

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Research Object Overview**

#### **1.1.1. History of the company**

Telkomsel is a mobile telecommunication company which was established at 26<sup>th</sup> May 1995. Its shares are majority owned by Telkom 65% and the rest is held by Singtel 35%.

In Indonesia, Telkomsel can be called as the biggest cellular company, which is proven by its achievements in achieving 65.30 million subscribers at the end of 2008 and more than 100 million subscribers at the end of 2011. The product of Telkomsel, actually consist of several products that provide telecommunication services in mobile term, but mostly well-known by its three main products which are called as simPATI (prepaid), KartuAS (prepaid), and KartuHALO (postpaid). Since its first time of establishment in 1995, Telkomsel successfully become the pioneer of many technological implementations in Indonesia Telecommunication industry, such as ; the first telecommunication company in implementing international roaming, the first company that launched mobile banking services in year 2000, and the first company which implement 3G technology for mobile telecommunication. The first company that provide prepaid services title in Asia also owned by Telkomsel by introducing simPATI product into the market in 1997.

As a pioneer in technology for telecommunication, Telkomsel also introduce its operational in dualband GSM at 900/1800 MHz frequency in 2001. Thus, with its ability to use the sophisticated technology, Telkomsellaunched its WAP, WEB , and mobile data based on SMS services which is continued by the launched of GPRS technology in 2002. Signal range of this operator has served 95% territory of Indonesia with more than 40.000 Base Station Receiver (BTS) implemented to support the services for customers at the end of 2011.To serve a better mobile broadband services, Telkomsel increase its network towards HSPA+ with data access speed that can reach 21Mbps. As a company that lead the market in Indonesia Telecommunication Industry, Telkomsel needs to also consider about after sales services and maintain its customer relationship management in order to retain and even get more subscribers, thus, Telkomsel provide more than 550 thousand Service Center-which already standardize in ISO: 9001 version 2000.

Source :<http://www.telkomsel.com/about/corporate> [cited 15th January 2013]

### **1.1.2. Vision and Mission**

#### **1) Vision statement**

*“The best mobile lifestyle provider in the region.” (actual)*

#### **2) Mission statement**

1. Deliver mobile lifestyle-services & solutions in excellent way that exceed customer expectation, create value for stakeholders, and the economic development of the nation. (actual)
2. Deliver mobile lifestyle-services & solutions in excellent way that exceed customer expectation, create value for stakeholders, employees and the nation by using the efficient technology. (proposed)

Source : Annual Report Telkomsel 2011

### **1.1.3. Brand Identity**

#### **a. Brand Logo**

Figures 1.1 :Brand Logo



Source : <http://www.telkomsel.com/>

### **b. Company's Slogan**

*Begitu Dekat Begitu Nyata* thus, Telkomsel believes in a hope that it will be the telecommunications services company which has the largest amount of customers and always give priority to the quality and availability of the widest network capacity as well as providing the best services to its customers.

#### **1.1.4. Products**

Table 1.1 :Products of Telkomsel

<b>No</b>	<b>Product</b>	<b>Descriptions</b>	<b>Type of services</b>
1	Kartu Halo	KartuHALO is the postpaid product of Telkomsel which is launched as the first product of Telkomsel	Postpaid
2	simPATI	SimPATI is a GSM product that offer prepaid services.	Prepaid
3	Kartu AS	Kartu AS is another prepaid services offered by telkomsel to satisfy customer needs in different segment	Prepaid
4	Internet (Flash)	Telkomsel also provides internet connection through its product namely Telkomsel Flash. In this	Wireless ( <i>Internet tanpakabel</i> )

		way, telkomsel tried to provide wireless to be served in Telkomsel products (simPATIetc)	
5	Smartphone	This products offered a special data package for smarphones, which consist of high quality of services and affordable prices.	Data package for smartphone
6	Kartu Facebook	Telkomsel has an official partnership with Facebook. In Indonesia, Telkomsel is the only one GSM provider that has official partnership with facebook.inc	GSM
7	Bundling	Telkomsel also offered a bundling product which sells a gadget that combined with telkomsel products.	Bundling package (gadget and telkomsel products)

Source : <http://www.telkomsel.com/product> [cited 16th January 2013]

## 1.2 Research Background

Indonesia economic growth is become well from time to time. In 2009, Indonesia positioned as the third largest economic in Asia and the largest economic in Southeast Asia (*Badan Pusat Statistik*). While the economy continuously growing, the business atmosphere in Indonesia is become more favorable for many investors and companies, on that point, Indonesia becomes a great market for many companies to offer their business and gain profits, not to mention telecommunication industry. Telecommunication industry, especially companies that provide mobile telecommunication services is one of the most developed businesses in Indonesia. At first, Indonesia has only two companies as the mobile telecommunication provider, Telkomsel and Indosat, but now, more than five companies served Indonesian people with its products and services (more than 17 products in the end of year 2010). Table 1.2 shows us the development number for mobile telecommunication providers in Indonesia.

