

CHAPTER I

INTRODUCTION

1.1 Overview of The Research Object



Figure 1. 1 Company Logo
Source: <https://www.telkomsel.com>

IndiHome or an abbreviation of Indonesia Digital Home is a company that offers products in the form of landline services, internet, and subscription internet protocol television acquired by Telkomsel or PT Telekomunikasi Indonesia Tbk. IndiHome provides a range of products., namely:

1. 1P package, an internet package with speeds of 20 Mbps, 30 Mbps, and 50 Mbps.
2. 3P package, a package consisting of internet, interactive TV, and landline with 100 minutes of free talk.
3. IndiHome Netflix 3P Package, a package with internet speeds of up to 100 Mbps, 81 Channel TV package, and free installation fees. Paket Add-on berupa Layanan tambahan seperti IndiHome Karaoke, Cloud Storage for IndiHome, Benefit Game, Pijar Belajar, Smooa, dan Langit Musik.

IndiHome's history began in 1994, when Telkom Indonesia launched TelkomNet Instan, a rotary-number Internet access service for Public Switched Telephone Network customers in Indonesia. The Internet speed was 56 kbps and could be accelerated with TelkomNet Premium. Telkom Indonesia made another home internet breakthrough in 2004 called Speedy. This internet service is based on asymmetric digital subscriber line access technology and gigabit passive optical network using fiber optic network to the home or Fiber to the home (FTTH). Unlike TelkomNet Instan which still uses a rotary-number Internet access connection. IndiHome was officially launched as one of Telkom's main project programs. In 2015, In 2015, Telkom entered into a partnership with several developers of telecommunications technology with a view to constructing digital concept homes.

Content such as digital music portal services and home automation are also included in the IndiHome package. The termination of the Speedy trade service occurred in 2015, at which point customers were requested to transition to the IndiHome service.. IndiHome has been ordered by 2000 daily customers throughout 2015, with the most customers being in Jabodetabek. In May 2015, IndiHome's customer base in Indonesia surpassed 350,000. On 20 May, Telkom unveiled its 4K TV technology for IPTV. In mid-2023, Telkomsel acquired IndiHome. The merger of the business units was done to enhance the efficiency of the fixed mobile convergence business. (<https://www.telkomsel.com/>)

The origins of Telkomsel date back to 1993 when Telkom Indonesia initiated the exploration of GSM wireless technology operations. Since then, Telkomsel has undergone consistent growth and innovation, introducing a range of new services that address customer requirements. Notably, in 1997, Telkomsel became the first company in Asia to introduce prepaid mobile services. The company has also been recognised for its innovation in digital services, including the launch of 4G LTE services in 2014 and 5G in 2021. (www.telkom.co.id/sites/profil-telkom).

1.2 Research Background

The internet has become one of the most vital components of modern life today, changing the way people communicate, work and access information. In Indonesia, internet development has accelerated significantly in recent years. Some of the factors driving this growth include increased internet penetration, where more of the population has access through mobile and fixed access devices. Improved telecommunications infrastructure, such as investment in broadband and fiber optic networks, has also played an important role in increasing internet availability and speed. In addition, the adoption of 5G technology opens up new opportunities in the Internet of Things (IoT), while the growth of e-commerce and the digital economy encourages more businesses and consumers to turn to online platforms. Better regulations and enhanced internet security measures by the government are also creating a safer environment for users (Purba et al., 2021).

