

# CHAPTER I

## INTRODUCTION

### 1.1 Research Object Overview



Figure 1.1 XL Axiata Logo

*Source: xl.co.id, 2017*

XL was established on 6 October 1989 as Trading and Public Service Company named PT Grahametropolitan Lestari. In 1996 XL enter the telecommunication industry after obtained GSM 900 operating license and becoming the first private cellular operator company. Later on, the company name changed to PT Excelcomindo Pratama. In 2005, its shares listed on Indonesia Stock Exchange (IDX). At that time XL was a subsidiary of Indocel Holding Sdn. Bhd., under TM International Sdn.Bhd. (TMI) ownership. In 2009, PT Excelcomindo Pratama Tbk. changed its name to PT XLAxiata Tbk. for synergy purpose after TMI changed its name to Axiata Group. Currently, XL Axiata's shares are owned 66.4% by Axiata and the remaining 33.6% are held by the public. XL Axiata had service with wide network and service coverage throughout Indonesia includes Data, Voice, SMS, and other value-added digital services. XL Axiata also holds a Content Provider License, Internet Services Provider (ISP), Internet Interconnection Services License, and Voice over Internet Protocol (VoIP) License, Leased Line License, and E-Money issuer license from Bank Indonesia (PT XL Axiata Tbk., 2017)

PT. XL Axiata Tbk (EXCL) operates a telecommunication network and provides telecommunication services in Indonesia. EXCL telecommunications network consists of Base Transceiver Station (BTS), Base Station Controller (BSC), Mobile Switching Center (MSC) and Home Location Register (HLR). The main products are XL Jempol & XL Bebas the prepaid cellular service also XL

Pascabayar now named XL Prioritas the postpaid cellular service. XL implements Hybrid Balance, which the channels combine dealers with direct distribution of products and services to customers, due to balance the consumer growth with the existing services. (EMIS, 2018)

### 1.1.1 XL Pascabayar (XL Prioritas)



Figure 1.2 XL Logo

*Source: xl.co.id, 2017*



Figure 1.3 XL Prioritas Logo

*Source: prioritas.xl.co.id, 2017*

XL Pascabayar is the postpaid cellular service of XL Axiata with a package named Xmartplan that divided into two package schemes, Xmartplan 100rb offers 2GB of 3G Internet, 1GB of 4G internet, free 300 Minutes on-network call, free 400SMS with fee Rp 100.000 per month and Xmartplan 200rb offers 5GB of 3G Internet, 2GB of 4G internet, Worry-Free Call & SMS with fee Rp 200.000 per month. The service includes International call or SMS, roaming, who called & notify me feature, bill check anytime feature, flexibility to limit the usage feature, special services and access for premium subscribers. Recently, XL Axiata officially introduces XL Prioritas as the new name of XL Pascabayar and with better postpaid service quality. XL Prioritas came with two types of Package which are myPrio Plan that divided into Prio Silver, Gold, Platinum, Diamond and Ultima. And then, DoubleTalk packages that divided into Double Talk S, M, L, XL, and XXL (PT XL Axiata Tbk., 2017)

XL Prioritas was launched to boost XL Pascabayar subscriber. There are at least five advantages provided by XL specifically for XL Prioritas subscribers. It is faster and more stable Internet with 4G LTE technology, Worry-Free Call & SMS features that can be used to communicate to any operators network and claimed by XL this is the first service in Indonesia with such facilities, then Worry-Free data roaming with flat tariff, also credit limit usage feature and digital settings features with myXL application (Mahardy, 2016).

## **1.2 Background**

Nowadays in the digital rapid development era, telecom has become a common thing in the society as a tool for communication and sharing data or information that can be used for many purposes such as business, entertainment, or study either using the internet, mobile phone or other devices. According to (Viswanathan, 2017) mobile Network also known as Cellular Network have become the backbone of telecommunication in recent years, the cellular network is one of the most often used telecommunication technology because every mobile device such as smartphone, tablets, and other mobile devices which people often use rely on this network.

In Indonesia, there are several actors in communications service providers, especially in cellular operators that provided the GSM Network. According to *katadata.id* Indonesian cellular industry in 2016 was led by Telkomsel with 173.9 million subscribers, well above its competitors. Second is Indosat Ooredoo reaches 85.7 million subscribers, followed by XL Axiata with 46.4 million subscribers (Katadata News and Research, 2017).

