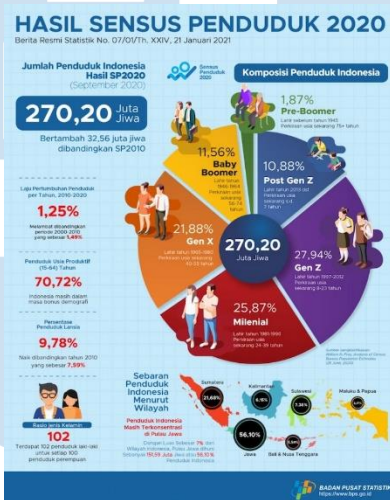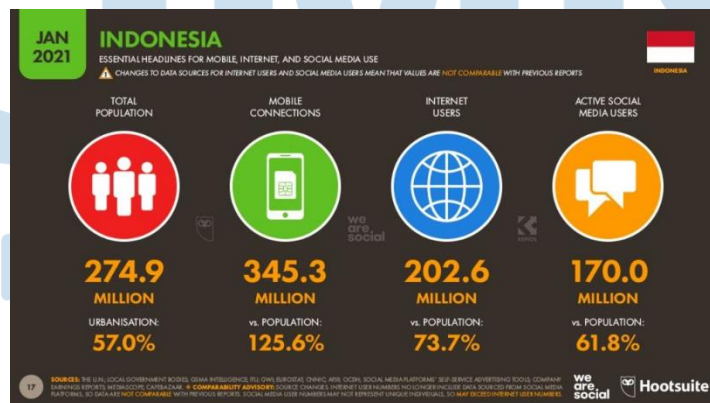# CHAPTER I

INTRODUCTION

1.1. Research Background

The rapid development of technology has made many changes in almost all aspects of human life. The result of technology also makes internet users around the world more and more, including in Indonesia.

Source: Badan Pusat Statistik RI (2020)

**Figure 1. 1 Population Census Results**

Based on Figure 1.1, the total population of Indonesia in 2020 is 270.20 million people (Badan Pusat Statistik, 2020).

Source: We Are Social & Hootsuite (2021)

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Figure 1. 2 Number of Internet Users in Indonesia as of January 2021

Based on Figure 1.2, internet users in Indonesia in early 2021 reached 202.6 million people. This number increased by 15.5% or 27 million people compared to January 2020. It means that internet penetration in Indonesia in early 2021 will reach 74.98% (We Are Social & Hootsuite, 2021). We Are Social & Hootsuite (2021) revealed that internet users aged 16 to 64 years are known to have several different electronic devices, such as mobile phones (both smartphones and non-smartphones), laptops/PCs, tablets, smartwatches, and so on, and with these various types of devices, smartphones are the most popular devices. Therefore mobile phones also appear to be the favourite devices of internet users, with 96.4% or 195.3 million Indonesians accessing the internet through their mobile phones. This is a significant number which means that technological developments have entered and affected the lives of almost everyone in Indonesia.
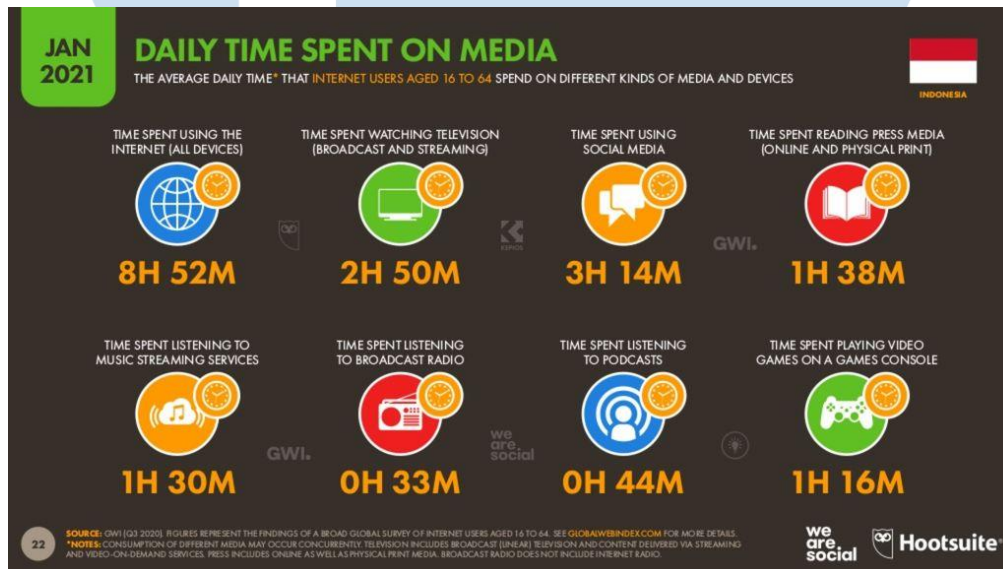