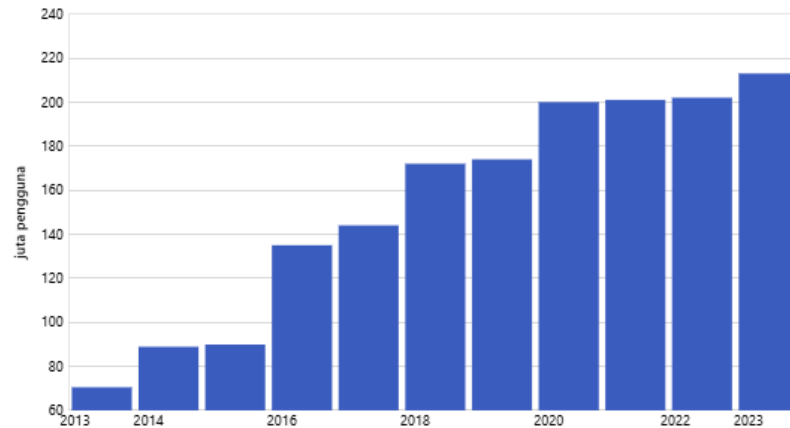


Figure 1. 2 Number of Internet Users in Indonesia in 2013-2023

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

This figure depicts the proliferation of internet users. in Indonesia from 2013 to 2023, showing a significant rise in the user base throughout the observed years. The data indicates that the quantity of internet users in Indonesia expanded from 63 million in 2013 to 95 million in 2016, 143 million in 2018, and 175 million in 2020. Furthermore, projections suggest that the quantity of internet users will reach 202 million in 2022 and 224 million in 2023. This trend reflects a corresponding increase in the demand for internet services in Indonesia. It is essential for internet service providers to continue adapting and investing to meet the evolving needs of users (Purwanto & Sudaryanto, 2020).

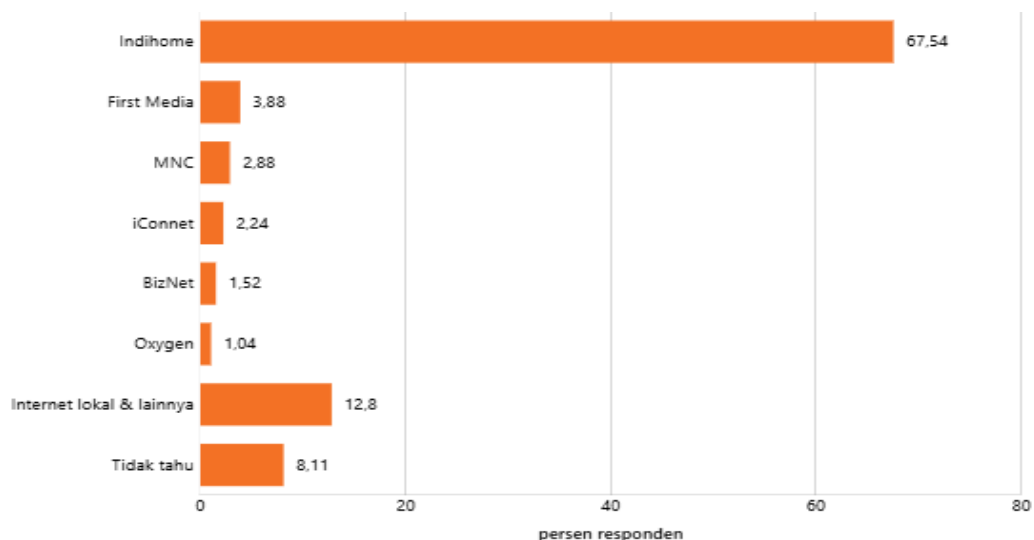


Figure 1. 3 Provider with The Most Consumers of The Years 2021-2022

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

Based on Figure 1.3, This internet provider has the largest market share in Indonesia during the 2021-2022 period is Indihome with 67.54% of users. This data

indicates that IndiHome commands a huge market share among internet service providers in Indonesia. After IndiHome, the internet provider that is also quite popular is First Media with 3.88% users, followed by MNC with 2.88% users, and iConnect with 2.24% users. Meanwhile, other internet providers such as BizNet, Oxygen, and Internet total & others have a lower percentage of users, 1.52%, 1.04%, and 12.8% respectively. Overall, this data provides a clear picture of IndiHome's dominance as the largest internet service provider in Indonesia as of February 2022.

In choosing a product or service, consumers do not merely act randomly or without consideration. Instead, they tend to evaluate various aspects that are important to them before making a decision. Recent studies have highlighted that factors such as quality, price, brand reputation, and company credibility are key considerations in the decision-making process (Smith & Chang, 2020; Johnson et al., 2021). These elements significantly influence consumer preferences and ultimately their purchasing behavior.

