

CHAPTER I

INTRODUCTION

1.1 Research Object Overview

1.1.1 Company History



Figure 1.1 IndiHome Logo

Source: <http://www.indihome.co.id>, retrieved September, 2016

IndiHome Fiber is a Triple Play services include communications, data and entertainment such as home phone, internet (Internet on Fiber or High Speed Internet) and interactive television services with IPTV technology (UseeTV). IndiHome also comes with a variety of additional services (add on) that can be selected according to the needs and desires of customers such as Phone Mania, wifi.id seamless, TrenMicro Antivirus, IndiHome View (online surveillance camera) and many more. This service began to be provided in 2015 by Telkom Group which was founded in 1856.

Telkom Group itself is the only state-owned telecommunications enterprise as well as telecommunications and network service providers in Indonesia. Telkom Group serves millions of customers throughout Indonesia with a complete range of telecommunications services that includes fixed wireline and fixed wireless connections, mobile communications, networking and interconnection services and Internet and data communication services. Telkom Group also provides various services in the field of information, media and edutainment, including cloud-based

and server-based managed services, e-Payment services and IT enabler, e-Commerce and other portal services.



Figure 1.2 PT Telkom Indonesia (Persero) Tbk Logo

Source: <http://www.bms-dashboard.com>, retrieved April, 2017

1.1.2 Vision, Mission and Value

a. Vision

“Be the King of Digital in the Region”

b. Mission

“Lead Indonesian Digital Innovation and Globalization”

c. Value

Corporate Culture : The Telkom Way

Basic Belief : Always the Best

Core Values : Solid, Speed, Smart

Key Behaviors : Imagine, Focus, Action

Strategic Initiatives :

- Center of excellence
- Focus on high growth or high value portfolio
- Accelerate international expansion
- Cost transformation
- IDN (id-access, id-Ring, id-Con) development

- Indonesia Digital Solution (“IDS”) – convergent services in digital ecosystem solution
- Indonesia Digital Platform (“IDP”) – Platform enabler for ecosystem development
- Execution of the best subsidiary management system
- Managing portfolio through BoE and CRO
- Increasing synergy within Telkom Group

(Source: <http://www.telkom.co.id/en/tentang-telkom>, cited September, 2016)

1.2 Research Background

The telecommunications industry has experienced more change in the last decade than in its entire history. In 1999, only 15 percent of the world’s population had access to a telephone; by 2009, nearly 70 percent had mobile phones. In addition to this phenomenal growth in mobile communications, the past decade also brought steep declines in public switched telephone network (PSTN) voice revenues, an explosion of over-the-top (OTT) communication services and global industry consolidation. There were even ground-breaking decisions by some Telcos to outsource functions as core to their business as their physical networks. Fueled by rapid growth in developing countries, mobile communications have propped up the industry’s top line. But now with these markets saturating, communications revenue growth is stalling. Expected content and connectivity-related revenues have not risen quickly enough to compensate (Nelson & Dam, 2010).

Industry statistics show that fixed telephony (PSTN) lines subscribers are rapidly switching to mobile cellular telephony as can be seen in figure 1.3.