Source: We Are Social & Hootsuite (2021)
Figure 1. 3 Time Spent Accessing the Internet

Figure 1.3 explains that internet users in Indonesia spend an average of 8 hours 52 minutes doing activities on the internet. In general, Indonesian people carry out their actions on the internet for social media. On average, they spend 3 hours 14 minutes on social networking platforms. Besides social media, Indonesian users also generally use the internet to watch television (both streaming and broadcast) for 2 hours 50 minutes, then to read news from media companies. Online for 1 hour 38 minutes, then to listen to music on streaming services for 1 hour 30 minutes. Audio-based

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content, such as podcasts and radio, is the least accessible content compared to other content by internet users in Indonesia. The average internet user only spends no more than 44 minutes listening to radio or podcast content. In addition, almost all internet users in Indonesia (around 98.5%) use the internet to watch online videos every month. Meanwhile, as many as 74.3% of internet users in Indonesia also watch video blogs (vlogs) every month (We Are Social & Hootsuite, 2021).

But unfortunately, the development of internet technology has not been felt evenly in all regions in Indonesia.
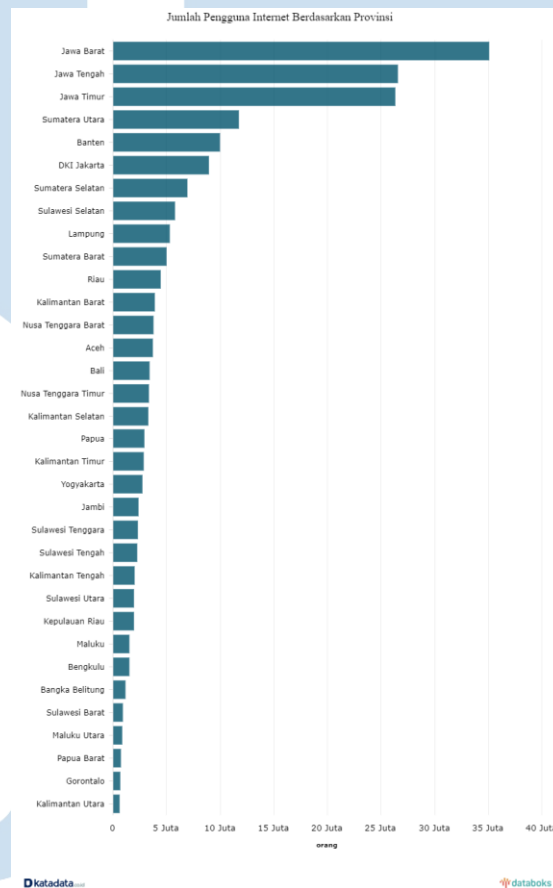

Source: Asosiasi Penyelenggara Jasa Internet Indonesia (APJII), 2020
Figure 1. 4 Number of Internet Users by Province

Figure 1.4 states that the most significant number of internet users comes from the province of West Java, which is 35.1 million people. Central Java, with 26.5 million people, followed that position. Then East Java, with 23.4 million people. The number of internet users in North Sumatra

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reached 11.7 million people and in Banten 9.98 million people. Meanwhile, the number of internet users in Jakarta reached 8.9 million people (APJII, 2020).