Empirical studies show that perceived value, or the benefits compared to sacrifices, significantly influences consumer purchasing behavior (Gallarza & Saura, 2006). Consumers generally prefer products or services that provide the best value in terms of functionality, emotional appeal, and social factors. Thus, understanding these diverse factors can help companies develop more effective marketing strategies aligned with consumer preferences.

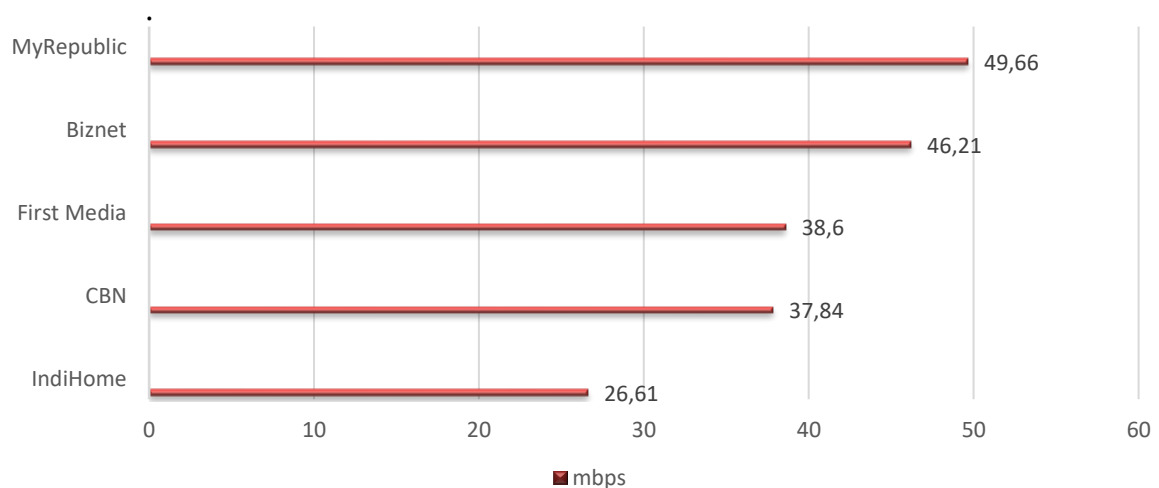


Figure 1. 4 Indonesia's Fastest Internet Provider by 2023

Source: <https://ookla.com>

The data presented in Figure 1.4 highlights that MyRepublic is the fastest internet provider in Indonesia in 2023, with a speed of 49.66 Mbps, followed by Biznet

at 46.21 Mbps. In contrast, IndiHome, despite having the largest user base as indicated in Figure 1.3, IndiHome ranked last for internet speed in Indonesia and slowest internet provider with only achieves a speed of 26.61 Mbps. This creates a significant empirical gap. This data may indicate that IndiHome's services or products may not be satisfactory for most consumers, even though based on Figure 1.3 it is explained that IndiHome is the internet provider with the most subscribers in Indonesia in the 2021-2022 period. This may indicate that IndiHome is facing problems related to customer satisfaction amid the large number of consumers who buy IndiHome subscription packages.

Recent research by Dela Cruz et al. (2022) The current study has shown that service quality has a significant impact on customer satisfaction in the telecommunications industry, suggesting that providers with higher service quality tend to achieve better customer satisfaction, like MyRepublic and Biznet, are more likely to retain customers and build brand loyalty. Additionally, a study by Hossain and Quaddus (2023) emphasizes the impact of brand awareness on consumer choice, noting that strong brand recognition can lead customers to overlook service deficiencies, as seen with IndiHome. However, as competition intensifies and service quality becomes increasingly important, companies that fail to enhance their offerings risk losing market share. These findings align with the observed empirical gap between IndiHome's large user base and its lower performance in speed, reinforcing the need for continuous improvement in service quality to meet evolving consumer expectations.

