CHAPTER I
INTRODUCTION

1.1 Research Object Overview

1.1.1 Company History

Figure 1.1 Telkom Indonesia Logo

Source: www.telkom.co.id, accessed on 10/11/2016

PT Telekomunikasi Indonesia or commonly abbreviated as Telkom, is the only state-owned telecommunications enterprise as well as telecommunications and network service provider in Indonesia. Telkom serves million customers in Indonesia with a range of products and services. The products and services are varying from fixed wireline, fixed connections, mobile communications, networking and interconnection services and Internet and data communication services. Telkom also provides information, media, and edutainment services.

1.1.2 Vision and Mission

a. Vision Statement

   "Be The King of Digital in The Region."

b. Mission Statement

   "Lead Indonesian Digital Innovation and Globalization."

Source: PT. Telekomunikasi Indonesia (2017)

1.1.3 Products

A. My Phone

My Phone is Telkom's phone service that serves various customer from household, business, and insitutions.

a. SLI (Sambungan Langsung Internasional)

A telephone service to another country.

b. SLJJ (Sambungan Langsung Jarak Jauh)

A telephone service to another different area.

c. Special Service

Consists of mobile satellite system and international network.

d. Inmarsat

Inmarsat is a satellite telecommunications company that offers global mobile services.

e. Telkom Global

Access to international call services (253 call destinations for fixed telephone and cellular phone).

B. My Broadband

a. IndiHome

A triple play services consists of home telephone, internet on fiber, high speed internet, and USeeTV Cable (IP TV), also another features such as IndiHome View, Melon, and Trend Micro Internet security.

C. My TV

a. USeeTV Cable

USeeTV Cable is the first IP TV service in Indonesia that provides Pause & Rewind TV, Video on Demand, Video Recorder, etc.

1.1.4 Company Division: Divisi Digital Service (DDS)

Telkom consists of several business units and RSC units (researcher team). This study will be conducted on Divisi Digital Service (DDS) unit. DDS focus on development of digital product innovation to support business managed by Customer Facing Unit (CFU) and management of big data analytical function, research, standardization and quality assurance. DDS formed as a result of organizational transformation of Innovation & Design Center (IDeC), Divisi Digital Business (DDB), Big Data Business Project and business units' organizations. This study will be conducted on Mobile Ecosystem Experience division.

Figure 1.2 DDS Logo

Source: Internal data from PT Telekomunikasi Indonesia (2017)