Since the pandemic hit Indonesia in March 2020, the public has been faced with various new activity patterns that they might never have imagined before; for example, face-to-face activities are limited to suppress the spread of the coronavirus so that online activities replace them. As a result, work, study, even shopping & ordering activities are carried out by utilizing digital technology from home. This makes the need for internet access at home increase drastically. This increase must be balanced with the availability of internet services in Indonesia. In Indonesia itself, there have been several companies engaged in fixed broadband or commonly called Wi-Fi. These companies include IndiHome, First Media, MNC Play, Biznet, My Republic, and others.

Proporsi Jumlah Pelanggan Internet Fixed Broadband Indonesia

Sumber : World Bank, Juli 2021
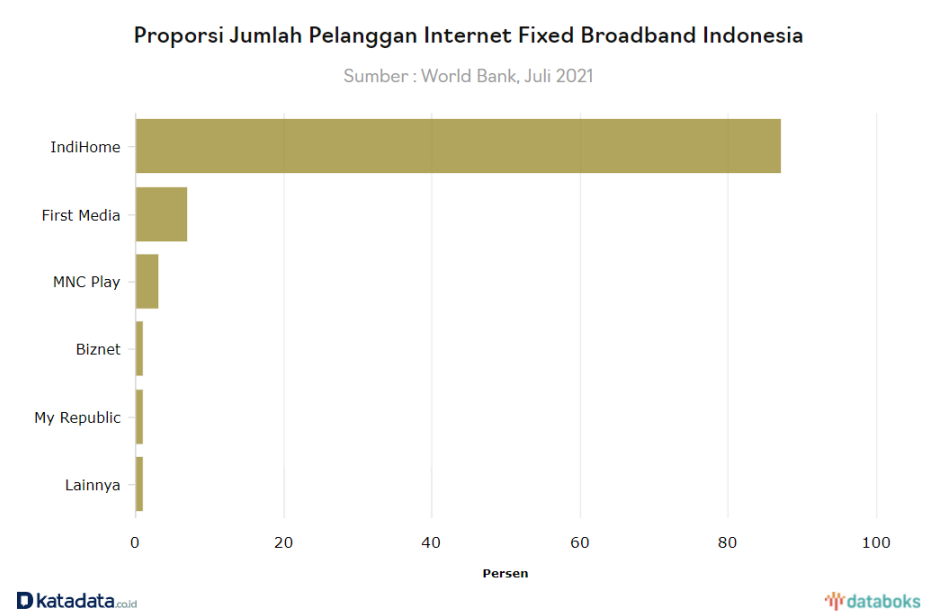
Source: World Bank (2021)

Figure 1. 5 The proportion of Total Indonesian Fixed Broadband Internet Subscribers

Based on figure 1.5, as many as 87% of fixed broadband internet network subscribers in Indonesia use IndiHome services. One of Telkom's subsidiaries has recorded 8 million subscribers throughout 2020, an increase of about 1 million subscribers compared to the previous year. The second position is occupied by First Media, owned by PT Link Net, with fixed broadband internet subscribers at 7%. PT Media Nusantara Citra occupies the third position MNC Play, which is 3%. Biznet (PT Biznet Gio Nusantara) and My Republic (PT DSSA Mas Sejahtera) have a minor

