Periods | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------|-----------|------------|------------|------------|------------|------------|------------|
| Instrument | 7,914,018 | 14,299,726 | 21,869,946 | 36,225,373 | 35,738,233 | 34,314,795 | 51,204,580 |

| 2017 | | | | | | | | |
|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| January | February | March | April | May | June | July | August | September |
| 52,703,350 | 53,953,303 | 56,056,861 | 57,768,225 | 60,130,482 | 63,707,377 | 69,457,592 | 68,841,316 | 71,783,618 |

(Source: Bank Indonesia)

Based on table 1.2, from the beginning of 2017 to July 2017 the amount of electronic money in circulation also continues to increase. Earlier this year, the number of electronic money in circulation was recorded at 52.7 million cards and continued to increase until the end of September 2017 to 71.7 million cards, and is expected to increase further.

Table 1.3 Volumes and Value Transaction of E-Money

| Periods | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------|------------|------------|-------------|-------------|-------------|-------------|-------------|
| Volume | 26,541,982 | 41,060,149 | 100,623,916 | 137,900,779 | 203,369,990 | 535,579,528 | 683.133.352 |
| Value | 693,467 | 981,297 | 1,971,550 | 2,907,432 | 3,319,556 | 5,283,018 | 7.063.689 |

| 2017 | | | | | | | | |
|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| January | February | March | April | May | June | July | August | September |
| 58,435,893 | 58,573,280 | 62,985,770 | 55,631,892 | 60,620,306 | 51,969,836 | 68,685,872 | 62,565,183 | 67,553,272 |
| 665,791 | 812,282 | 746,397 | 633,561 | 879,108 | 1,019,650 | 1,141,504 | 790,699 | 817,366 |

(source: Bank Indonesia)

While in terms of total electronic money transactions also experienced positive traits. It will continue to increase when compared with the previous years. Based on the table 1.3 the transactions from January to September the volume of electronic money transactions is increasing, even-tough in June and August slightly decreasing. And it will increase until the last month of 2017.

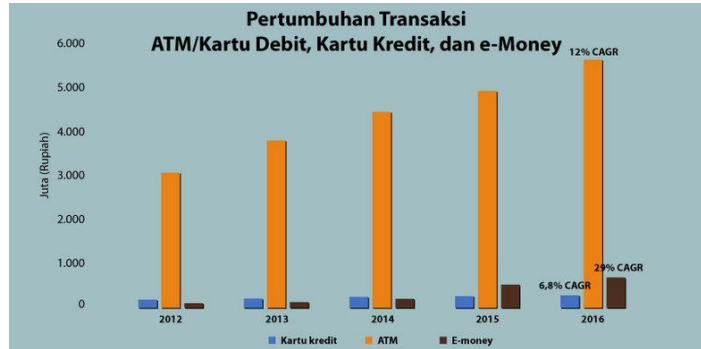


Figure 1.5 The Graphic of Payment Method growing In Indonesia

(Source: <https://www.pressreader.com/indonesia/the-jakarta-post>)

As we can see from the Figure 1.5 that E-Money is always increasing. Eventhough, many people still using the atm/debit card rather than E-Money. Telkomsel is one of the companies that use E-Money as one of their business called “TCASH”.

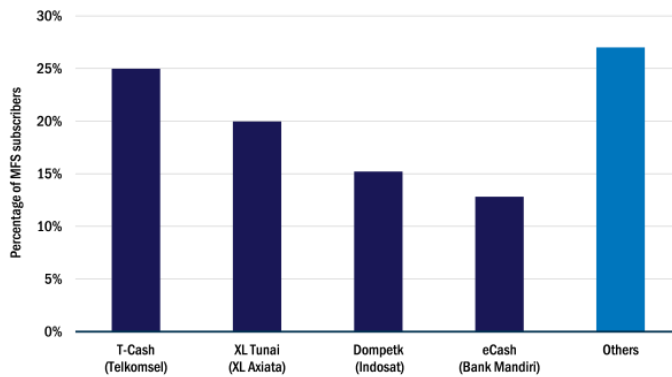


Figure 1.6 The Graphic of Market shared by the subscriber numbers

(Sources: <http://www.analysismason.com/About-Us/News/Insight/mobile-financial-services-Jun2015/>)

As we can see from figure 1.6 TCASH subscribers is the highest subscriber among the other competitors. Even though, The increasing of E-Money transactions and number one beside the other competitors, TCASH still have a problem that they

face in order to complete their goals in 2017. At the previous research it is mention that they faced the low active users issues. But, when the author interview with one of the manager in TCASH he said that the low of active users is one the main issues but in order to reach their goal in 2017 they also have another main issues.