Cellular operators in Indonesia commonly provides two types of cellular service, which is Postpaid and Prepaid service. The differences in those cellular services are on the payment terms, and each type of service have their advantages and disadvantages depending on the operators' offers. The terms prepaid and postpaid are used primarily in the context of billed services. Prepaid indicates where the user needs to pay before being able to use the service, while postpaid indicates where the user can use as they want and pay for the service at the end of usage or

period and the payment bill is accordingly to the user's usage (Difference Between, 2017). According to *Katadata.id* Cellular services subscribers in Indonesia until 2015 reached 337.5 million, exceeding a population of 250 million people in Indonesia. But, consumers who use postpaid service the average is only 3.5 million subscribers while prepaid customers reach around 333 million (Katadata News and Research, 2016).

Table 1.1 Cellular Services Subscribers in 2015-2018 (in Millions)

Brand	Type of Services	Year						
		2015	2016	G	2017	G	2018	G
Telkomsel	Prepaid	149.1	169.7	13.8%	191.6	12.9%	157.6	-17.7%
	Postpaid	3.5	4.2	19.1%	4.7	13.4%	5.4	14.8%
	Total	152.6	173.9	13.9%	196.3	12.8%	163	-17%
Indosat	Prepaid	69.0	84.8	22.9%	109.0	28.6%	56.4	-48.2%
	Postpaid	0.7	0.9	17.3%	1.2	36.0%	1.6	32.3%
	Total	69.7	85.7	22.8%	110.2	28.7%	58	-47.3%
XL	Prepaid	41.5	45.9	10,7%	52.8	14.9%	53.9	2.0%
	Postpaid	0.4	0.5	21.9%	0.7	31.9%	1.0	42.8%
	Total	42.1	46.4	12.0%	53.5	15.1%	54.9	2.6%

G = Growth in percentage

*Source: Processed data from each operator's Annual Report*

Unfortunately, the subscriber of the postpaid cellular service in Indonesia is still low and far below from the prepaid cellular service's subscribers even though the operators offer a good deal on postpaid services and treat the postpaid subscribers better like a premium customer. That's why this study will focus on the postpaid services to analyze what is the problem that occurs in the postpaid services sector that makes only had a few subscribers. Table 1.1 shows that XL Pascabayar has the lowest subscriber compared to Telkomsel and Indosat. XL only had 1% of the postpaid subscriber from its total subscribers in 2015, 1.1% in 2016, 1.3% in 2017 and 1.8% in 2018 so that's why this study focus on XL Pascabayar.

Moreover, based on the Average Revenue per User (ARPU) as shown below, XL pascabayar has the lowest ARPU than the other in 2014-2017 and the growth of the ARPU was stagnant.

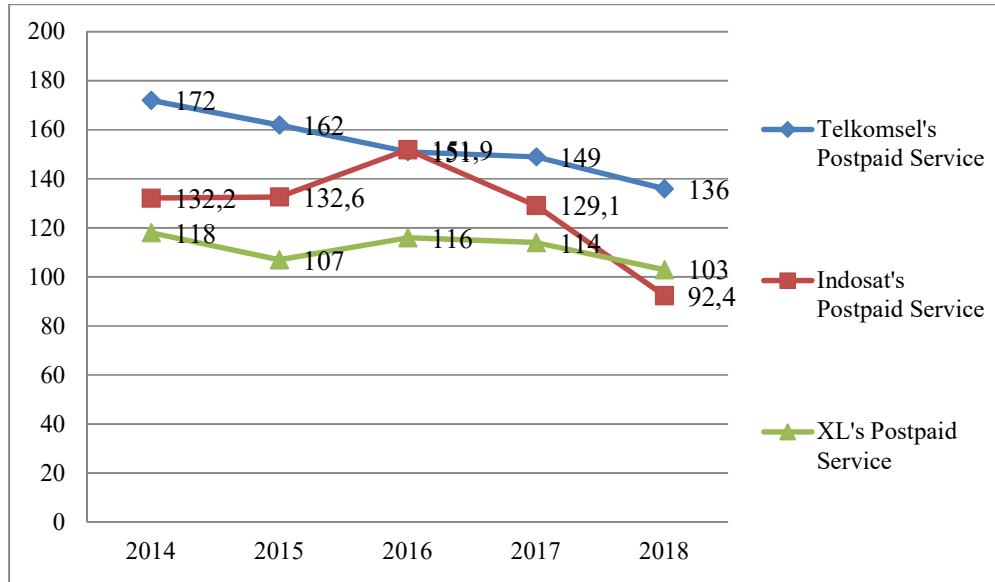


Figure 1.4 Cellular Operators' ARPU 2014-2018 (in Thousand Rupiah)