Table 1.2 :Growth for telecommunication providers in Indonesia

No	Type of provider	2008	2009	2010
1	Services provider	271	269	288
2	Fixed services provider	64	86	91
3	Mobile services provider (products)	15	17	17

Source : DITJEN POSTEL Indonesia 2010

The competition in mobile telecommunication industry is highly attractive, companies like Telkomsel (simPATI, KartuAs, KartuHALO), PT. Indosat (IM3, Mentari, Matrix), PT. Natrindo (AXIS), PT. Exelcomindo (XL Prabayar, XL Pascabayar), PT. Hutchison (three), PT. Telkom

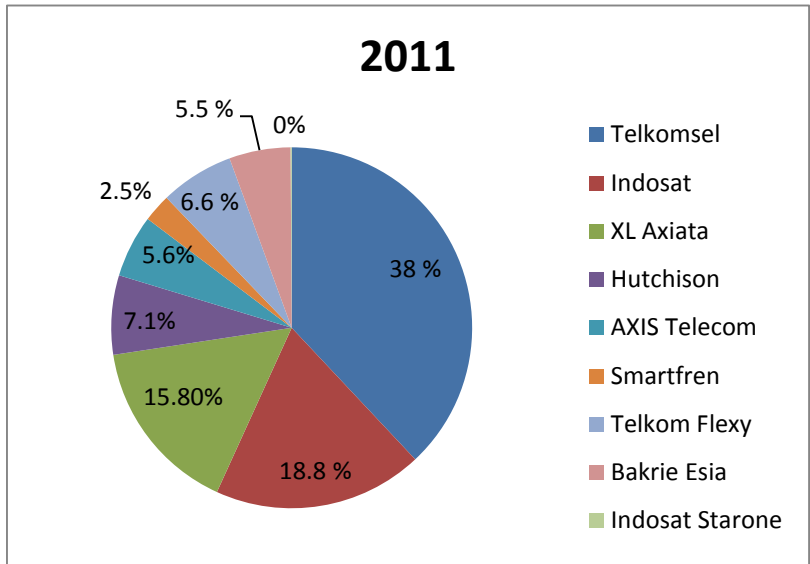
(TelkomFlexi), PT. Bakrie Telecom (Esia), PT. Indosat (StarOne), PT. Mobile-8 (Fren, Hapi), PT. Sampurna (Ceria), PT. Smart Telecom (Smart) are compete each other to win Indonesia market share. .Not to mention,AXIS , THREE and other players also come as the newest providers and ready to attack the older players whenever they want to. Along with the competition, there are companies that can't face the competition and slowly disappear from the list. Some of them merged with another company and some are formally away from the field. Based on a data stated in Tempo news on June 2011, there are 8 ( eight) companies operated in Indonesia as Telecommunication provider with 13 products consumed by citizen. Table 1.3 shows us the remaining players of telecommunication provider in Indonesia and its own products (CDMA and GSM).

Table 1.3 :List of Telecommunication Provider in Indonesia 2011-now (2013)

No	Type	Name of company	Products
1	CDMA	Bakrie Telecom	Esia
2		Indosat	StarOne
3		Smartfren	Smartfren
4		Telkom	Flexi
5	GSM	Indosat	M3, Mentari
6		Hutchison	Three (3)
7		Telkomsel	Simpati, Kartu AS, Kartu Halo
8		XL Axiata	XL
9		AXIS Telecom	AXIS

Source : [www.tempo.co.id](http://www.tempo.co.id) [cited : 4th July 2013]

Figure 1.2 : Market Share of each Provider (in percentage) 3rd quarter of 2011



Source : Marketeers Magazine, April 2012

Figure 1.2 showed us the market share size for telecommunication providers in Indonesia for 8 companies and more than 10 products. Based on the data that shows in the table, we can conclude that Telkomsel still remain its position as market leader, but we do have to realized that XL AXIATA is showing its good performance on how they try to manage its market share, XL axiata is the one from the big three companies which maintain its growth and decline , proven by its existence that managed to be positioned as the big three in the industry .In year 2011, Telkomsel successfully increase its market share , it has achieved more than 50% market share in Indonesia at the end of 2011. The table below will show us the progress of Telkomsel in increasing its market share .