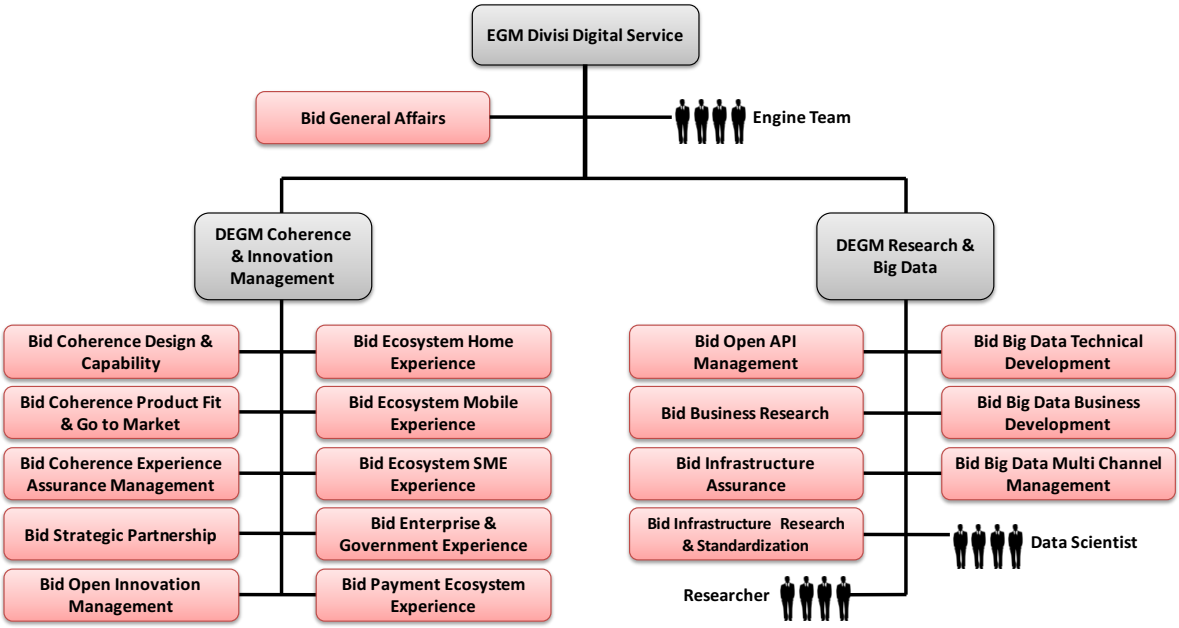

Figure 1.3 DDS Organization Structure

Source: Internal data from PT Telekomunikasi Indonesia (2017)

1.2 Background of the Study

1.2.1 Connected Car Technology

The emergence of new connected and M2M (machine to machine) devices would present a new revenue opportunity to the mobile and the telecom industry. The ubiquitous future of connectivity and digital lifestyle brings a new opportunity to the telecom industry, which is connected car technology.

According to Auto Connected Car News (2016), "*connected car definition is the presence of devices in an automotive that connect devices to other devices within the car or vehicles*". The car or vehicles is connected to an internet, so it allows the car to have several advantages, such as real-time maps that warn of traffic and safety alerts. The connectivity can be built-in or brought-in. To enable in-car connectivity, there are solutions such as embedded technology solution, tethered technology solution, and integrated technology solution. Developed countries such as the United States, Japan, and South Korea had implemented this technology.

In the United States, OnStar, a subsidiary of General Motor has connected car products and services named OnStar Connected Vehicle Services, in a collaboration with AT&T and ZTE. OnStar combined important features such as emergency, security, navigation, connections and vehicle manager.

In Japan, Fujitsu Ten Ltd., a car audio, video, navigation and control system company is developing connected car products and services. "Making car smarter" is a slogan of Fujitsu Ten in building gaps between vehicle, people, and society. The features are surrounding detection feature named Milimeter Wave Radar, display a vehicle's surrounding from a bird's eye view named Multi-Angle Vision, and so on.

South Korea also had implemented one feature of connected car called Electronic Toll Collection (ETC). The two examples above, OnStar and Fujitsu Ten are the B2C (business-to-customer) and B2B (business-to-business) business. Meanwhile, ETC is a B2G (business-to-government) business. ETC does not require cars to stop because it determines the cars passing and electronically debits the account of registered car.

1.2.2 IndiCar

Seeing the phenomena of connected car technology among those developed countries as explained on 1.2.1 Connected Car Technology, it would be good for Indonesian telecom operators to take this opportunity to be more profitable in telecoms industry. Telecom industry will get advantage from the growth of connected car.

Based on several facts captures by Telkom DDS, which are Indonesia has a great amount of car production and sales, and the forecasting of future growth of embedded telematics, an integrated use of information technology, including services that combine a GPS system with diagnostics features on-board (Carter, 2016), Telkom DDS wants to develop connected car products and services named IndiCar. IndiCar is the first connected car products and services that will combine several distinctive features, which

are security, diagnostic, emergency, driving, connection, and infotainment. IndiCar will further explained on Chapter II.

Indonesia has a great amount of car production and sales according to previous research by Telkom DDS.