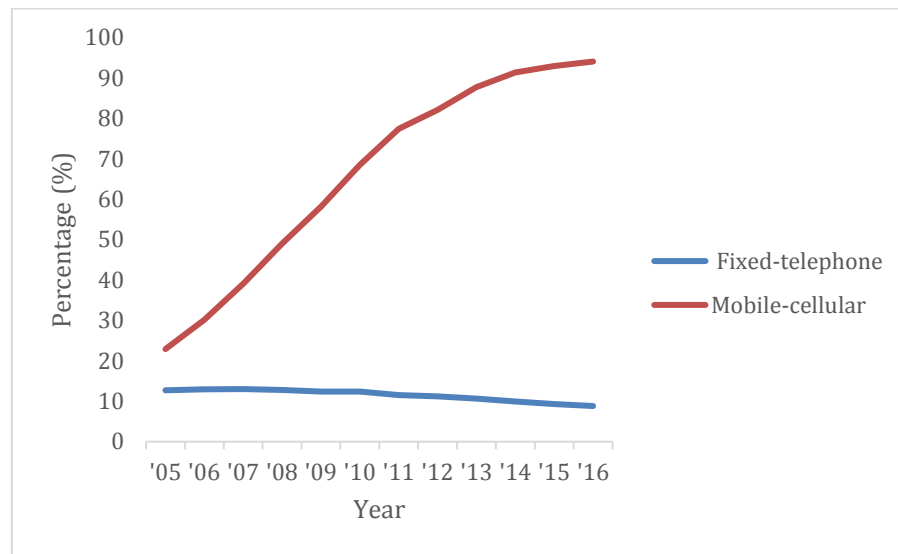


Figure 1.3 Key ICT Subscriptions for Developing Countries, Year 2005-2016

Source: International Telecommunications Union (ITU) ICT Statistics Database

It can be seen from figure 1.3 above that mobile cellular telephony has exhibited strong growth over the past decade, in contrast with fixed telephony (PSTN) lines, it proves that growth and revenues from traditional services stall and data and content struggle to compensate for declines, the industry faces a range of uncertainties and must prepare for a number of alternative scenarios (Nelson & Dam, 2010).

Thus, despite of these situation, Telkom as a leading telecommunication company in Indonesia which provides fixed line or cable line try to seek an opportunity from another potential market to generate their profit. While the mobile migration result in unfavorable situation for traditional market, however industry statistics show an upward trend from others key ICT indicator subscriptions as can be seen in figure 1.4.

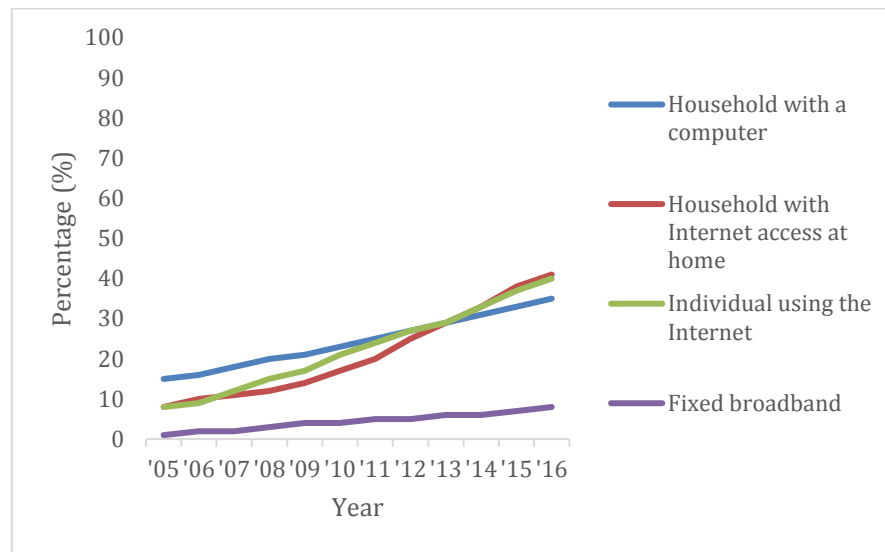


Figure 1.4 Others ICT indicator Subscriptions for Developing Countries, Year 2005-2016

Source: International Telecommunications Union (ITU) ICT Statistics Database

From figure 1.4 above, it may be concluded that percentage of household with a computer and Internet access at their home, along with individual using the internet shows a rapid increase. While fixed broadband subscribers, slowly but sure also shows a steady increase. All these ICT indicator subscriptions above shows an upward trend for developing countries worldwide. Which means, the demand toward these services is increasing as it will offers potentially promising market for the industry.

Moreover, previously, research conducted by IBM in the publication entitled "Telco 2015: five telling years, four future scenarios" revealed an interesting phenomenon as can be seen in figure 1.5.