Table 1.4 :Growth in Telkomsel Subscribers

No	Customer base	Number of subscribers (in million)				
		2011	2010	2009	2008	2007
1	Postpaid	2,188	2,126	2,035	1,940	1,913
2	Prepaid	104,829	91,884	79,609	63,360	45,977
	Total	107,017	94,010	81,644	65,300	47,890

Source : Annual Report Telkomsel 2011

Telkomsel lead the business through its position in customer perception. This is proven by the brand index of Telkomsel which is significantly increase from time to time and positioned as the best one.

Table 1.5 :Brand index telkomsel 2007-2011

Year	Brand Index of the Product (%)	Rank / Position
2007	45,3 %	1
2008	46,1 %	1
2009	50,8 %	1
2010	55,7 %	1
2011	62,1 %	1

Source : [www.topbrand-award.com](http://www.topbrand-award.com)

From the data above we can see that, the brand index of Telkomsel increase for a quite high rate , more than 6% in 2010 to 2011 . At the end, Telkomsel managed its position as the market leader based on the brand index from customer' perception about the corporate image.

If we see Telkomsel in the whole products, it still leads the company towards the best position. But there is a fact where we found that not all products of Telkomsel already positioned in the top place by customer.

Markplus Insight made a survey in 2012 which determined customer's awareness and usership for several products categories. The brand index also shows us on how customer's perceived the brand value, which makes the brand positioned as top brand or not even categorized as a top brand. Research made by markplus shows that kartu AS is not even positioned in 5 most popular GSM Operator brand. It means, the performance or brand awareness of kartuASit self still weaker compare to the competitors. Table 1.9 will shows us on how 5 most popular GSM Operator brand 2012 is not even touched by kartuAS.

Table 1.6 :Most popular GSM Operator- Markplus survey 2012

<b>MOST POPULAR GSM OPERATOR BRAND 2012</b>	
1	SimPATI
2	IM3
3	XL
4	Three
5	AXIS

Source : <http://the-marketeers.com/archives/pemenang-brand-champion-award-2012-category-communication-hightech-media.html> (cited 23rd January 2013)

On the other data ,kartuAS still positioned weaker compare to competitor based on its index which is comes from top brand index 2012 , shown in the next table .

Table 1.7 :TOP BRAND INDEX (TBI) 2012 for GSM simcard

No	Name of GSM SIMCARD	TBI
1	SimPATI	37.1%
2	IM3	17.8%
3	XL prabayar	17.2%
4	KartuAS	10.9%
5	Mentari	6,2%
6	AXIS	5.9%

Source : <http://topbrand-award.com/top-brand-survey/survey-result/top-brand-result-2012/>

Table 1.8 :TOP BRAND INDEX (TBI) 2012 FOR TEENS

No	Name of GSM SIMCARD	TBI
1	IM3	24.4%
2	AXIS	24.1%
3	XL Prabayar	14.3%
4	simPATI	10.6%
5	Three	9.6%
6	Esia	8.9%
8	KartuAS	3.8%
9	Mentari	2.4%

Source : <http://topbrand-award.com/top-brand-survey/survey-result/top-brand-teens-result-2012/>

KartuAS positioned as number 4<sup>th</sup> in TBI and 8<sup>th</sup> positioned for TBI based on the survey towards teens, meanwhile , kartuASit self, choosing teens as its targeted market. At the end, researcher realized that the TBI number comes from surveys which were conducted in several big cities

in Indonesia, such as Jakarta, Bandung, Semarang, Denpasar, Medan, etc. Researcher found a fact that Telkomsel has a problem in Bandung. There was a survey made by Markplus, namely Bandung Excellence Award, which determine customer's perception on the brand itself and it was putting Telkomsel as the first position in 2011 and as the second position in 2012. This data finally shows us that in 2011 to 2012, customer's perception about Telkomsel brand in Bandung is declining. The corporate image of Telkomsel is no longer better in Bandung Customer's perception.