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proportion of fixed broadband internet subscribers in Indonesia, only 1% for both Biznet and My Republic. There is an inequality of competition in the fixed broadband business in Indonesia, which affects the quality of internet services and the affordability of tariffs. We can see from this that the download speed of fixed broadband internet in Indonesia is only 20.13 Mbps, very far from Singapore, which reached 197.26 Mbps (World Bank, 2021).
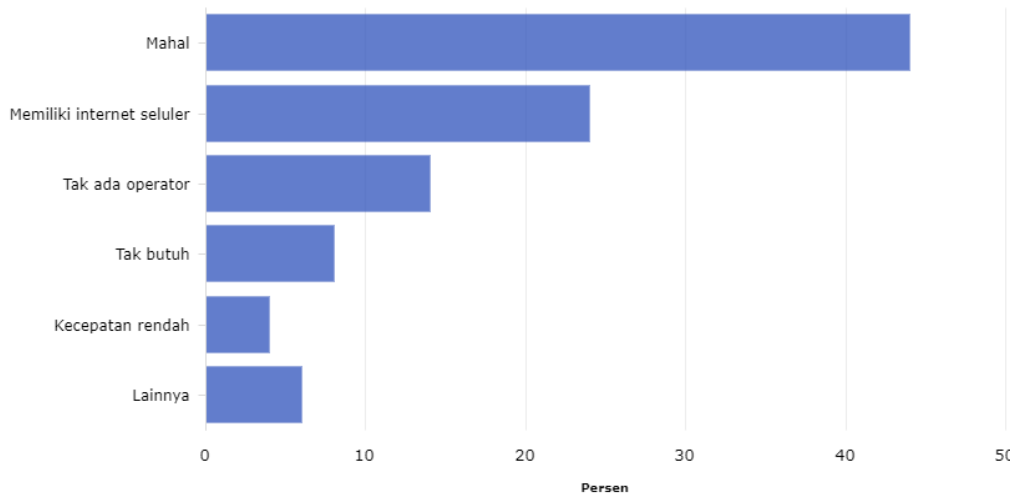
Source: World Bank (2021)

Figure 1. 6 People Who not Subscribed to Fixed Broadband Internet

Figure 1.6 shows that many people have not subscribed to fixed broadband telecommunications networks in Indonesia. They mentioned that fixed broadband tends to be more expensive (44% of respondents). If someone wants to subscribe to a fixed broadband service in Indonesia, that person needs to spend on modem rental fees, installation fees, and monthly subscription fees when using them. Subscription rates range from IDR 250 thousand to IDR 800 thousand per month. When viewed based on the coverage area, people who have judged that fixed broadband adoption is expensive are dominated by Sumatra, Sulawesi, and Maluku. Meanwhile, there is still limited access to fixed broadband services for Papua, West Nusa Tenggara, and East Nusa Tenggara. In addition to the high cost, 24% of respondents stated that people are already dependent on mobile internet. Various cellular operators can compete with multiple tariffs and can reach people in complex and remote geographies. The price, which tends to be more affordable for each population segment, makes mobile internet more accessible and reliable than fixed

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broadband. There are several other reasons behind the people not choosing fixed broadband, including the absence of operators that support 14% of respondents, 8% feel they don't need it, and 4% low internet speed (World Bank, 2021).

If we look again at Figure 1.5, there is an imbalance in service users between one fixed broadband company and another—IndiHome, which has always dominated the fixed broadband sector in Indonesia. IndiHome itself provides several service packages that consumers can choose from, such as the IndiHome 1P package or internet only with a speed of 20 Mbps at a rate of Rp. 330 thousand per month, while in Eastern Indonesia, the price is Rp. 287 thousand per month. IndiHome also provides internet packages with 50 Mbps for IDR 560 thousand per month and 100 Mbps for IDR 920 thousand per month. In addition, 2P subscription packages or internet and telephone are available. Customers also get 100 minutes of free calls. There is also an IndiHome 2P internet plus TV package with 109 channels. Then, the IndiHome 3P package consists of the internet, telephone, and television (Burhan, 2021). Meanwhile, its tight competitor, First Media (7% proportion of subscribers), provides internet services with a speed of 15 Mbps and TV 145 channels at Rp. 371 thousand per month, a speed of 25 Mbps and TV 165 channels at Rp. 466 thousand per month, a speed of 40 Mbps. and TV 185 channels for Rp. 656 thousand per month, speed of 75 Mbps and TV 210 channels of Rp. 1,799 thousand per month, speed of 150 Mbps and 210 TV channels of Rp. 2,185,000 per month, speed of 200 Mbps and TV 236 channels of Rp. 3,129,000 per month, and a speed of 300 Mbps and 236 TV channels of Rp. 3,300,000 per month (Burhan, 2021). Apart from these two companies, many companies provide fixed broadband services in Indonesia whose market share is meagre, which is Biznet (1% proportion of total subscribers).