Table 1.4 Subscriber's data from TCASH and Telkomsel

(Source: PT. Telekomunikas Seluler Annual Report)

| Year | Year Telkomsel Subscribers (in Millions) | T-Cash Registered Users (in Millions) |
|------|--|---------------------------------------|
| 2012 | 125 | 11.6 |
| 2013 | 131.5 | 13 |
| 2014 | 140.6 | 15 |
| 2015 | 150.5 | 17 |
| 2016 | 173.9 | 40 |

According to table 1.4, from 2012 until 2016 the TCASH subscribers always increasing. But, the ratio of Telkomsel subscribers and TCASH subscribers is having a very big range subscribers. In 2016 only 23% people from Telkomsel subscribers become the TCASH subscribers. From that data, TCASH needs a solution and want to know what are the influence/factor to make almost all of Telkomsel subscribers not using TCASH as their daily electronic payment. Based on the interview with one of TCASH employee, The reasearcher gain the knowledge that many people tend to use cash as their payment.

Table 1.5 The table of Survey result.

| Pre survey in the merchant. | | | |
|-----------------------------|-------|-----------|-----------|
| Merchant | KFC | Chat Time | Share Tea |
| TCASH in the weekday | ≤ 12 | ≤ 12 | ≤ 5 |
| Cash in the weekday | ≥ 430 | ≥ 212 | ≥ 180 |
| Credit/debit | ≤ 3 | ≤ 4 | ≤ 3 |

(Source: Based on Mini survey that researcher conduct)

Based on table 1.5 to valid the problem, author conduct a small survey in Bandung based on merchant paymeny activities. the author went to three of TCASH merchants in Bandung; Chat Time and Share tea. People using TCASH as payment method in the merchant is only ≤ 12 people. Mostly people used TCASH only on promotion day. Many of people prefer using cash rather than TCASH and credit/debit. Eventhough, they know that there is TCASH promotion such as; Buy chocolate hazelnut milk tea only Rp.18.000,-. Almost all of the customers not using TCASH as they final payment method even-though they using Telkomsel as their mobile provider. But, we know that there are a lot of TCASH users and Telkomsel users in Bandung but only 5% of people that use TCASH as their payment method.

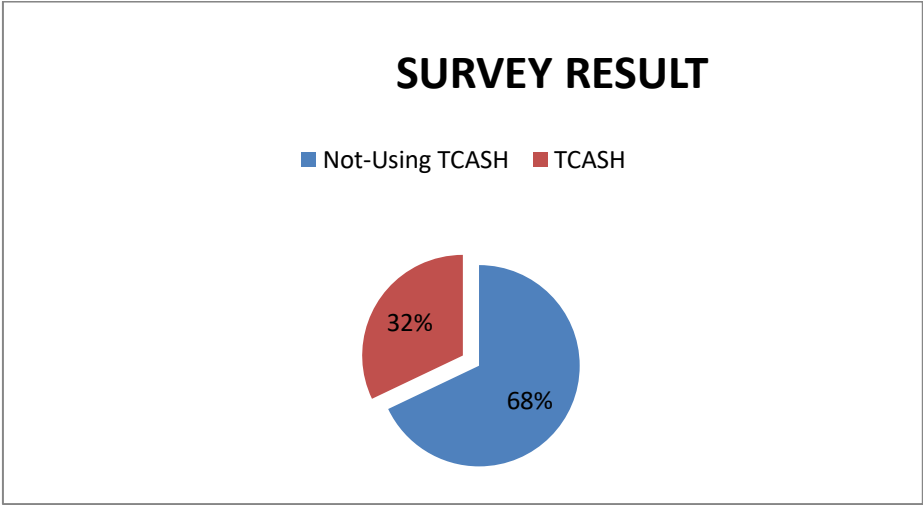


Figure 1.7 The Pie Chart of Pre-Survey Result.
(Source: Based on Reasearcher mini survey)

After doing merchant survey the researcher make a pleminary survey using Google form. There are 30 samples people that are Telkomsel subscribers and TCASH inactive and active users. As we can see from the figure 1.7 that many of Telkomsel subscribers not using TCASH as their payment in the Telkomsel merchant partners.

