

CHAPTER I INTRODUCTION

1.1 Object Research

1.1.1 Company Profile

As we know in Indonesia there are a lot of company based in telecommunication services. If we talk about telecommunication services there are several brands that comes to our mind instantly, and Telkomsel is one of the biggest company in Indonesia. From wartaekonomi.co.id it said that Telkomsel is the most prestige brand in mobile networking.

1.1.2 Telkomsel

Since being established in May 26, 1995, Telkomsel has consistently served Indonesia, opening telecommunications access across the country, from Sabang to Merauke. With 178 million customers, Telkomsel is currently the largest cellular operator in Indonesia. To serve customers all over Indonesia, even in remote areas, outer islands and border areas, Telkomsel has built more than 146,000 BTS.



Figure 1.1 Telkomsel Logo

Source: <https://mobi.telkomsel.com/media/new/logo.png>

Telkomsel has also consistently implemented the latest mobile technology and was the first to commercially launch 4G LTE mobile services in Indonesia. Entering the digital era, Telkomsel continues to expand its digital business, including Digital Advertising, Digital Lifestyle, Mobile Financial Services, and Internet of Things. To serve the needs of customers, Telkomsel operates a 24-hour call center and GraPARI services spread across Indonesia.

To provide excellent service for society and help them enjoy the digital lifestyle, Telkomsel helped build the digital ecosystem in the country. Using various DNA development efforts (Device, Network and Applications), these are expected to accelerate the formation of the Indonesian digital society. In addition, Telkomsel is also actively encouraging the positive use of technology in the younger generation.

Telkomsel will always be present to inspire society by implementing cutting edge technologies, competitive products and services, and innovative solutions. These will lead Indonesia to a broadband-based society based on a mobile technology roadmap. Our love of the country encourages Telkomsel to continue to create the best telecommunication services for the people of Indonesia a world class, trusted provider of mobile digital lifestyle services and solutions.

Vision and Mission of Telkomsel:

- a) Be a world class, trusted provider of mobile digital lifestyle services and solutions.
- b) Deliver mobile digital services and solutions that exceed customers' expectations, create value for our stakeholders, and support the economic development of the nation

1.1.3 XL Axiata

Legal Foundation of Establishment Deed of Establishment No. 55 dated 6 October 1989, as amended by Deed No. 79 dated 17 January 1991, both of which were drawn up before Rachmat Santoso, S.H., Notary in Jakarta, and have been ratified by the MOLHR by virtue of his Decree No. C2-515.HT.01.01.TH.91 dated 19

February 1991, and registered in Company Register maintained by the Registry Office of South Jakarta District Court under No. 670/Not/1991/PN.JKT.SEL and No. 671/Not/1991/PN.JKT.SEL, both dated 21 August 1991, and published in the State Gazette of the Republic of Indonesia No. 90 dated 8 November 1991, Supplement No. 4070



Figure 1.2 XL Axiata Logo

Source: <http://menara62.com/2017/12/20/pelanggan-xl-axiata-bebas-nikmati-film-favorit-di-iflix/xl-axiata-logo/>

Company Business Activity Implementation of telecommunication services and / or telecommunication and / or multimedia network. XL axiata has a few product and services that offered to its customer products and services

- a. Mobile services (including 2G, IMT-2000 / 3G)
- b. Internet access service
- c. Internet telephony services for public use
- d. Content provider services
- e. Remittance services for non bank enterprises
- f. Electronic money issuance service
- g. Internet interconnection services
- h. The network remains closed

1.1.4 Indosat Ooredoo

Indosat was established as the first foreign investment company in Indonesia in 1967 that provides international telecommunication services using an international satellite. In 2001 Indosat acquired a majority of mobile and International Direct Dialing (IDD) service company Satelindo's shares. Indosat established PT Indosat Multimedia Mobile (IM3) as a pioneer of GPRS and multimedia services in Indonesia. The momentum to move forward as an organization focused on subscribers, reaching 58.5 million, supported by network enhancements and sustainable product innovations in 2012. And finally Indosat became Indosat Ooredoo in 2015.



