

CHAPTER I

INTRODUCTION

1.1 Background

It is admitted today that internet has brought so many changes and advancements for human. It has made the world seem borderless with its capability to breakthrough any boundaries: villages, cities, regions, states or provinces, and even countries and continents. People in a certain place do not need to come to the places they want to know. In only several clicks, they can get the information they want. For example, a senior high school student only needs to get connected to the internet and search or browse the official websites of some universities that he/she wants to apply –cross the cities, states/provinces, and even abroad– instead of coming directly to that place. Internet also has made information and communication transport so easily and fast. Blogs and websites, one-way communications, as well as e-mails, discussion forums, and chat rooms, the two-way communications, are the Exhibit of how information and communication exchange in very real-time.

In Indonesia, the society nowadays is getting more well-educated, and so that, the usage of internet is having its growth. According to Indonesian Internet Service Provider Association through its official website and Ministry of Communication and Informatics, the internet users in Indonesia cumulatively until year of 2006 –shown in **Table.1.1**– is 20,000,000 users. In Table.1, it is shown that the amount of internet users in Indonesia always increases year by year. From business aspect, it is a chance to develop an Internet Service Provider (ISP) firm, because the market always grows and is potential. It is proven by the data still from Indonesian Internet Service Provider Association quoting the resources from Ditjen Postel, Ministry of Communication and Informatics, that the amount of registered ISPs also grows year by year. It is shown in Table.1.2.

Table 1.1. Growth of Internet users in Indonesia (cumulative)

Year	Internet Users
1998	512,000
1999	1,000,000
2000	1,900,000
2001	4,200,000
2002	4,500,000
2003	8,080,534
2004	11,226,143
2005	16,000,000
2006	20,000,000
2007*	±25,000,000

*Estimation by Ministry of Communication and Informatics up to end of year 2007 as excerpted from Detikcom. Source from APJII website and Detikcom.

Table 1.2. Growth of Registered ISP in Indonesia Internet Service Provider Association (cumulative)

Year	'96-'99	2000	2001	2002	2003	2004	2005	2006	2007
ISP	35	63	90	104	117	133	159	173	194

Source from APJII website

Specifically in Jakarta for corporate user in High Rise Building (HRB) market, internet industry is an interesting subject to analyze. According to Porter (1993), industry perspective has five aspects. They are threat of substitutes, threat of new entrants, bargaining power of supplier, bargaining power of buyer, and rivalry among other competitors. Connecting internet business and Porter's theory, internet industry faces threat from 3G and 3.5G data communication as the substitutes for ADSL and dedicated line internet connection. From new entrants, the threat comes from another Internet Service Providers who expand their market to corporate in HRB market.

Some ISPs have their own backbone connection to World Wide Web internet, while some others not. They who do not have their own connection face a higher bargaining position from their supplier since without them, they totally cannot continue running their business; unless they have more than one supplier. ISPs also face higher bargaining position from their buyers. The growth of amount of ISP allows their customers to have more various ISP choices.

The rivalry among other Internet Service Providers, especially for corporate customers who rent their office in High Rise Building, is very competitive and very tight. It is shown in **table 1.3**, the market share for corporate users surveyed in 38 HRBs in Jakarta from November 2006 until June 2007 based on PT. ISP X's internal survey. The data on the table shows that each provider holds only up to twenty one percent market share and has only a little difference with the other next to it. This means that the market is very competitive and every provider needs to have a specific competitive advantage strategy even if it only wants to increase its market share.

Table 1.3. Market share for internet user in High Rise Building in Jakarta

No	Provider	Amount of Customers	Market Share
1	ISP A	264	20.42%
2	ISP B	243	18.79%
3	ISP C	157	12.14%
4	ISP D	134	10.36%
5	ISP X	70	5.41%
6	ISP E	67	5.18%
7	ISP F	49	3.79%
8	ISP G	47	3.63%
9	ISP H	38	2.94%
10	ISP I	27	2.09%
11	Others	295	22.82%

Source from PT. ISP X's internal survey done from November 2006 until June 2007

PT. ISP X as shown in the market share table is in fifth position; and only has a little difference with ISP E whose position is the sixth. Not enough being in the fifth position, PT. ISP X would like to increase its market share. In order to do that, PT. ISP X needs to know strengths and weaknesses of its and its competitors' products—ISP A's, ISP B's, ISP D's, ISP C's, and ISP E's—based on market perspective. The last one is included because it holds the market share with only a little difference from ISP X's market share. After knowing each strength and weakness from customer perspective, it is the next step that SWOT analysis is composed.

In brief, towards the advancement which internet brings along with the positive growth of Indonesian internet users and subscribers, ISPs competing in corporate customers in high rise building market in Jakarta face a tight competition and is required not only to survive, but also to win. They need to have a competitive strategy to be able to increase their market share. In order to increase its market share in internet service business for corporate customer, ISP X wishes to have a proper competitive strategy based on analysis from market perspective on its and its competitors' products continued with SWOT analysis of ISP X.

1.2 Statements of Problem

This research should consider about:

1. What recommended competitive advantage strategy should be created based on SWOT analysis of ISP X.
2. What action plan should be taken based on that strategy.

1.3 Goals of Research

Answering the problem, this research is composed with goals to create:

1. A competitive advantage strategy based on SWOT analysis of ISP X's internet products as a recommendation for ISP X in effort to increase its market share of internet service on corporate customer.
2. Action plan recommendation which should be taken based on the strategy.

1.4 Benefits of Research

From this research, the benefits which are expected from the results are:

- ISP X will have a recommendation about what competitive strategy it can implement to increase its market share.
- ISP X can have basic knowledge about its and its competitors' product from market point of view as their opportunity and/or threat to create a competitive strategy.

1.5 Scope of Research

To be more specific and focus, this research will concentrate in:

- a. *Idola Slim* and *Idola Interaxi* for internet broadband and *ISP Xnet* for internet dedicated as *ISP X's* products which will be the subject of this research
- b. *Speedy* and *ISP Bnet Astinet* for *ISP B*, *ISP A dedicated Connection* and *ISP A SOHO* for *ISP A*, *ISP Dnet dedicated* and *ISP Dnet Broadband 3G* for *ISP D*, *ISP E ADSL* and *ISP E LAN Dedicated* for *ISP E*, and *ISP C dedicated Line* and *ISP C ADSL* for *ISP C* as the competitors' products which will be the subject of this research
- c. Competitive strategy and SWOT at product level to analyze
- d. Respondents who are corporate tenants as the corporate customers for each competitors in High Rise Buildings in Jakarta included in *ISP X's* Point of Presence list
- e. Duration from June 2007 until September 2007 for when the research takes place
- f. Resulting a strategy and action plan as a general one, not until a detailed and specific strategy and action plan
- g. Resulting only up to recommending a strategy, not until implementing or evaluating the strategy