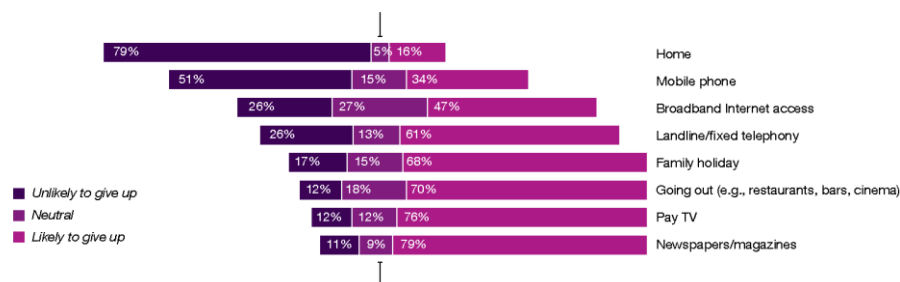


Figure 1.5 Consumer Priorities Facing the Economic Crisis

Source: IBM Institute for Business Value Global Telecom Consumer Survey, 2009

The top three answer when asked if the economic crisis continues, after their homes, consumers are least likely to give up mobile phones and broadband Internet access. (Nelson & Dam, 2010).

Asosiasi Penyelenggara Jasa Internet Indonesia (APJII) claimed there are 132,7 million Internet users in Indonesia in 2016 from the total population of 256,2 million people (<https://apjii.or.id/> accessed on 20, November 2016). The following table growth of Internet users in Indonesia:

Table 1.1 Internet Users Growth in Indonesia

YEAR	INTERNET USERS	POPULATION	PENETRATION RATE
2014	88,100,000	252,400,000	34.9%
2016	132,700,000	256,200,000	51.8%

Source: Asosiasi Penyelenggara Jasa Internet Indonesia (APJII) Statistics, 2016

From Table 1.1 it can be seen that the total Internet users in Indonesia has increased within the last two years.

Table 1.2 Internet users by Area

AREA	INTERNET USERS	PERCENTAGE
Sumatera	20,752,185	15.7%
Java	86,339,350	65%
Bali & Nusa	6,148,796	4.7%
Kalimantan	7,685,992	5.8%
Sulawesi	8,454,592	6.3%
Maluku & Papua	3,330,596	2.5%

Source: Asosiasi Penyelenggara Jasa Internet Indonesia (APJII) Statistics, 2016

From the Table 1.2 can be seen that Java has the biggest amount of Internet users in Indonesia, the amount of internet users of Java is 65% of Internet users in Indonesia, following Sumatra area on second place, third rank there is Sulawesi area and at the last third rank there are Kalimantan, Bali and Nusa and Maluku and

Papua.

In February 2015, after three weeks of its launch, Director of Telkom Consumer Service (Dian Rachmawan) said for the first year of its sales the target subscriber of IndiHome are three million users. Those come from one million users of Speedy old migration and two million results of the net sales. In his calculation, if the number of targeted subscriber are achieved, there will be an additional 1.25 trillion rupiahs beside the 8.25 trillion rupiahs targeted for the revenue of consumer directorate that he leads. "If in 2016, there are an additional equal numbers of subscribers achieved, there would be an income of 18 trillion rupiahs, and in 2017 it can go beyond approximately 21 trillion rupiahs," he asserted. (<http://www.indotelko.com>, accessed on 5, October 2016).

Nevertheless, despite of its initial numbers targeted, at the period ended of its first year of sales there was only the addition of 930,000 subscribers throughout Indonesia for IndiHome. In fact, this number are still far below expectation. (<http://www.indihome.co.id>, accessed on 5, October 2016).

The following Figure 1.6 is a trend of IndiHome customer in Bandung within 2015.



Figure 1.6 Trend of Indihome Subscribers Bandung, Year 2015

Source: PT Telekomunikasi Indonesia Tbk Witel Bandung, 2016

From Figure 1.6 shown the additional amount of Indihome subscribers was fluctuating from January to July. While there was a gradual rise seen from August

to October, and fluctuating back in the last trimester of the year. Overall the total number was 55,466.