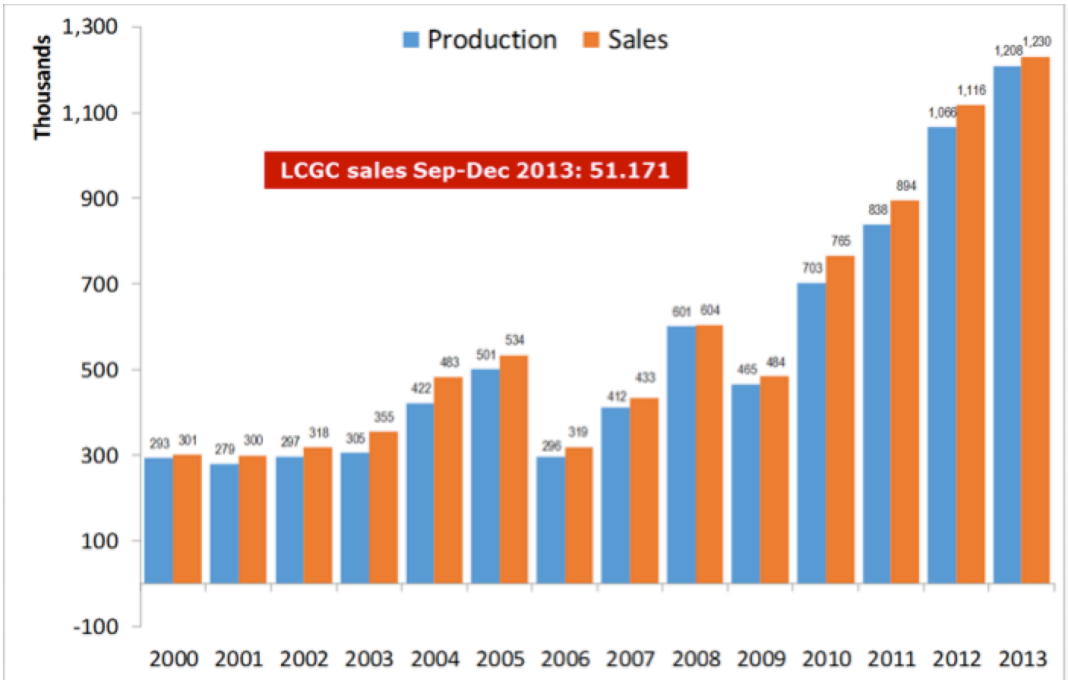

Figure 1.4 Indonesia's Car Production and Sales

Source: Internal data from PT Telekomunikasi Indonesia (2017)

Also, The GSM Association, or GSMA, an association of the mobile operators all over the world, has forecasted the total revenue opportunities from embedded telematics as the graph below.