Source: biznetworks.com

Figure 1. 7 Biznet's Logo

Biznet, one of the fixed broadband telecommunications network companies in Indonesia, which until October 2020 already has a service area coverage of more than 110 cities in Indonesia and more than 45,000 km of fibre optic cable (FO) spread across Java Island, Bali, Sumatra, Batam, Kalimantan and Sulawesi. For 20 years, Biznet has been established in Indonesia by providing various internet services and digital technology. For example, Biznet comes with a Biznet Home service in the retail segment and ultra-fast WiFi internet service for the housing and apartment segments to support digital activities at home. There is also Biznet IPTV service, a quality TV service based on internet protocol. PT Supra Primatama Nusantara (Biznet Network) said that Biznet would reach more housing or home pass, which previously got 700,000 homes by December 2020; the company targeted growth of home pass double-digit growth or around 1.5 million home pass in 2021 (Haryanto, 2020). Biznet offers IDR 325 thousand per month for 75 Mbps internet speed in Java, Bali and Batam. Meanwhile, the 150 Mbps speed is priced at IDR 500 thousand, and the 150 Mbps speed specifically for the home gamers package is priced at IDR 600 thousand per month. For Sumatra and Kalimantan, the tariff with a speed of 50 Mbps is Rp. 350 thousand, and 100 Mbps is Rp. 550 thousand per month. For 100 Mbps, home gamers are sold for IDR 650 thousand every month. In Sulawesi, Biznet's subscription packages are Rp. 330 thousand (30 Mbps), Rp. 530 thousand (50 Mbps), Rp. 630,000 per month (50 Mbps for home gamers) (Burhan, 2021).

The author sees that there is a phenomenon where Biznet's market share tends to be very low when compared to other fixed broadband providers such as Indihome and First Media. If we look again at Figure 1.5, it can be seen that the proportion of fixed broadband internet subscribers in Indonesia, Biznet, tends to be below with a proportion of only 1%. Through this phenomenon, The author surveyed through a questionnaire on Google Form related to Biznet's fixed broadband.

How old are you now?

50 responses

100%

- < 17
- 17 - 25
- 26 - 35
- >35
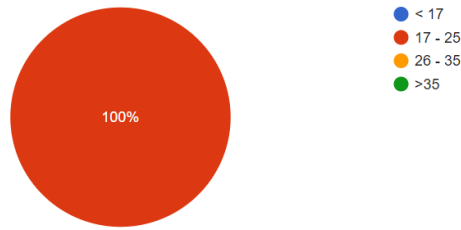
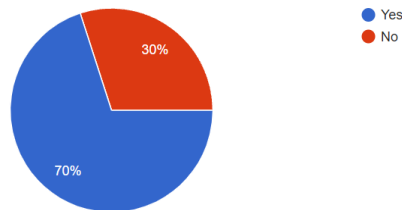**Source: Author's Personal Documentation (2021)**

Figure 1. 8 Respondent's Age

Do you know about Biznet fixed broadband?