The question from people who are inactive TCASH users are:

1. What is the reason that make you stop using TCASH?

The result is shown at figure 1.8:

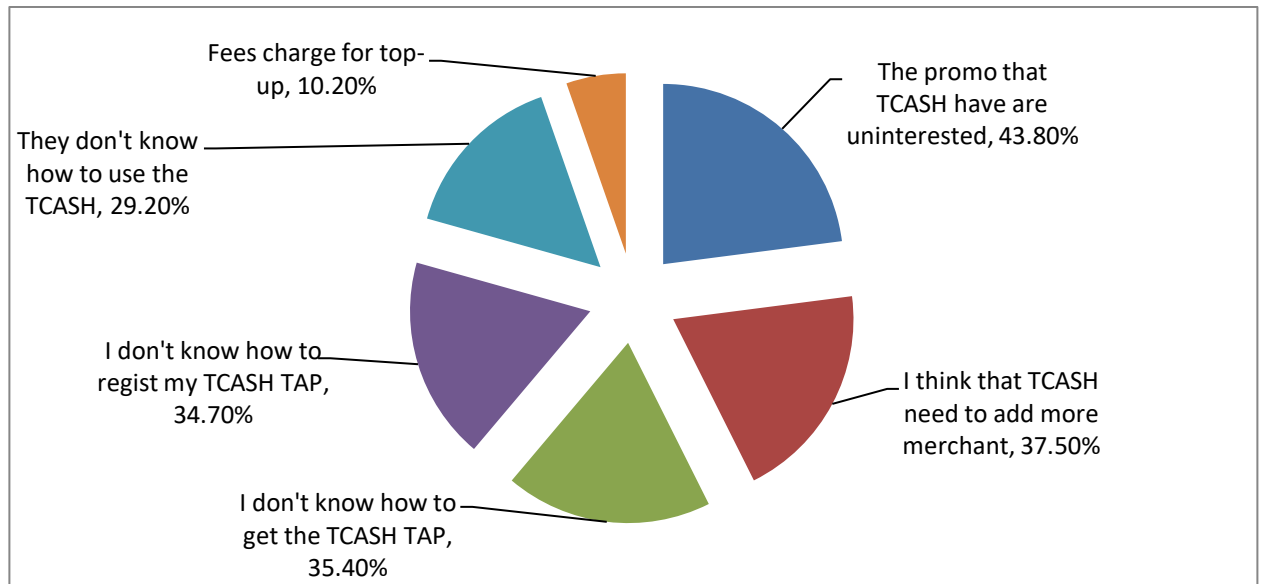


Figure 1.8 Result of pre-survey inactive users question 1

(Source: Based on Reasearcher mini survey)

According to figure 1.8, The respondent can answer more than one answer. Almost all the respondents answer that the promotion the percentage that TCASH have are uninterested with the percentage 43.8%. After that, they think that TCASH need add more merchant partners with the percentage 37.50%. Next, They don't know how to register and get the TCASH TAP with the percentage 35.40% and 34.70%. After that, from 29.20% answer that they don't know how to use the TCASH. Last but not least, 10.20% answer that the fees charge for TCASH to-up makes them stop being an active users.