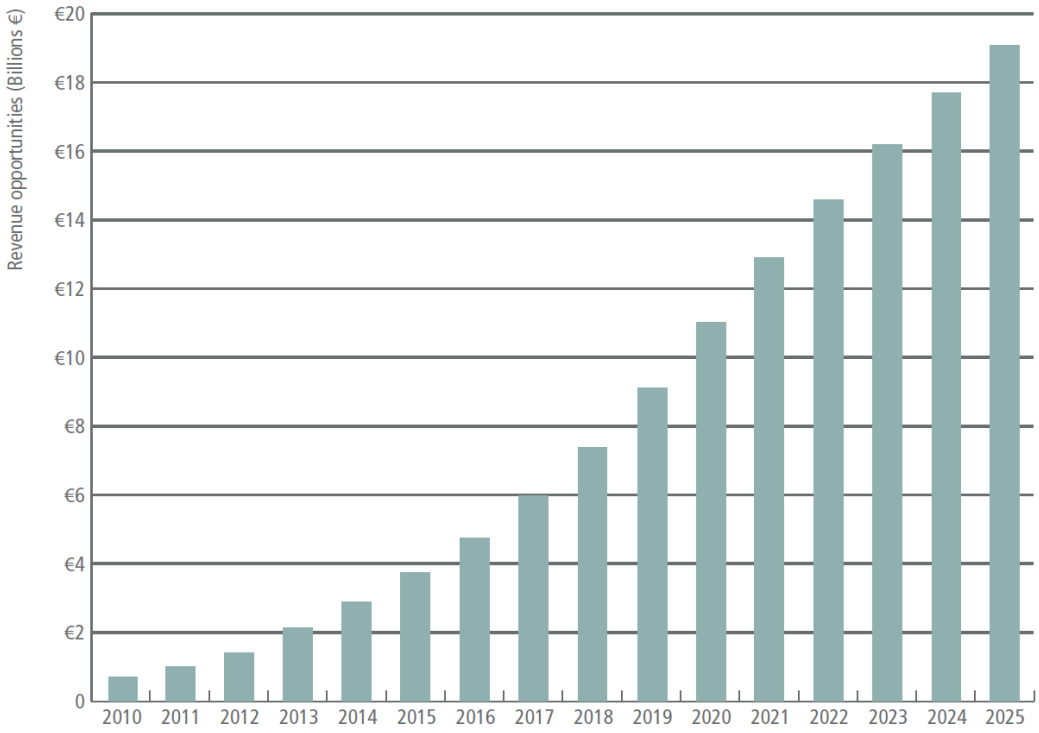

Figure 1.5 Total Revenue Opportunities from Embedded Telematics

Source: GSMA (2012)

From those figures, shown that DDS already captured the opportunities and the background of IndiCar. Telkom DDS here act as an innovator in developing the idea and product of IndiCar. For the further implementations, the process will be handled by another unit, which are manufacturing and/or partnership.

According to internal data from Telkom DDS, IndiCar products and services are already demanded by users. Telkom DDS has conducted a customer validation through questionnaire and interview. The profile of respondents is on the figure below.