*Source: Processed data from each operator's Annual Report*

Figure 1.4 shows that ARPU (Average Revenue per User) of postpaid cellular services range is from Rp 92.000 to Rp 172.000, this is why the postpaid service is important to the company because it has more valuable and higher ARPU than the prepaid service's ARPU where only about Rp 30.000 in average. Cited from *Seluler.id*, although the number of postpaid cellular service subscribers is small, the cellular operators don't just leave it aside. Indeed they offer a premium service for their postpaid subscribers because postpaid subscribers have a larger ARPU (Average Revenue per User) rather than the prepaid subscribers. Various services and special offers were prepared by the cellular operators for its postpaid subscribers to feel more comfortable. (Kurniawan, 2016).

However, Figure 1.4 shows that XL Pascabayar ARPU growth was increased by 8.4% in the 2015-2016 period. But then in the 2016-2017 period XL Pascabayar growth was decreased by 1.7% then decreased again in 2017-2018

period by 9.6% which means there is a subscriber that had no longer use or not often use the services again after had a growth on the previous period. Though, cited from *id.techinasia.com*, the more customers switching to postpaid services, XL expect the ARPU will be increase (Setyanti, 2016). So that's why the study is focus customer purchase decision on XL Pascabayar.

Even though the growth of XL Pascabayar subscribers is good enough than the other brands but XL Pascabayar has the lowest number of subscriber from 2015-2018 and XL Pascabayar's ARPU was decreasing from 2016-2018. To analyze the problem, this study also sourced the brand index data to know whether the Brand Equity of the operators makes the influences to the low number of the subscribers purchase decision.

Table 1.2 Brand Index of Postpaid Cellular Services 2015 – 2018 in Indonesia

Brand	2015		2016		2017		2018	
	TBI	TOP	TBI	TOP	TBI	TOP	TBI	TOP
Kartu Halo	54.80%	TOP	66.30%	TOP	64.30%	TOP	37.7%	TOP
XL Pascabayar	15.40%	TOP	11.80%	TOP	11.40%	TOP	22.4%	TOP
Matrix	10.80%		9.90%		10.80%	TOP	10.3%	TOP

*Source: Processed data from Top Brand Award Survey (Top Brand Award, 2017)*

Table 1.2 shows that there are 3 (three) top brand based on the brand index that competing in the postpaid cellular services sector in telecommunication industry from 2015 to 2018, Those are Kartu Halo by Telkomsel, XL Pascabayar by XL Axiata, and Matrix by Indosat Ooredoo. XL Pascabayar brand index decreased by 3.60% in 2015-2016 and 0.40% in 2016-2017, so that's why this study will focus on brands equity influences towards purchase decision.

Based on explained above, the author would like to conduct a study to determine whether brand equity of the cellular operators influence the customer purchase decision or not on the Postpaid Cellular Services. Especially on XL Pascabayar, that's why author interested to conduct a study entitled

# “INFLUENCES OF BRAND EQUITY TOWARDS CUSTOMER PURCHASE DECISION ON XL PASCABAYAR.”

## 1.3 Problem Statement

The subscribers of cellular services have exceeded the population of Indonesia. In 2015 there are 337.5 million subscribers in average over the 250 million Indonesia population and only 3.5 million in average that subscribes to the postpaid cellular services although the cellular operator had offered a good deal and premium services for the postpaid subscribers. It means there is only 1.2% of postpaid cellular services subscribers of the total cellular services subscribers on average, whereas the total of cellular services subscribers in Indonesia continue growing. Moreover, the growth of the Postpaid ARPU was stagnant and refer more decreasing in 2014-2018 periods.

In Indonesia, the culture of using prepaid cellular services is still very strong, thus making the growth of postpaid cellular services slow. Some cellular operators in Indonesia had refreshed their postpaid products by offering more affordable subscription fees to attract new customers. Unfortunately, cellular operators seem difficult for promoting postpaid products (Wahyudi, 2013). According to CEO of XL, Dian Siswarini stated that the postpaid cellular services subscribers in global have significant growth, but what happened in Indonesia was the opposite, because the adoption of prepaid cellular services growing faster than the postpaid (Setyanti, 2016). Furthermore cited from *Katadata.id*, The low level of knowledge on postpaid cellular service makes the low number of postpaid cellular service subscribers. In fact, in some conditions, postpaid service offers many advantages in it. Uncontrolled usage and certain conditions make the postpaid cellular services are not popular (Katadata News and Research, 2016).