2. What are the factor that make you used TCASH?

The result is shown at figure 1.9:

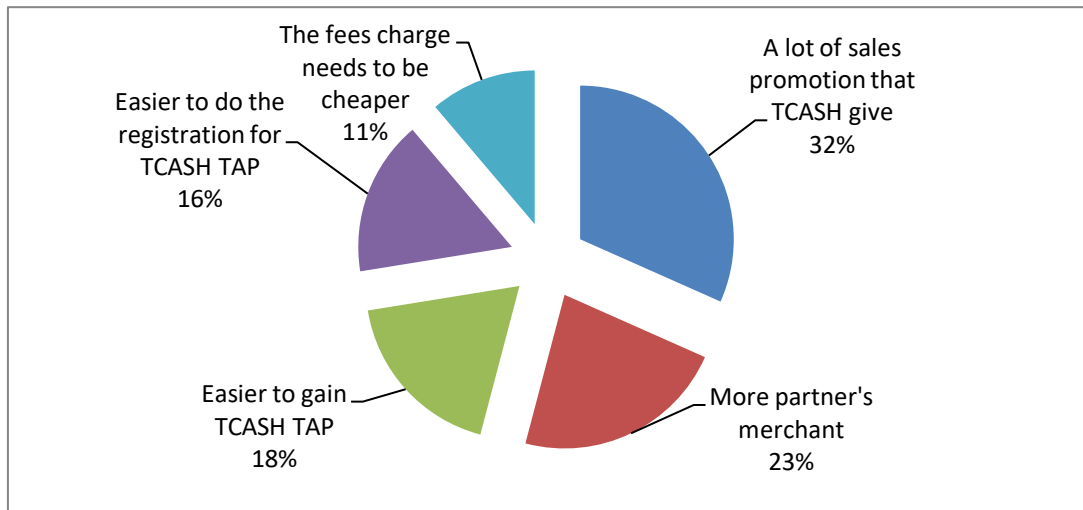


Figure 1.9 Result of pre-survey inactive users question 2

(Source: Based on Reasearcher mini survey)

According to Figure 1.9, The respondent can only one option. This question to determine what they want from TCASH service. Many of them answe that TCASH needs to give them a lot of sales promotion with the percentage 32%. Next, TCASH needs to add more merchants partners with the percetage 23%. After that, the inactive users want the registration and gaining the TCASH TAP more easy with the percentage 18% and 16%. Last but not least, the fees charge needs to be more cheaper with the percentage 11%

The question from people who are active TCASH users are:

1. Why are you using TCASH as your electronic money?

The result is shown at figure 1.10:

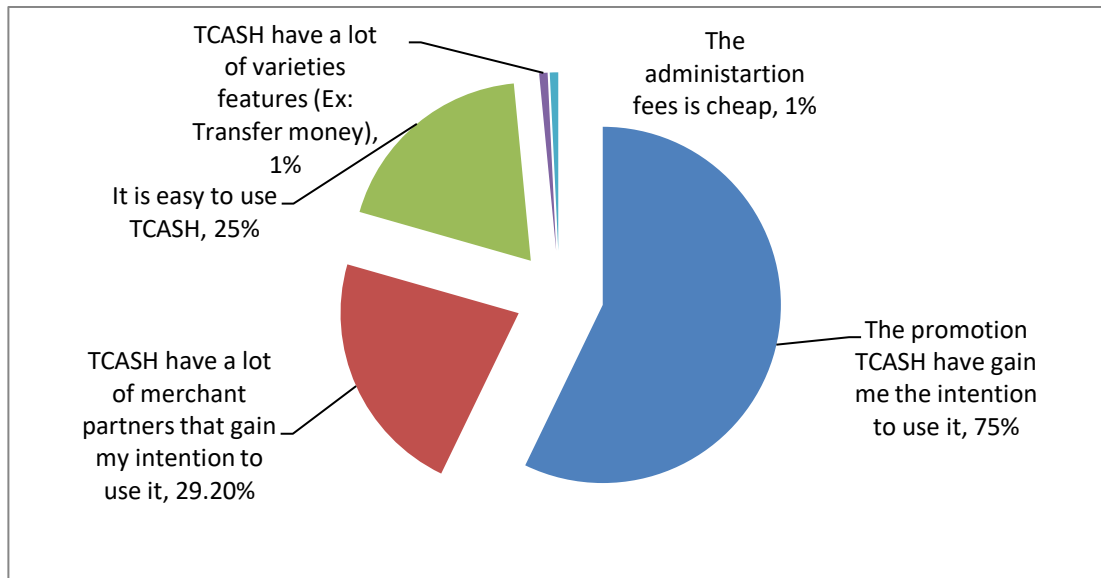


Figure 1.10 Result of pre-survey active users question 1

(Source: Based on Reasearcher mini survey)

According to Figure 1.10, The respondent can answer more than one answer. Many of the repondents answer the TCASH promotion makes them use TCASH as an active users with the percentage 75%. After that, TCASH have a lot of merchants partners that they gain their intention to use TCASH as an active users with the percentage 29.20%. Next, they think using TCASH is easy with the percentage 25%. Lastly with same percentage 1%, they think that TCASH have a lot of varieties features for example transfer money and they think that the administration is cheap.