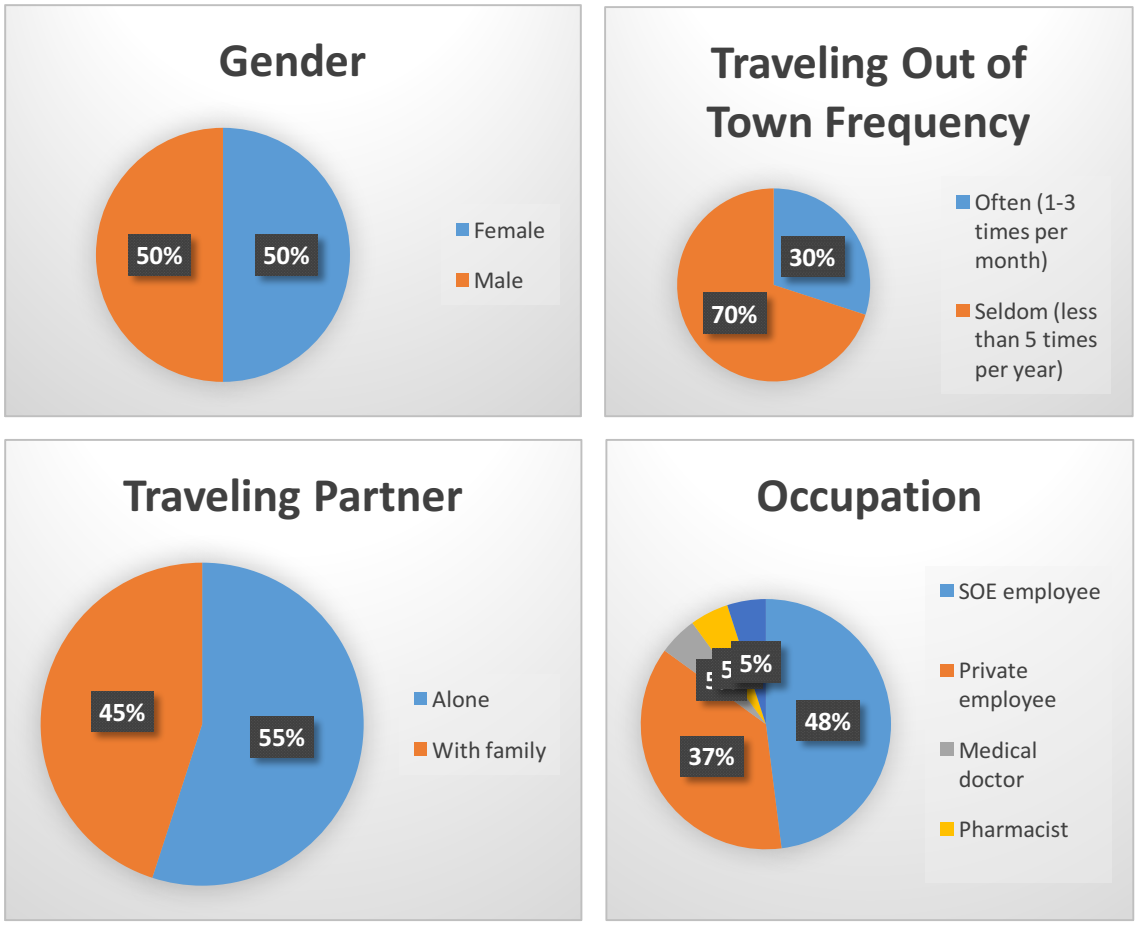

Figure 1.6 IndiCar Potential Users' Profile

Source: Internal data from PT Telekomunikasi Indonesia (2017)

Figure 1.7 IndiCar Potential Users Importance Features/Preferences Rank

Source: Internal data from PT Telekomunikasi Indonesia (2017)

Figure 1.7 shown the important features according to users. The most important features to the least important features are security, diagnostic, emergency, driving, connection, and infotainment. The explanation about the features will be explained on the next chapter.

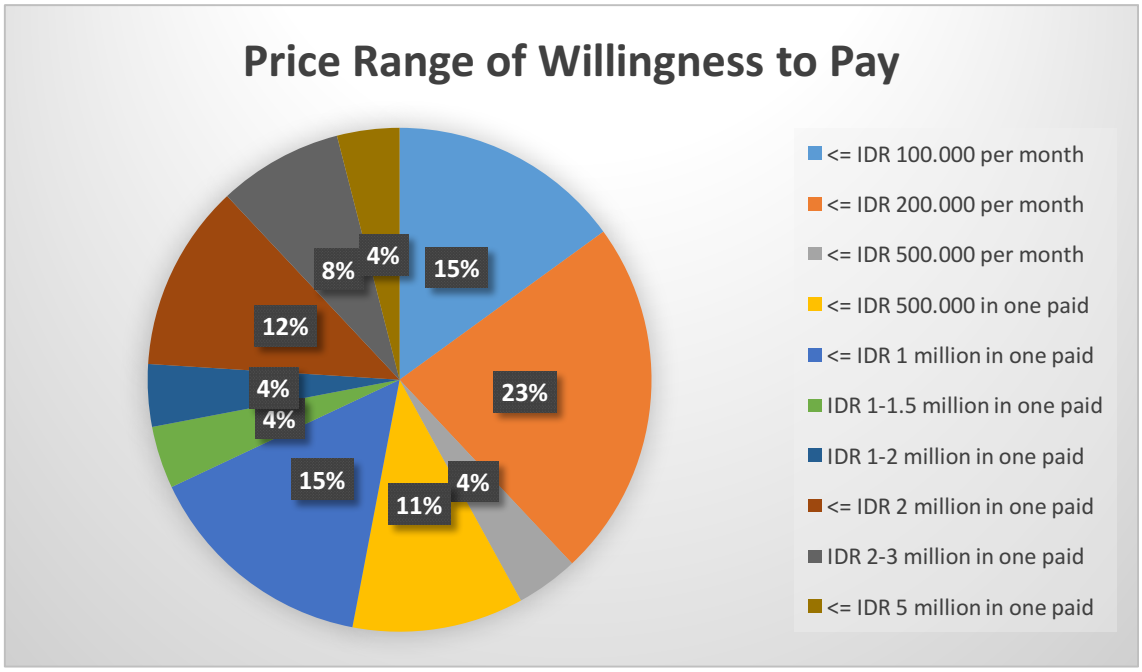

Figure 1.8 IndiCar Potential Price Range of Willingness to Pay

Source: Internal data from PT Telekomunikasi Indonesia (2017)

IndiCar potential users have different price range of willingness to pay. According the customer validation conducted by Telkom DDS, the most important factor that affect willingness to pay are 1) price versus quality effect, 2) unique value effect, and 3) the effect of customer characteristics.