Figure 1.3 Indosat Ooredoo Logo

Source: <https://logo-share.blogspot.com/2015/11/indosat-ooredoo-logo.html>

1.1.5 Hutchison 3

PT. Hutchison 3 Indonesia provides telecommunications services in Indonesia. It offers mobile data, voice, and SMS services, as well as mobile broadband services. PT. Hutchison 3 Indonesia was formerly known as PT Hutchison CP Telecommunications and changed its name to PT. Hutchison 3 Indonesia in February 2013. The company was founded in 2004 and is based in Jakarta Selatan, Indonesia. As of July 27, 2005, PT. Hutchison 3 Indonesia operates as a subsidiary of Hutchison Telecommunications International Limited.



Figure 1.4 Hutchison 3 Logo

Source: <https://swiftiphonerepair.co.uk/product/iphone-6-unlock-three/>

1.2 Background

Telecommunications, also known as telecom, is the exchange of information over significant distances by electronic means and refers to all types of voice, data and video transmission. This is a broad term that includes a wide range of information transmitting technologies such as telephones (wired and wireless), microwave communications, fiber optics, satellites, radio and television broadcasting,

the internet and telegraphs. Telecommunications service providers, Telecommunications systems are generally run by telecommunications service providers, also known as communications service providers. These providers historically offered telephone and related services and now offer a variety of internet and WAN (Wide Area Network) services, as well as metropolitan area network and global services (Rouse, 2016).

GSM stands for Global System for Mobile Communication, GSM networks use TDMA, which stands for Time Division Multiple Access. TDMA works by assigning time slots to multiple conversation streams, alternating them in sequence and switching between each conversation in very short intervals. During these intervals, phones can transmit their information. In order for the network to know which users are connected to the network, each phone uses a subscriber identification module card, or SIM card. SIM cards are one of the key features of GSM networks. They house your service subscription, network identification, and address book information. The cards are also used to assign time slots to the phone conversation, and moreover, they tell the network what services you have access to (Hesse and Wiggers, 2017).

CDMA, or code division multiple access, was a standard designed and patented by Qualcomm, but subsequently used as the basis for the CDMA2000 and WCDMA (Wideband Code Division Multiple Access) standards for 3G. CDMA networks layer digitalized calls over one another, assigning unique codes to differentiate between them. Every call data is encoded with a different key, and the calls are then transmitted at the same time. The receivers each have the unique key as well, to split the combined signal into its individual calls. Both are multiple access standards, which means that multiple calls can go through a single tower, but as you can see, the major difference between the two has to do with the way your data is converted into the radio waves that your phone broadcasts and receives (Banerjee, 2017)

Before the advent of 4G LTE, the obvious difference between GSM and

CDMA devices were with regards to the SIM card. GSM handsets came with a SIM card slot, while CDMA phones did not. In other words, CDMA is a handset based standard, with a phone number linked to a particular device.

The concept of brand equity was presented in marketing literature in the 1980's. Later this got the vital importance practitioners and academicians (Aaker D. A., 2005). The formation of the concept of brand equity is based on the perceptions of consumers toward a specific brand, which might have a dependence upon various factors, out of them brand can be considered as one factor for a brand to have a value it is compulsory that it must be value by consumer. The power of brand lies in what consumer have felt, heard, seen and learned about the brand over the time as the result of their experiences about the brand Keller, K. L. (2014).

To fully understands the concept of brand equity we need to carefully examine its sources. The contributing factor in the formation of brand equity in mind of the consumer. Normally most common constructs which lead to brand equity or brand loyalty, perceived quality, brand awareness, brand association. Brand equity is an intangible value that accrues to a company as a result of its successful efforts to establish a strong brand. Customer satisfaction and brand equity are such relevant aspects of marketing's contribution to the firm's profitability (Garvey *et al*, 2016).