WITEL	TARGET	PS BL
BANDUNG	8,194	9,090
JAKTIM	6,430	7,646
SURABAYA	8,015	8,990
BEKASI	5,664	5,324
BOGOR	5,664	5,564
TANGERANG	6,430	6,453
JAKSEL	5,664	4,815
JAKBAR	5,333	4,354
MEDAN	3,931	5,561
JAKUT	5,286	5,036
JAKPUS	3,417	4,518
MAKASAR	2,709	2,640
SEMARANG	4,188	2,928
DENPASAR	4,113	6,936

Figure 1.7 IndiHome Performance, December 2015

Source: PT Telekomunikasi Indonesia Tbk Witel Bandung, 2016

From the Figure 1.7, Bandung has biggest amount of additional subscriber targeted by IndiHome compared to other cities in Indonesia. Bandung is capital city of west Java and listed as the city with the largest population in West Java with 2,470,802 inhabitant as in 2014 <http://bandungkota.bps.go.id>, 2016.

Talk about their performance in 2016, started on February, IndiHome applied Fair Usage Policy (FUP) toward its broadband services followed by many changes unilaterally imposed which results in massive condemnations from their subscribers throughout Indonesia as can be seen in Figure 1.8 below.

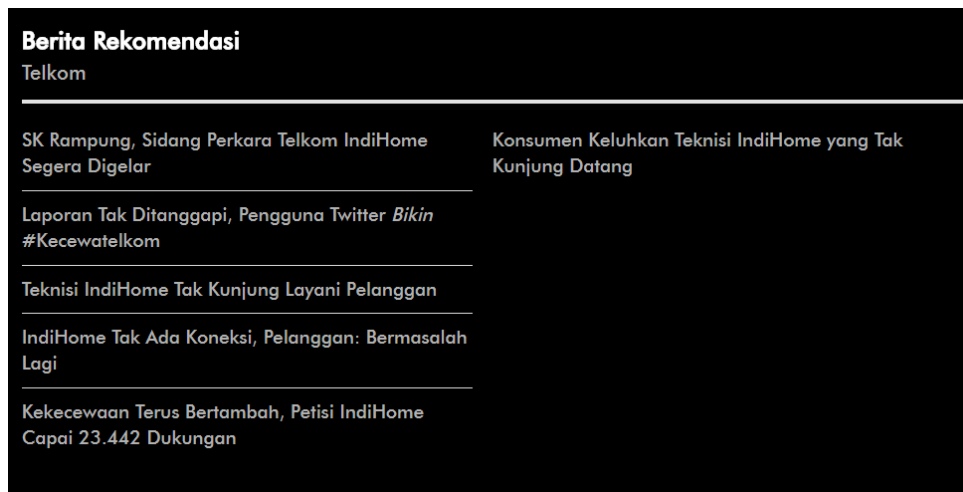


Figure 1.8 Customer Complaints against IndiHome

Source: <http://techno.okezone.com>, cited October, 2016

Until today, complaints addressed to Telkom IndiHome through petition disillusionment toward their services on the site Change.org continue to increase. The petition now has exceeded 23.600 signatures.



Figure 1.9 Customer Petition of IndiHome Triple Play Service

Source: www.change.org, cited October, 2016

The petition was made by customers of Telkom IndiHome named Katsuo Ono, who submit complaints related to changes in the policy package that applied unilaterally by Telkom. The petition delivered to Ministry of State Owned Enterprises, Ministry of Communications and Information Technology and PT Telkom Indonesia (Persero) Tbk.

Most of these services customers even complaining via social media Twitter and mentioned @TekomCare account. One other users even make a hashtag #kecewatelkom some time ago, due to the slow response from Telkom to respond to complaints which he had already reported. (<http://techno.okezone.com>, accessed on 17, October 2016).