Based on internal data from PT Telekomunikasi Indonesia (2017), Telkom DDS also had several partners that are ready to begin partnership with. Those partners are ZTE, a telecommunication equipment provider company and Astra International, an automotive multinational company.

1.2.3 Importance of Business Model for Telkom's IndiCar

Telkom needs the real strategy for IndiCar because what Telkom has now is not completed yet. The strategy of IndiCar has not completed yet. Telkom has the idea and product development, but Telkom need to consider about the future of the product. How Telkom can create and deliver the values to customer? Business model is needed by Telkom in prior to deliver connected car to its segment.

Therefore, this research is mainly to design and propose a business model for IndiCar. Based on the phenomena of the data above, the author wants to conduct a research with the title "Designing Business Model for IndiCar by Using Business Model Canvas". Business Model Canvas considered as an appropriate tool and model rather than other business model because Business Model Canvas covers nine important building blocks of business.

1.3 Problem Statement

"*A business model describes the rationale of how an organization creates, delivers, and capture value*" (Osterwalder and Pigneur, 2010:14). "*A business model is needed as a framework of rules and "moral" imperatives which the business operates, and provides the strategic context for both the long and short term*" (Muehlhausen, 2013:11). Business model is the essential strategy and approach to attain customers and sell them at a profit (Muehlhausen, 2013:346).

Telkom DDS sees the opportunities of connected car technology and wants to develop connected car products and services. Because this technology is still new and still in the developing stage, Telkom DDS needs a business model to help its products and service to develop the value. Based on internal data from Telkom DDS, IndiCar potential users has demanded for the connected car product and the partners are ready to collaborate. Thus, the author needs to design a right business model for IndiCar. This study designs business model of IndiCar by using Business Model Canvas, developed by Osterwalder and Pigneur.

1.4 Research Questions

The following is research question that want to be answered:

1. What is the appropriate business model for IndiCar products and services?

1.5 Research Objectives

The research objectives of this research are:

1. To design business model for IndiCar products and services by using Business Model Canvas.

1.6 Research Purpose

1.6.1 Theoretical Aspect

This research hopefully will be able to apply knowledge during the study program and the courses. So, this study can be useful to readers as reference and a new insight for further research in studies as a business model designing strategy of Business Model Canvas.

1.6.2 Practical Aspect

Through this research, the authors hopefully can design business model by using Business Model Canvas for Telkom to help the development of the first connected car services in Indonesia provided by Telkom, IndiCar. According to internal data from Telkom DDS, IndiCar already has demand by users, partners are ready to collaborate with, meanwhile Telkom has no real strategy. So, this research is needed. Thus, in the future, IndiCar products and services may strengthen and improve its building blocks performance. The results of this study are expected to provide information to all readers, including Telkom DDS and Telkom University students.

1.7 The Scope of Research

This research is about designing the suitable business model by using Business Model Canvas for a new products and services in both telecommunication and automotive industry, IndiCar provided by Telkom. The research will be conducted simultaneously with Telkom DDS's innovation and research process in Bandung, Indonesia. After designing Business Model Canvas for IndiCar, then Telkom DDS can take a next step in doing the innovation and business model validation.

1.8 Writing Structure

The writing structure will give an overview of what will researcher be done. Where the chapter I already explained above, the other chapters are explained as follows:

CHAPTER II LITERATURE REVIEW

This chapter is about theories and its descriptions related to the research.

CHAPTER III RESEARCH METHODOLOGY

This chapter is about a type of research used, research approach and data analyze method.

CHAPTER IV RESEARCH RESULTS AND DISCUSSION

This chapter is about the result of research in the chapter III, and how the data that has been gathered and obtained is analyzed.

CHAPTER V CONCLUSION AND SUGGESTION

This final chapter is about the conclusion obtained from all the data processing and data analysis that can help as a practical guideline and recommendation for the company, for readers, and for further researches in the future.