2. In one month, how many times do you use your TCASH?

The result is shown at figure 1.11:

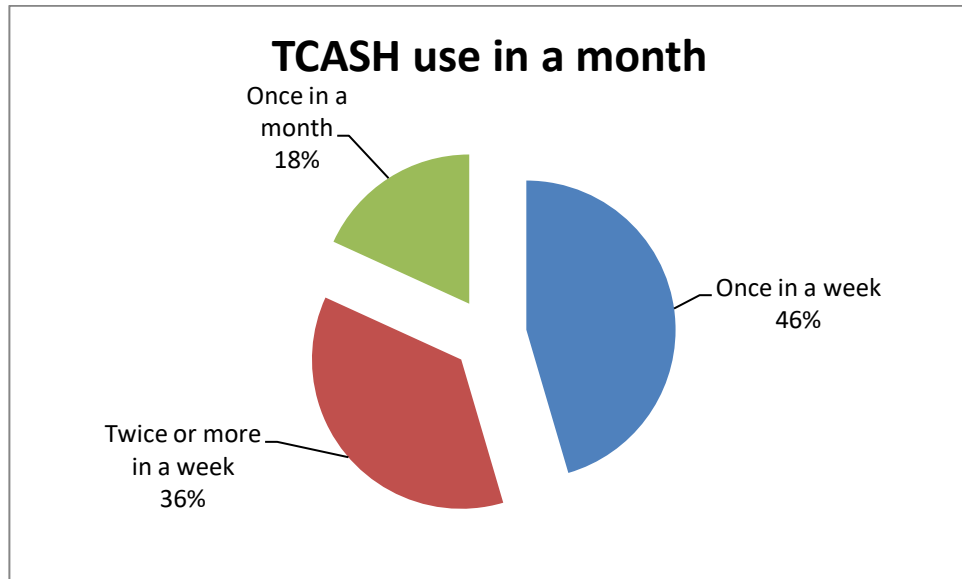


Figure 1.11 Result of pre-survey active users question 2

(Source: Based on Reasearcher mini survey)

According to Figure 1.11, 46% from the active user's using TCASH once in a week. Following with 36% using it twice or more in a week. Lastly, 18% using it once in a month.

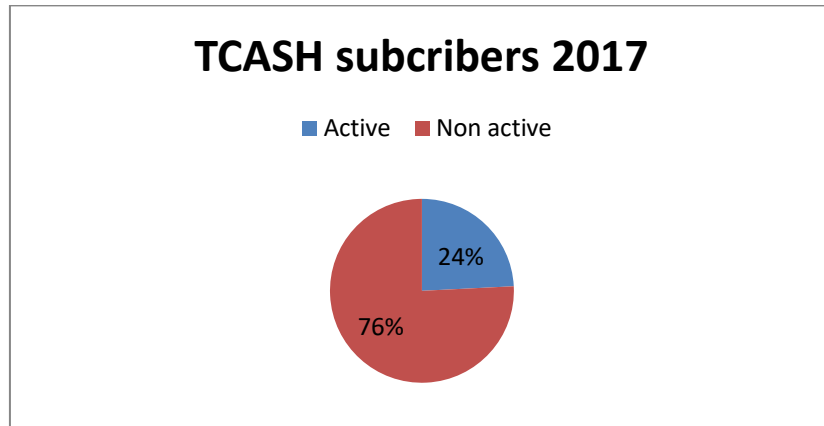


Figure 1.12 The Pie Chart of Active and Inactive TCASH users in Bandung
 (Source: Based on TCASH representative interview and data)

It is proven based on TCASH data in 2017 (figure 1.12) of active and inactive users in Bandung that 24% subscribers is still active and 76% is inactive users. Based on the data/fact that the inactive users is higher than active users, it is necessarily to see how TCASH non-active users behavior intention to use TCASH as an active user.