Table 1.9 :Telkomsel' position in Customer' mind, Bandung Excellence Award (Markplus)

<b>Year</b>	<b>Rank</b>	<b>Name of Operator</b>
2011	1	Telkomsel
	2	XL AXITA
	3	Indosat
2012	1	Indosat
	2	Telkomsel
	3	XL AXIATA

Source : <http://www.pasundanekspres.co.id/ekbis/4155-telkomsel-raih-the-best-of-bandung-service-excellence-champion-2011> & <http://the-marketeers.com/archives/bandung-service-excellence-award-2012.html/bsea-2> (Cited : 15<sup>th</sup> May 2013)

Furthermore, based on the statement from Head of Sales and Customer Care Division Telkomsel, West Java Region, Erick Noviantoro, Kartu AS is now creating more program, especially segmenting youth in Bandung by collaborating with some schools, in order to increase subscriber due to the

declining number of subscriber in 2011 to 2012. ( cited from : [indotelscommunity.com/regenerasi-pelanggan-telkomsel-kartuas-garapyouth-community.html](http://indotelscommunity.com/regenerasi-pelanggan-telkomsel-kartuas-garapyouth-community.html) )

On the other side, researcher realized that in providing telecommunication services, signal, data packets, calls and messaging, and the most important factors such as price and quality, are the factors that affect customer preference in choosing the best provider that they will use. But we can not simply say that product and service excellence is enough in this new wave marketing era. Marketing is no longer separated from the business. It is now comes into the body of the business, moreover when the competition is really tight. The tight competition happened in Indonesian telecommunication industry, when there is a big demand from customer, there is also a lot of providers fighting each other to compete in offering their services. This made the competition become tighter. Many mobile telecommunication providers in Indonesia overcome the problem of competition by offering their best quality of products which are supported by company's marketing activities. Nowadays, marketers not only implement advertising as their main sword to compete and promote the product. The use of comprehensive marketing activities that combine many tools such as advertising, public relations, channels, and products , is having a great number of implementations in Indonesia. This should be one way for other marketers to realize that Integrated Marketing Communication is also one way that needed to stimulate the market. In term of advertising, many mobile telecommunication companies spends a huge number of budget for advertising. The next table will show us the amount of rupiahs spends by many companies for advertise in televisions.

Table 1.10 :Top 5 Ads Spending in Television

No	Product	2010	2011	Diff. %
1	EXCELCOMINDO XL – GSM CARD	250	288	15%
2	AQUA (mineral water)	130	221	70%
3	TELKOMSEL KARTU AS –SIM CARD	214	220	3%
4	AXIS- GSM SIM CARD	147	218	48%
5	MOLTO ULTRA- Fabric softener	57	209	265%

Source : Nielsen Newsletter – 20-26 August 2011 Edition

From the data above, we can see that advertising spending through television as media channel is keep growing from 2010-2011. There were at least three companies from telecommunication industry that contribute the most as the company that spent a lot amount of money for advertise its product in television.

Research from Nielsen also found that Telkomsel still spend the largest amount of advertising in television for all sim card. Telkomsel spent Rp 66,059,000,000 for advertising in television with more than 3800 spots .

Table 1.11 :TOP 10 ads spending in product 2011 on National Tv,  
based on gross rate

No	Products	Ads spending ( 000,000)	No.of spot
1	Telkomsel-all simcard	66,059	3286
2	EXCELCOMINDO XL-gsm	45,980	2187
3	AXIS –gsm	45,980	2187
4	POND’s white beauty	40,583	2167
5	Marjanboudoin syrup	39,128	3767
6	SMS (short message service)	35,681	2228
7	Gulakumurni	35,663	1705
8	ABC –Syrup	30,958	2477
9	Indosat	30,038	1657
10	CLEAR	25,481	1559

Source : Nielsen Newsletter – 20-26 August 2011 Edition

Table 1.12 :The most watched advertisings

No	Product	GRP	No.of spot
1	EXCELCOMINDO-XL	7,629	4270
2	MarjanBoudoin	7,080	4270
3	Telkomsel –all sim card	6,305	4,384
4	ABC Syrup	6,235	2,841
5	3-sim card	4,005	2,285

Source : Nielsen Newsletter ,August 2011. Survey on 5+ old ,  
commercial television, GRP (Gross rating points) in percentage %

Telkomsel has spent a lot of money for media advertising, and the result still shows a positive result, where Telkomsel spends the largest for all sim cards and got GRP (gross rating percentage) as the best three. It can be defined as a good result compared to XL, whom spends a lot of money only for its single sim card, even though XL is positioned as the most watched advertising, but still, Telkomsel should be defined as more efficient by reaching third position and spending a little bit more than XL, but covering all the products.

Besides advertising, Telkomsel also does many activities which involve its integrated marketing communication activities. Table 1.7 will show us about the data of what Telkomsel has been doing for its integrated marketing communication.