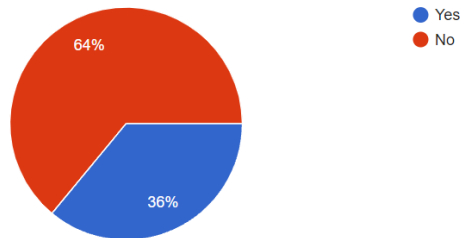50 responses

30%

70%

- Yes
- No

Source: Author's Personal Documentation (2021)

Figure 1. 9 People Who Know Biznet

Have you ever subscribed to Biznet services?

50 responses

64%

36%

- Yes
- No

Source: Author's Personal Documentation (2021)

Figure 1. 10 Respondents Who Have Subscribed to Biznet

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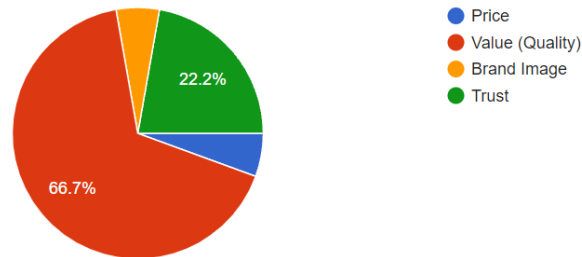
For those who answered yes, what is your reason for choosing Biznet over other fixed broadband providers? (Indihome, First Media, etc.)
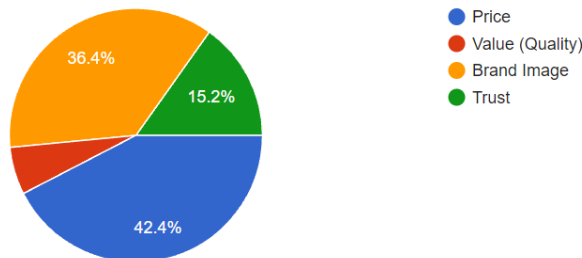
18 responses

- Price
- Value (Quality)
- Brand Image
- Trust

66.7%

22.2%

Source: Author's Personal Documentation (2021)

Figure 1. 11 Reasons for Respondents to Use Biznet

For those of you who answered no, what is your reason for not using Biznet services?

33 responses

- Price
- Value (Quality)
- Brand Image
- Trust

36.4%

15.2%

42.4%

Source: Author's Personal Documentation (2021)

Figure 1. 12 Respondents' Reasons for Not Using Biznet

Based on Figure 1.8, out of a total of 50 respondents who filled out this questionnaire, 100% of respondents have an age range of 17-25 years. Meanwhile, in Figure 1.9, it is stated that 75% of respondents said that they know about Biznet's fixed broadband. However, from the 50 respondents, according to Figure 1.10, only 36% have ever subscribed to Biznet fixed broadband. Figure 1.11 states various reasons why 36% of respondents chose Biznet as their fixed broadband provider. 66.7% of respondents chose Biznet because of the value (quality) owned by Biznet, 22.2% of respondents chose Biznet because of trust, 5.6% because of Biznet's brand image, and 5.6% because of price. Meanwhile, Figure 1.12 states why the respondents did not or have not chosen Biznet as their fixed broadband provider. 42.4% of respondents said that the price factor

caused them not to subscribe to Biznet, 36.4% because of their brand image, 15.2% because of trust, and 6.1% of the value (quality).

Therefore, this study aims to increase the purchase intention of prospective Biznet users by looking at factors such as Brand Image, Perceived Price, Trust, and Value that affect the desire to subscribe to Biznet fixed broadband.

1.2. Formulation of Problems and Research Questions

Based on the background that the author has described, it can be concluded that there is a problem with Biznet that has caused Biznet's market share or customer proportion to only 1% after being established for 20 years. When viewed from the trend of internet usage, more and more people, especially in Indonesia, are using the internet, especially when the pandemic hit Indonesia in March 2020. Less competitive competition in the fixed broadband industry in Indonesia causes people to look for IndiHome, which has been around for a long time—long known as the number 1 company in fixed broadband services in Indonesia. Therefore, this study was conducted to analyze the effect of Brand Image, Perceived Price, Trust, and Value on Purchase Intention on Biznet's fixed broadband service brand.