Nowadays, peoples are getting more concern about their needed. The firm has to know what customer want, what the customer needed. The firm cannot keep selling what they want but they have to fulfill the needed of their customer. Brand equity and consumer satisfaction are foremost among the most valuable but intangible marketing assets a firm can have and these constructs have continued to be important subject matters of research in marketing. Over the years, the need for measuring impact is intensified as firms feel increasing pressure to justify their marketing activities link to shareholder value. It is important to know that marketing actions, such as packaging, brand name, density of the distribution channel, advertising, permanent exhibitions, sponsoring, press bulletins among others can help build long term assets or positions

such as brand equity and customer satisfaction. And these assets can be leveraged to optimize profitability and shareholder value (Abdulkareem, 2009).

Understanding customer satisfaction could be considered as the fundamental principle of this research work. The definition of customer satisfaction given by Philip Kotler. Kotler *et al* (2013) says that it is predetermined by how the expectations of the customer are met. Customer satisfaction is directly connected to customers' needs. The degree to which these needs are fulfilled determines the enjoyment in the case of conformity or disappointment from discrepancy Hill *et al* (2007).

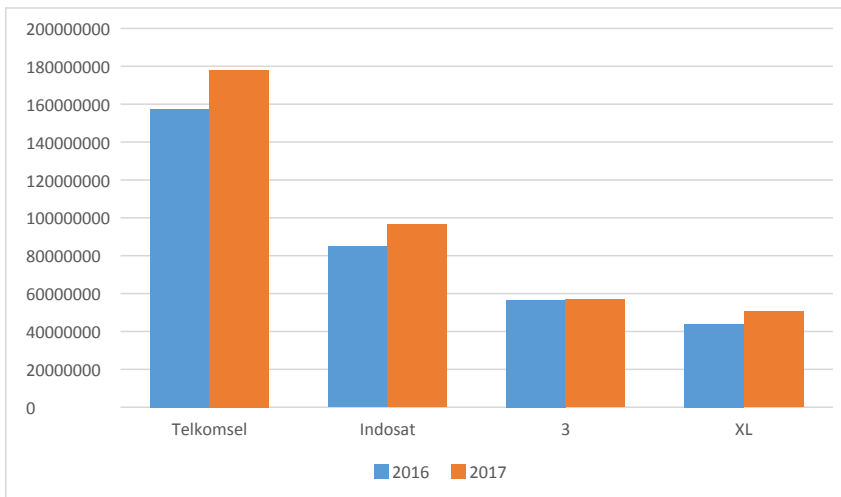


Figure 1.5 Total Telecommunication Services Customer in 2016 and 2017

Source: <https://databoks.katadata.co.id/>

In 2016, PT Telkomsel leads the domestic cellular industry with 157.4 million subscribers. Indosat in second place with customers reaches 85 million. While 3 and XL are in the third and fourth positions with 56.5 million and 44 million subscribers respectively.

While in 2017, Telkomsel had increments into 178 million subscribers. Indosat still followed Telkomsel on the second place with 96.4 million subscribers.

On the third and fourth place, 3 and XL had 50.5 million and 11 million respectively. Nowadays, the fierce competition in grabbing customers is more focused on internet data service. This requires operators to improve quality, from the network side, speed,

Top Index Rankings: Telecom and Mobile Operators

Rank	Brand	2017 Score
1	Telkomsel	35.5
2	simPATI	26.1
3	XL Axiata	15.5
4	Indosat	15.0
5	Kartu As	12.6

Top Index Improvers: Telecom and Mobile Operators

Rank	Brand	2017	2016	Change in Score
1	Indosat	15.0	13.2	1.8

to the most appropriate price.

Figure 1.6 Top index Rankings

These brands were rated using YouGov BrandIndex's Index score which is a measure of overall brand health which takes into account consumers' perceptions of a brand's quality, value, impression, satisfaction, reputation and whether they would recommend the brand to others.

The Index Rankings list shows the brands with the highest average Index scores between July 1, 2016 and June 30, 2017. The Index Improvers list ranks the brands with the highest increase in Index comparing scores from the previous year. Both scores are representative of the general population.