In the other hands, according to Aaker (2008) on (Pujianingrum, 2017, p. 2) Brand equity which is determined by four dimensions or key elements of brand loyalty, brand awareness, perceived quality and brand association that formed by a firm will effect on the customer's purchase decision, the stronger brand equity makes stronger consumer confidence in the purchase decision-making process. So,

by conducting this study the authors aim to determine whether brand equity influences or not on the customer subscribes decision on XL Axiata's postpaid cellular services since XL Pascabayar has the lowest number of subscriber than the other brands compared to the ARPU that's stagnant.

#### **1.4 Research Question**

Based on the background and the problem statements that have described above, so the research questions are:

1. How big is the consumer's assessment of Brand Equity (Brand Loyalty, Brand Awareness, Perceived Quality, and Brand Association) towards Purchase Decision on XL Pascabayar?
2. Does Brand Loyalty influence the Customer's Purchase Decision on XL Pascabayar?
3. Does Brand Awareness influence the Customer's Purchase Decision on XL Pascabayar?
4. Does Perceived Quality influence the Customer's Purchase Decision on XL Pascabayar?
5. Does Brand Association influence the Customer's Purchase Decision on XL Pascabayar?
6. Does Brand Loyalty, Brand Awareness, Perceived Quality, and Brand Association simultaneously influence the Customer's Purchase Decision on XL Pascabayar?

#### **1.5 Research Objective**

Based on the research question, the objectives of this research is to answer the research question, as follow:

1. To determine consumer's assessment of Brand Equity (Brand Loyalty, Brand Awareness, Perceived Quality, and Brand Association) towards Purchase decision on XL Pascabayar.
2. To analyze the influence of Brand Loyalty to customer's purchase decision on XL Pascabayar.



3. To analyze the influence of Brand Awareness to customer's purchase decision on XL Pascabayar.
4. To analyze the influence of Perceived Quality to customer's purchase decision on XL Pascabayar.
5. To analyze the influence of Brand Association to customer's purchase decision on XL Pascabayar.
6. To determine the simultaneous influence of Brand Loyalty, Brand Awareness, Perceived Quality, and Brand Association to customer's purchase decision on XL Pascabayar.

## **1.6 Scope of Study**

This study focused on the influence of Brand Equity on the Purchase Decision towards the postpaid cellular services, which is XL Pascabayar. There will be several factors that are going to be analyzed to determine which factor has influenced and which factor has no influences on the purchase decision. Those factors are Brand Loyalty, Brand Awareness, Perceived Quality, and Brand Association that become the independent variables of this study. The sampling of this study will focus on people who have been subscribing to XL Pascabayar over 6 (Six) months length of the subscription.

## **1.7 Significant of Study**

### **1.7.1 Theoretical Aspect**

This study is expected to gain and expand more knowledge of marketing insight from the implementation that has obtained during this study. Especially on brand equity which includes brand loyalty, brand awareness, perceived quality, and brand association aspects and also the consumer behavior included customer's purchase decision on the telecommunication industry which in this study focused on the XL Pascabayar.

This study also expected can be a source of reference and can contribute or become the stimulus to the development of others researches about brand equity and customer's purchase decision or other marketing theory.

### **1.7.2 Practical Aspect**

For the companies or the industry, this study expected can be useful as considerations for the development decision-making, as an evaluation of the businesses, or as information references for their businesses from the marketing insight, and in consumer behavior especially about the influences on customer's purchase decision based on the customer perspective to the brand assets.

### **1.8 Systematical of Writing**

a. CHAPTER I: INTRODUCTION

In this chapter consists of research object overview, research background, problem statement, research questions, research objectives, scope of the study, significant of the study, and systematical writing.

b. CHAPTER II: LITERATURE REVIEW

In this chapter consists of theories that related to the research, previous research, theoretical framework, and research hypothesis.

c. CHAPTER III: RESEARCH METHODOLOGY

In this chapter consists of research characteristic, data collection tool, research stages, population and sample, data collection and resource, validity and reliability, data analysis technique, and hypothesis testing.

d. CHAPTER IV: RESULTS AND DISCUSSION

In this chapter consists of research object's description, data analysis and discussion regarding the results of data processing.

e. CHAPTER V: CONCLUSION AND SUGGESTION

In this chapter consists of the conclusions of the research that has been done and some suggestions to company.