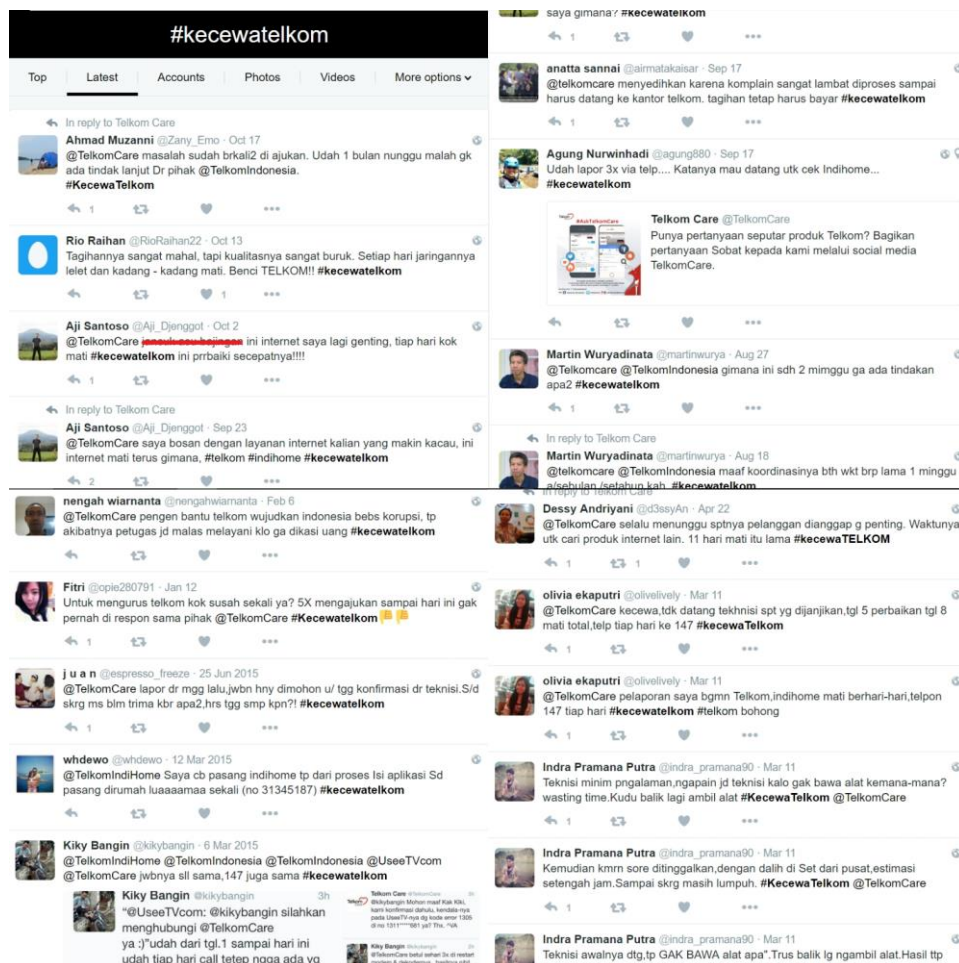


Figure 1.10 Customer Complaint through #kecewatelkom on Twitter

Source: <https://twitter.com>, cited October, 2016

In response to the phenomenal numbers of customer complaints reported less than a year, commencing on Tuesday (11/10/2016) Indonesia's Business Competition Supervisory Commission (KPPU) has officially set out to upgrade the handling of Telkom IndiHome case, from the investigation phase to examination phase. This attitude was taken by the KPPU after the investigation of the cases indicates that there are at least two issues were explored by the Commission.

Dalami Pelanggaran, KPPU Tingkatkan Status Kasus Telkom IndiHome



Figure 1.11 IndiHome Case Handling

Source: <http://techno.okezone.com>, cited October, 2016

First, according to the chairman of the KPPU (M. Syarkawi Rauf) there are allegations of tying-in practice carried out by Telekomunikasi Indonesia Tbk. related IndiHome Triple Play Service. Because it requires the prospective customers must use three services at once. Second, the alleged abuse of dominant position by Telkom as the biggest player in fixed line services market (PSTN). In this case, for consumers who are already subscribe to IndiHome and want to unsubscribe for a variety of reasons is also suspected to have problems given that there is a treaty clause which makes the customer unable to choose one of the three services available. Consequently, the case will soon be brought to proceedings in the near future.