Overall, from the mini survey that researcher conducted, many people know about TCASH, But Bandung citizens that are Telkomsel subscribers not using TCASH and not an active user. Based on mini interview with some of respondents from pre-survey, there are some problems that occur from their experience based on Product that TCASH serve to customer. It's said that the size of TCASH TAP size is too small which lead them to lose their TCASH TAP.

The next one from TCASH Price strategy not many of the respondents know about the fees of TCASH TOP-UP. They also don't know how to TOP-UP the TCASH TAP. The next things that the distribution (Place) many of the respondents think that the merchant partners still low. About the promotion only used by the customer when TCASH have a promotion, but luckily many of them don't know

about the promotion that TCASH have. Many people not know about the existence about TCASH website that can provide them a lot of benefit such as; buying TCASH TAP and send it directly to your house.

The researcher figures it out that this is the phenomenon why Marketing Mix strategy is needed in order to gain Non-active users. Based on fact, only 23% people using TCASH from Telkomsel subscriber's. Based on the interview and pre-survey, the researcher is concluding that promotion, product, distribution, etc. can be factors. And this research aims to see whether this problem is the main reason of their intention to choose using TCASH as their daily payment.

1.3 Problem statement

TCASH is placed on the first E-Money that has many subscribers among all of electric money providers. Also they show many increasing users growth from 2015 to 2016. They also add more and more merchant last year they have 20 Merchants and in 2017 they have. TCASH already achieve good performance in 2016. But, in order to keep that achievement TCASH needs to achieve 2017 goals. TCASH face 2 big problems:

1. First, the ratio of TCASH subscribers is 23% from the Telkomsel subscribers.
2. Second, the percentage of TCASH in active users is 24% and 76% is inactive users. This is a very low active user.

From the problem above the researcher wants to know how the non-active users behavior intention to use TCASH again as an active user. Therefore, it is necessary to analyze TCASH strategy using marketing mix strategy tools toward non-active user's intention.

1.4 Research Question

1. How big is TCASH non active user's assessment of product, price, place, promotion, people, process and physical evidence toward their behavior intention?
2. How big is the behaviour intention of TCASH non-active users towards TCASH services in Indonesia?
3. What are the variable that make the TCASH non-active user using TCASH service again?

1.5 Research Objective

1. To prove or investigate of product, price, place, promotion, people, process and physical evidence based influence the behavior intention of TCASH non-active users.
2. To test the factors based on the modified Marketing Mix model is influence the non-active consumer's continuance intention in the context of TCASH services in Indonesia.
3. To know if the variable based on phenomenon are influence TCASH non-active users toward their behavior intention to use TCASH as an active users.

1.6 Significance of the study

1.6.1 Theoretical Aspect

This study is useful as a reference for further research in studies as the test of the influence/factors based on the marketing mix strategy of TCASH in order to attract or increasing the customer behavior intention to used TCASH.

1.6.2 Practical Aspect

This is study is hopefully can be used for understanding the non-active users intention towards TCASH as electronic money provider which can be beneficial for the company to understand the factors that can strengthen their service and add more active users. And also this study expected to reach TCASH goal to add more subscribers and improve their strategy from the results of this research.

1.6 Scope of the study

This research will be limited to customer TCASH in Bandung. This research is more focused on TCASH non-active users that stop using the service. So, TCASH can make the non-active users can adopt and using the E-Money that TCASH provide. The period of this study starts from September 2017 until January 2018.

1.8 Writing Structure

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

CHAPTER I INTRODUCTION

This chapter describes the background, the problems, the objective, the purpose of the study, the term affirmation, and research outline.

CHAPTER II LITERATURE STUDY AND SCOPE OF RESEARCH

This chapter contains the literature review both of scientific books, and other resources that support this research.

CHAPTER III RESEARCH METHODOLOGY

This chapter describes the research objects, variables, methods of research, data collection methods, and data analysis methods.

CHAPTER IV RESEARCH RESULTS AND ANALYSIS OVERVIEW

This chapter will describe the results of research and discussion of the data that has been obtained.

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.