Table 1.13 :Integrated Marketing communication done by Telkomsel (2009,2010,2011)

No	Marketing Communication Activities	Year		
		2009	2010	2011
1	Advertising	a. Advertise its products through televisions (National TV : RCTI, SCTV, Trans Tv)	<p>a. Advertise its products through televisions (National TV : RCTI, SCTV, Trans Tv and Trans7 tv in prime time and early morning, also advertise through websites, and mobile advertising (Bulk services, popscreen)</p> <p>b. Official Partner of 2010 FIFA WORLD CUP (Broadcast advertising in RCTI and Global TV)</p>	<p>a. Advertise its products through televisions (National TV : RCTI, SCTV, Trans Tv and Trans7 tv in prime time and early morning, also advertise through websites, and mobile advertising (Bulk services, popscreen)</p> <p>b. Social Media advertising through twitter, facebook, and even websites</p> <p>c. Broadcast the product at GLOBAL TV while prime time (Formula 1 , official sponsor)</p>

2	Sales Promotion	<ul style="list-style-type: none"> <li>a. Promotion of simPATI PEDE</li> <li>b. Promotion of kartuAS RP.5000 starter pack</li> <li>c. Partnership with Microsoft- provide service for push to email</li> </ul>	<ul style="list-style-type: none"> <li>a. Promotion of LangitMusik</li> <li>b. Sole partnership with OPERA MINI and provide the opera</li> <li>c. Collaborate with Indomaret and offer promotion on products (discount)</li> <li>d. Partnership with Google , promote google translate</li> </ul>	<ul style="list-style-type: none"> <li>a. Promotion of simPATItalkmania</li> <li>b. Promotion of kartuAS RP.0</li> <li>c. Telkomselpoin withdraw with a Mercedes Benz C200 as a grand prize</li> <li>d. Promotion of internet mania</li> <li>e. Promotion of Telkomsel SIAGA</li> <li>f. Promotion of kartuASbonbAStis</li> <li>g. Co-Branding with Garuda Indonesia</li> <li>h. Co-branding with seaworld , urban kitchen and hypermart</li> <li>i. Promotion of free data roaming service in several countries</li> <li>j. Promotion of kartuAS extra ampuh , free voice and SMS</li> <li>k. Partnership with Google, Facebook, opera mini, RIM, Skype</li> </ul>
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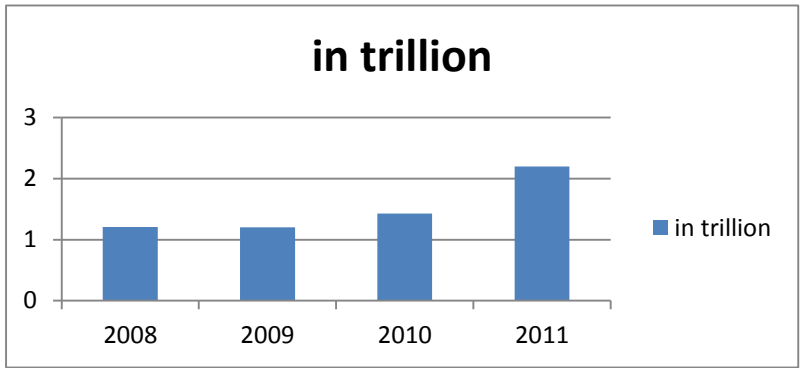
				etc, and offer many promotion
3	Personal Communication	a. Customer services :GRAPARI	a. Customer services : GRAPARI , 82 outlets b. Customer services : Selfcare service is provided	a. Outlet number of GRAPARI increased into 83 b. Launched “24hours GRAPARI” c. Selfcare customer service d. Launched selfcare customer service for international user (1111)
4	Public relation, press release	a. PelukAsa (combating dengue fever) b. Telkomsel support computer based learning c. Provide sanitation at schools	a. Launched TERRA (Telkomsel Emergency Response and Recovery) b. Collaborate with BNN , providing drugs user education c. Implementing Green Solution (micro hydro electric) d. ICT education for teacher and students e. Renovate and donating religious items (60 mosques)	a. ICT training for teacher in 22 cities (The ICT Guru Telkomsel 2011) b. Launched V-books c. Merahmandiri(entrepreneurship – outlet binaan) d. Enhanced TERRA by launching RANGER 10 e. Telkomsel participated in governmentprograms to accelerate the achievementof the MDGs (Millennium DevelopmentGoals)