Syarkawi asserted, his team has already secured sufficient evidence to upgrade the status of the IndiHome case. "Through the inspection process, it is expected to give birth to justice not only for consumers, but also for businesses in related industries," he insisted. (<http://techno.okezone.com>, accessed on 17, October 2016).

Based on the explanation above, the author would like to conduct research with title **“PREDICTING ACCEPTANCE AND USE BEHAVIOR OF**

CONSUMER TOWARD INDIHOME SERVICES BY USING EXTENDED UTAUT MODEL (A Case Study in Bandung)”.

1.3 Problem Statement

It is no longer news that consumer acceptance of information technology anchors their intention and use behavior toward a certain technology, in this case is IndiHome Service.

While one of Telkom's strategic initiatives is to focus on high growth or high value portfolio, roughly within this year there is a remarkable complaints from customer addressed to them. The slow response and their inability to resolve the problems reported is indicating that Telkom was incapable anticipating this issue. Consequently, Indonesia's Business Competition Supervisory Commission (KPPU) alleged there is an unhealthy practice conducted by IndiHome. Meaning to say, there is probability Telkom will lose a massive number of their subscriber due to unfavorable situation arise nowadays. To that end, in attempt to minimize the losses, Telkom should focus on a specific context and identify relevant predictors and mechanisms which are considered to be vital in providing a rich understanding of the massive condemnations phenomenon they are facing.

1.4 Research Questions

There are several questions that have been pull from the introduction. They are:

1. Based on UTAUT 2 model, what are the factors that influence consumers on using IndiHome services in Bandung?
2. Do age and gender affect the factors inside UTAUT 2 model in the context of IndiHome services in Bandung?

1.5 Research Objectives

1. To test the factors inside UTAUT 2 model that influence the consumers on using IndiHome services in Bandung.
2. To test whether age and gender are affecting the factors inside UTAUT 2 model in the context of IndiHome services in Bandung.

1.6 Research Benefits

1.6.1 Theoretical Aspects

1. Author

This paper is a requirement in achieving Bachelor in Management of International ICT Business.

2. Educational Institution

This research will give the understanding for students to understand about the effect of acceptance and use of information technology toward users' intention to use IndiHome Services.

3. Researcher

The researcher can also have a benefit from this paper on how understanding the industry trend which the company operates in. In the future they could make a deeper and better analysis of this paper and generates this to everyone who needs it.

1.6.2 Practical Aspects

1. Company

This research could give benefit to the company to increase their performance and portfolio value.

2. Consumer Service Director of Telkom Group

This research can give enlightenment to the director of what are the factors that drives users' intention to use their services.

1.7 Research Scope

1.7.1 Location and Research Object

The location and object of this study is the user of IndiHome service in Bandung.

1.7.2 Period of the Research

The period of this study starts from October 2016 until February 2017.

1.8 Paper Structure

The writing structure is arranged to provide a general overview about research performed with the following structure:

CHAPTER I INTRODUCTION

This chapter gives the background of the study. The purposes and research objectives have been put forth to guide the direction of the study.

CHAPTER II LITERATURE REVIEW

This chapter reviews related literatures by previous researchers. Based on these literatures the theoretical framework and hypotheses are developed.

CHAPTER III RESEARCH METHODOLOGY

This chapter discusses the research methodology used in this research.

CHAPTER IV RESULT AND DISCUSSION

This chapter presents the result of the statistical analysis.

CHAPTER V CONCLUSION AND SUGGESTION

This chapter summarizes research findings, implications of the findings and limitation of the study. The concluding chapter also provides some suggestions for further studies.