Indonesia is a huge market for telecommunication industry. The potential of Indonesia's market are supported by the huge number of population, buying power of the middle class, and the tremendous demand of mobile connectivity among citizen, especially youth. This factor then attracts several telecommunication service provider industry players to bet their luck in Indonesian market. Up until now, there are seven big telecommunication service providers in Indonesia, but only three providers that win much bigger market segment than others. Telkomsel, Indosat, and XL Axiata become the top three players in Indonesia telecommunication service provider industry.

Indonesian people are likely to change or have a phone number more than 1, there are many different reason for a person to have more than 1 phone number. That means people still don't get satisfied with the product nor the package of the card it self. The first one is there are a lot of smartphone that have more than 1 slot for sim card, the second one is finding the cheapest internet package, the third one is disappointed with the operator, the forth is transparency, and the last one is they want to move on from the past.

OVERALL SATISFACTION : OPERATOR (1)
SATISFACTION OF TSEL AND XL DECREASED IN AREA 2 WHILE ISAT DROPPED IN JATENG

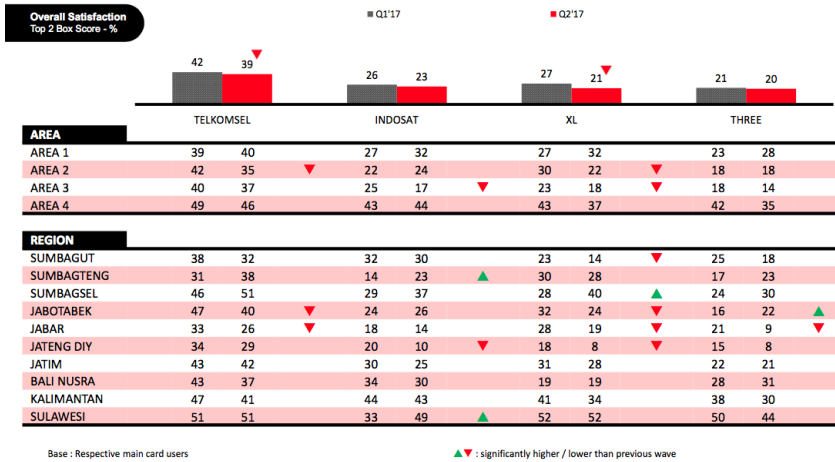


Figure 1.7 Overall Satisfaction: Operator

Source: Internal Data of Telkomsel 2017

From the figure 1.7 author can conclude that the satisfaction of people can change very fast and that's why every telecommunication product always make some new treatments to their customer to make them stay using their product, and also we can see that in Jabodetabek and Jabar there is a significant lower on the customer satisfaction to the brand. This is one of many examples that people nowadays are likely to have more than one simcard to fulfill their needs.

Satisfaction could also be described as a process which starts with the formation of customers' expectations and ends with communication of the obtained experience. However, how a person assess the conducted service is a very subjective thing. Customers expectations could be significantly impacted by different internal and external factors. The higher the expectations are the more difficult it is for the company to satisfy customers and fulfill their needs Zeithaml, V., *et al* (2010).

In indonesia people tend to have a trend of switching the phone card number for their own sake, they doing this because they're not satisfied with the services. This phenomenon approve that the customer needed and the product of that brand is not connected. The company have to know what people wants.



Figure 1.8 Indonesian Digital Statistic

Source: we are social 2017

The data shown in figure 1.8 that most people in Indonesia have more than 1 sim card, the data mentioned that the total population in Indonesia is 262.0 million and the mobile subscriptions is 371.4 this means that some people but not all people have more that 1 sim card to fulfill their needs in using the package from the operator that they use to satisfy their self.

According to the latest research that Ahmad *et al.* (2015) in New Delhi, India had done they said that brand equity is very important for a branded product category, this research was take a sample from mobile handset brands in india. The research that Garvey *et al.* (2016) had done in Kaduna State, Nigeria said that the effect of brand equity seems to be obvious based on the impressive patronage of their products by consumers, this research was take a sample from the Bottling company. Next research is from Lahore, Pakistan, Khan *et al* (2016) said that brand equity has a significant and positive impact to customer satisfaction

But the research that Susanty and Kenny (2015) in Semarang with the sample of Exelso and Starbucks said that not all consumer based brand equity have a positive

and significant effect on customer satisfaction.