According to Kotler & Keller (2016), brand image is the perception of a brand as reflected by brand associations in the minds of consumers. It is also added that brand image, according to Henslowe (1999), is the impression obtained according to the level of knowledge and understanding of facts about people, products, situations. The object in question is an unknown person, organization, group of people, or other. Image is a view or perception. The accumulation of trust given by individuals will experience a process sooner or later to form a broader and abstract public opinion. According to Frederick & Patil (2010), brand image is a total picture of the minds of consumers or target customers towards the product or brand. In this study, the author wants to see the influence of brand image on price perception, value, trust, and purchase intention in the Biznet brand.

According to Schiffman & Wisenblit (2015), price perception is the view or perception of how consumers perceive specific prices (high, low, reasonable) have a strong influence on purchase intentions and purchase satisfaction. Zeithaml (1988) states that the price level/perceived price influences a consumer, where when the price of goods or services is too

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high compared to the benefits obtained from these goods or services, it will affect consumer actions in adopting goods or services.

According to Zeithaml (1988), Customer Value is the customer's overall assessment of the utility of products, services, and experiences based on customer awareness of the benefits received, sacrifices made or costs incurred. Service quality and customer satisfaction are crucial for companies engaged in the fixed broadband business. Rahayu & Saryanti (2014) say that service quality is critical to creating customer satisfaction by making customers the main focus. In addition to service quality, another factor that needs to be considered in influencing customer satisfaction is customer value; as said by Saputra (2018) that customer value is a factor that can affect customer satisfaction. Theoretically, service quality, customer value, and customer satisfaction are interrelated, so this study can reference that customer satisfaction can be influenced by service quality and customer value. The embodiment of sacrifices made by customers through the exchange process is transaction costs and risks to obtain the products offered by the company. When the value received from the ratio perceived by the customer for some economic sacrifices with the product provided by the company does not match customer expectations, it will lead to customer dissatisfaction. On the other hand, customer satisfaction will be achieved if it meets or exceeds customer expectations.

Delgado-Ballester & Munuera-Alemán (2005), in his research, concluded that brand trust is an expectation of the reliability of a brand. Consumers can feel comfortable using the brand to meet their needs and desires. Delgado-Ballester & Munuera-Alemán (2005) defines brand trust as the willingness of the average consumer to depend on the ability of a brand to fulfil their needs and desires.

Purchase Intention is the stage where consumers evaluate the information received. According to Kotler & Keller (2015), Purchase Intention is a consumer behaviour that appears in response to objects that indicate the customer's desire to make a purchase. The customer's willingness to buy has a stronger desire, even though they do not necessarily believe it (Resmawa, 2017). When choosing a product, many factors influence consumer interest, and the final decision will depend on consumer desires. Concerning buying stakes, management needs to know the factors that influence purchase interest. Chen et al. (2017) stated that this

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information could be input for company management in making decisions about various efforts to increase sales; these factors include introducing products to make it easier for consumers to recognize and remember the product (Product Knowledge).

With the phenomenon of an imbalance in the proportion of the number of subscribers to fixed broadband services in Indonesia, therefore, the authors can arrange several questions with research questions as follows:

1. Does Brand Image have a positive effect on Perceived Price at Biznet?
2. Does Brand Image have a positive effect on Trust in Biznet?
3. Does Brand Image have a positive effect on Value at Biznet?
4. Does Brand Image have a positive effect on Purchase Intention at Biznet?
5. Does Perceived Price have a positive effect on Value at Biznet?
6. Does Perceived Price have a positive effect on Purchase Intention at Biznet?
7. Does Trust have a positive effect on Value at Biznet?
8. Does Trust have a positive effect on Purchase Intention at Biznet?
9. Does Value have a positive effect on Purchase Intention at Biznet?