If a lot of people are complaining about a product or service, it usually means that they are unhappy with it. Recent studies, such as those by McCole (2021), indicate that a higher volume of customer complaints correlates strongly with decreased customer satisfaction. The aforementioned relationship is corroborated by research undertaken by Maxham and Netemeyer (2022), which found that dissatisfied customers are more likely to voice their concerns directly to service providers. Therefore, the accumulation of complaints can be viewed as a critical indicator of customer dissatisfaction, emphasizing the importance of effective complaint management in enhancing customer satisfaction.

Service quality provided by internet service providers is a vital component affecting customer satisfaction levels. When customers receive services that meet or surpassing expectations is crucial for ensuring customer satisfaction and reducing the

probability of complaints. Research by Choudhury and Kar (2023) indicates that high Service quality directly affects customer satisfaction., while also fostering loyalty and enhancing brand image. Delivering excellent service quality instills confidence in customers that the company values their needs and is committed to providing the best possible experience.

Brand awareness is a critical factor contributing to IndiHome's success as the leading internet service provider in Indonesia during 2021-2022. High brand awareness among consumers often leads to a greater likelihood of choosing IndiHome over competing providers. Recent studies indicate that brand awareness significantly influences consumer perceptions and preferences (Keller & Lehmann, 2020). A reputable brand instills confidence in consumers regarding the quality of its services, encouraging them to select the brand and remain loyal to it (Bennett & Rundle-Thiele, 2019). Consequently, effective brand management is essential for enhancing customer loyalty and ensuring sustained market leadership.

Previous research has shown that the quality of a service has a positive effect on customer satisfaction (Amin & Ali, 2022; Aydin & Özer, 2021; Berry et al., 1988). The findings of other studies indicate that service quality exerts a negative influence on customer satisfaction (Hsu & Powers, 2002; Khan & Khan, 2021). Other results, research findings have demonstrated that a non-significant relationship exists between the two variables (Bhandari & Bansal, 2021; Sultan & Wong, 2012).

Previous research from other variables shows a positive influence between brand awareness on customer satisfaction (Aaker, 1991; Amin & Ali, 2022). The results of other studies found that brand awareness has no significant effect on customer satisfaction in certain contexts (Khan et al., 2020; Chechi & Agnihotri, 2021). In addition, some studies also show that although brand awareness is expected to increase satisfaction, there are situations where other factors are more influential in shaping customer experience (Deng & Poole, 2019; Jabeen et al., 2021). These findings reflect the complexity of the correlation between brand awareness and customer satisfaction in various industry settings..

The existence of empirical gaps from the interpretation of the data contained in figures 1.3 and 1.4, coupled with the research gaps of related variables, is a consideration for researchers to reassess the impact among interconnected variables through the execution of a study on **“The Effect of Service Quality and Brand**

Awareness on IndiHome Customer Satisfaction”. (Survey of IndiHome Customers who Follow the @indihomecare Instagram Account).

1.3 Problem Identification

In light of the aforementioned background information, the following problem has been identified in this study :

1. Does service quality affect IndiHome customer satisfaction?
2. Does brand awareness affect customer satisfaction for IndiHome customers?
3. Do service quality and brand awareness simultaneously affect customer satisfaction?

1.4 Research Objectives

In light of the aforementioned problem formulation, the objectives of this research are as follows:

1. Knowing the effect of service quality on customer satisfaction IndiHome.
2. Knowing the effect of brand awareness on customer satisfaction of IndiHome customers.
3. Knowing the simultaneous effects of service quality and brand awareness on customer satisfaction.

1.5 Usefulness of Research

1.5.1 Theoretical Uses

It is expected that the findings of this study will yield a beneficial effect on the academic aspect by offering valuable insights to students, companies and domestic customers.

1.5.2 Practical Uses

It is projected that the results of this study will possess a favourable influence on the following practical aspects:

1. For companies, this information can be input for companies to improve service quality and brand awareness for their users.
2. For the author, it can increase knowledge and insight regarding service quality and brand awareness related to internet services that can be applied from experience in the lecture bench.

3. For other researchers, it is hoped that it can provide information about service quality and brand awareness that can affect customer satisfaction, so that it can be a reference for other researchers.

1.6 Time and Research Period

This research will be conducted from September 2024 to January 2025 and will be conducted in Bandung City.