After seeing the latest research and the data that authors has shown, for this research, authors wants to know the effect of brand equity on customer satisfaction in telecommunication industry especially in Telkomsel. People like to have more than 1 sim card in their hands. According to the latest research and the data that authors already describe, the authors have interest to make a research with the title “**The Effect of Brand Equity of Telecommunication Services towards Customer Satisfaction in Jabodetabek and West Java**”

1.3 Problem Statement

Companies are very keen in promoting brands and creating strong brand value to display their goods and maintain its position in highly a competitive environment so brand equity is a factor to gain this. In telecommunication sector the competition is very tough, people prefer the well-known brand so it is necessary for companies to know the how significantly the brand equity influence the repurchase decision of consumer and the satisfaction of the consumer. Indonesian people are common to change their card to get the cheapest price of the internet data that the provider gave. So it is an important issue to recognizing and evaluate the impact of brand equity on customer satisfaction and this research is conducted to investigate this important issue regarding customer satisfaction. The study is to examine the impact of brand equity on consumer satisfaction. Telkomsel has the biggest brand equity among the other competitor but their customers feels not satisfy with the services that Telkomsel gave to them. So that’s why this journal has been made with the title of “**The Effect of Brand Equity of Telecommunication Services Towards Customer Satisfaction in Jabodetabek and West Java**”

1.4 Research Question

- 1) How big the consumers assessment towards Brand Equity and its dimension on using Telecommunication Services in Jabodetabek and West Java?
- 2) How big is the satisfaction level of consumers towards Telecommunication Services in Jabodetabek and West Java?
- 3) What is the Effect of Brand Loyalty on Brand Equity?
- 4) What is the Effect of Brand Awareness on Brand Equity?
- 5) What is the Effect of Brand Association on Brand Equity?
- 6) What is the Effect of Perceived Quality on Brand Equity?
- 7) What is the Effect of Brand Equity on Customer Satisfaction?

1.5 Research Objectives

- 1) To analyze consumer assessment of factors in the context of using Telecommunication Services in Jabodetabek and West Java.
- 2) To analyze Brand Equity of consumers towards Telecommunication Services in Jabodetabek and West Java.
- 3) To examine the Effect of Brand Loyalty on Brand Equity.
- 4) To examine the Effect of Brand Awareness on Brand Equity.
- 5) To examine the Effect of Brand Association on Brand Equity.
- 6) To examine the Effect of Perceived Quality on Brand Equity.
- 7) To examine the Effect of Brand Equity on Customer Satisfaction.

1.6 Research Purpose

Based on the results of the study are expected to have the value expected, among others:

- 1) Theoretical Benefits

This study is expected to be useful as a reference for further research relating to the effect of brand equity

2) Practical Benefits

a. For Researchers

By doing this research can increase knowledge and insight into the world of marketing that occur in Telecommunication services and to provide advice to the phenomenon that occurs.

b. For College and Lecturer

This study is expected to provide a knowledge of brand equity associated with the effect of brand equity that occurs in Telecommunication services.

1.7 Research Period

The period of this research is approximately 5 months, which is from December 2017 to April 2017.

1.8 Writing Structure

Systematics of writing is structured to provide an overview of the research to be done. With the systematics as follows:

CHAPTER I INTRODUCTION In this chapter contains a description of general information about the organization that will be the object of research, research background, problem formulation, research objectives, research benefits, research scope and systematic research.

CHAPTER II: LITERATURE REVIEW In this chapter contains a general description of the theories that support job satisfaction and job stress. And frame of mind.

CHAPTER III: RESEARCH METHODOLOGY In this chapter describes the types of research, operational variables, research theses, population and sampling techniques, data collection techniques, validity and reliability tests and data analysis techniques.

CHAPTER IV: RESULT AND DISCUSSION In this chapter contains the data that has been collected and processed, then analyzed to get the solution of the problems encountered.

CHAPTER V: CLOSING In this chapter contains the final conclusions of the analysis and discussion in the previous chapter, as well as the suggestions that exist.