1.3. Research Purposes

Based on the formulation of the problem described above, the objectives of this study are:

1. To find out and analyze the positive effect of Brand Image on Perceived Price at Biznet.
2. To find out and analyze the positive effect of Brand Image on Trust in Biznet.
3. To find out and analyze the positive effect of Brand Image on Value at Biznet.
4. To find out and analyze the positive effect of Brand Image on Purchase Intention at Biznet.
5. To find out and analyze the positive effect of Perceived Price on Value at Biznet.
6. To find out and analyze the positive effect of Perceived Price on Purchase Intention at Biznet.
7. To find out and analyze the positive effect of Trust on Value at Biznet.
8. To find out and analyze the positive effect of Trust on Purchase Intention at Biznet.
9. To find out and analyze the positive effect of Value on Purchase Intention at Biznet.

1.4. Benefits of Research

With this research, the researcher hopes that the results of this study can be helpful. The benefits expected by researchers from this research are:

1. Academic Benefits

   This research is expected to add insight, knowledge, and references in marketing science, especially regarding the factors that influence consumers, such as in terms of Brand Image, Perceived Price, Trust, Value, and Purchase Intention for fixed broadband service objects in Indonesia.

2. Practical Benefits

   This research is expected to provide helpful information and advice for business people in Indonesia's fixed broadband service industry in making their marketing strategies. This research is also expected to benefit leaders in making wiser managerial decisions, especially related to issues related to consumers such as Brand Image, Perceived Price, Trust, and Value to encourage Purchase Intention on their fixed broadband services.

3. Researcher Benefits

   This research is expected to increase the author's knowledge and insight and learn how to analyze the influence of Brand Image, Perceived Price, Trust, and Value on purchase intention of Biznet's fixed broadband service. In addition, the author also hopes to understand the application of marketing theory in attracting consumer interest.

1.5. Limitation of Study

The limitations of the problem in this study are:

1. The criteria for respondents in this study are men and women who are at least 17 years old (already have an ID card), know Biznet, but have never subscribed to Biznet fixed broadband services, and had a fixed broadband monthly subscription budget of more than IDR 300,000.

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2. The number of variables in this study is limited to 5 variables, namely: Brand Image, Perceived Price, Trust, Value, and Purchase Intention.

1.6. Thesis Writing Systematics

The systematics of thesis writing consists of 5 (five) chapters and is under the systematic writing procedures determined in the thesis manual issued by the campus, where there is a close relationship between one chapter and another. The systematics of writing the thesis is as follows:

1. **CHAPTER I INTRODUCTION**

   In this chapter, the author discusses the background related to the topic to be raised which leads to the main problem, the formulation of the problem that forms the basis of the research, the research questions to be asked, the research objectives, the limitations of the problem in conducting research, the benefits of research and the systematics of writing a thesis.

2. **CHAPTER II THEORY BASIS**

   In this chapter, the author defines and explains each variable used in the study by describing the journals taken from previous research, used as the theoretical basis for this research. The theoretical description will relate to the formulated problems such as Brand Image, Perceived Price, Trust, Value, and Purchase Intention. The development of hypotheses and models from the research is also discussed and described in this chapter.

3. **CHAPTER III RESEARCH METHODOLOGY**

   In this chapter, the author will describe the general description of the research object, the approach used, the research model used, research variables, research scope, data collection techniques, sampling procedures and analytical techniques used to answer the problem formulation.

4. **CHAPTER IV ANALYSIS AND DISCUSSION**

In this chapter, the author will describe the results of research, analysis, and test results in the form of statistical tests that are displayed in the form of pictures, tables, accompanied by explanations by facts and theoretical studies.

5. **CHAPTER V CONCLUSIONS AND SUGGESTIONS**

In this chapter, the author will explain the conclusions made by the author based on the results of the analysis and discussion; besides that, the author will also provide suggestions for further research.