			f. Ramadhan safari for 15.000 orphans g. MudikbarengTelkomsel	in Indonesia by 2015. f. Telkomsel also conducted emergency management trainings for employees in Indonesia, so as to be able to secure Telkomsel's infrastructure and extend first aid in any disaster hit areas, as well as public counselling, logistics mobilization and technical services. g. Online masjid raya while Ramadhan h. MudikBarengTelkomsel 2011
5	Interactive Marketing	a. Website of Telkomsel	a. Website of telkomsel	a. Website of telkomsel b. Facebook Fanspage c. Twitter for kartuAS&simPATI
6	Direct Marketing	a. Phone calls Email	a. Phone calls b. Email	a. Phone calls b. E-mail

7	Event and sponsorship	a.Customer day in 6 cities	a. Sponsoring Indonesia Fantastic Film (simPATI) b. Presenting the soundblAs music c. Langit music and Gen Festival d. Sponsoring FIFA world cup 2010	a. Below the line micro campaign and recharge bonus b. TelkomselRamadhan Fair 2011 c. Telkomsel customer day 2011 Sponsoring formula 1 at Global TV and broadcast at the prime time
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Telkomsel did many activities that combine more than two tools to communicate with its customers. For each year, Telkomsel provide more and more interesting marketing program such as offer more promotion for simPATI, kartuASetc in year 2011 compare to year 2010 ( annual report) and it also provides more marketing budget from year to year.

Figure 1.3 :Telkomsel marketing expense 2008-2011



Based on the early explanation, about the declining brand position on customer' perception in Bandung city, and the emerge of integrated marketing communication as explained above, therefore, the roles of integrated marketing communication are required to increase brand image on customer' perception in Bandung.

Thus, based on the phenomenon and the datas above, the author wants to conduct a research with the title **“THE INFLUENCE OF INTEGRATED MARKETING COMMUNICATION TOWARDS BRAND IMAGE OF KARTU AS, TELKOMSEL (case stud on TEENAGERS IN BANDUNG)**

### **1.3 Problem Formulation**

Based on the background explained above, the problems that can be formulated are as follow :

1. What are the form of marketing communication offered by Kartu AS- Telkomsel‘ product and how was the performance of it on teenager’ perception in Bandung ?
2. How far is the stage of brand image for kartuASTelkomsel product in Teenagers (Bandung) category?
3. How is the influence of integrated marketing communication that offered by kartuAS- Telkomselproduct ?
4. How much Marketing Communication may influence brand image of kartuAS- Telkomselproduct ?
5. How should marketing communications integrated done by telkomsel in the future to increase its (kartuAS) brand image in Bandung ?

### **1.4 Research Objectives**

Based on those formulated problems, the purpose of this research is as follow:

1. Determine what kinds of marketing communication that offered by Telkomsel product
2. Determine how far is the stage of brand image for Telkomsel product in Bandung Collage student’s mind
3. Determine the influence of marketing communication that offered by Telkomsel product
4. Determine how much Marketing Communication may influence brand image of Telkomsel product
5. Determine how should marketing communications integrated done by telkomsel in the future to increase its brand image in Bandung

## **1.5 Research Purpose**

This research is expected to be useful for many stakeholders whom need it. The purpose of this research are :

1. For academic

This research useful as a means of empirical proof over theories that is acquired at a bench lectures and as adder insight and knowledge of integrated marketing communication and the brand image

2. For practical

The results of this research are expected to be used as input materials or information about the integrated marketing communication and brandimages so that it can be used to formulate a proper marketing campaigns of TelkomselKartu AS product which is offered by the company

## **1.6 Writing Structure**

In this part, the writing structure is made in order to give an overview for what will be done by the researcher.

### **CHAPTER I Introduction**

This chapter will provide a brief understanding about the background for the research, contains of many supported datas , object's profile of the research, and objectives of the research.



## CHAPTER II LITERATURE STUDY and SCOPE OF RESEARCH

This chapter contains several theories that used in research process. For this opportunity researcher used the theory of integrated marketing communication and brand image.

## CHAPTER III RESEARCH METHODOLOGY

This chapter contains a type of research used, operational variable, and the scale of measurement, collection data methods, sampling techniques, and data analysis techniques.

## CHAPTER IV RESEARCH RESULTS AND ANALYSIS OVERVIEW

This chapter will explain about how the collection of questionnaires that has been processed

## CHAPTER V CONCLUSION AND SUGGESTION

The last chapter will provide a brief descriptions as a conclusion and suggestion for the research.