

CHAPTER I

FOREWORD

1.1 Overview of PT Telkom Indonesia, Tbk

1.1.1. Company Profile

Telkom is a state-owned enterprise that operates in the telecommunications and network services sector in Indonesia. Telkom is subject to the prevailing laws and regulations in this country. Given its status as a state owned enterprise whose shares are traded on the stock market, the Government of the Republic of Indonesia is the Telkom's majority shareholder, while the remainder of the Telkom common stock is owned by the public. The Company's shares are traded on the Indonesia Stock Exchange ("IDX"), the New York Stock Exchange ("NYSE"), the London Stock Exchange ("LSE") and publicly offered without listing in ("POWL") in Japan.

Telecommunications services and Telkom network are so wide and diverse include domestic and international basis services, using either a wired network, fix wireless (Code Division Multiple Access or "CDMA") and Global System for Mobile Communication ("GSM") and interconnection services between a network provider operator. Outside the telecommunications services, Telkom's also doing business in multimedia field such as content and applications, complementing the Telkom's business portfolio is called TIME. The business is run within focus trough the holding company as well as subsidiary.

1.1.2 Telkom Speedy

Since 2004, Telkom as the largest telecommunications operator in Indonesia, launched a new broadband Internet access service based on ADSL technology (Asymmetric Digital Subscriber Line) is called Speedy. (www.telkomSpeedy.com).



Logo :

Figure 1.1 Logo

Vision : To become a leading InfoCom player in the region

Mission : One Stop InfoCom Services with Excellent Quality and Competitive Price and To Be the Role Model as the Best Managed Indonesian Corporation

Speedy is the product of Telkom in the form of high-quality Internet access services to households and small and medium sized businesses.

Speedy using ADSL technology, which delivers high-speed digital signal through an optimal telephony network for the purposes of Internet content consumption, with a data rate of 384 kb/s to 10 mb/s.

I. Speedy Package and Tariff

Speedy provides a wide or various selection of service packages according to the needs at home or your business, whether the package type time-based or unlimited package with a variable speed option.



| Tipe Paket | Line Speed *) | Registrasi | Monthly | Quota (per bulan) | Excess Usage | Batas Tagih Maximum |
|--------------------|---------------|------------|---------------|-------------------|-----------------|---------------------|
| 1. Paket Mail | 1 Mbps | Rp 75.000 | Rp. 75.000 | 15 jam | Rp 75 per menit | Rp. 995.000 |
| 2. Paket Chat | 1 Mbps | Rp 75.000 | Rp. 145.000 | 50 jam | Rp 25 per menit | Rp. 995.000 |
| 3. Paket Socialia | 384 kbps | Rp 75.000 | Rp. 195.000 | Semi Unlimited | | |
| 4. Paket Load | 512 kbps | Rp 75.000 | Rp. 295.000 | Semi Unlimited | | |
| 5. Paket Familia | 1 Mbps | Rp 75.000 | Rp. 645.000 | Unlimited | | |
| 6. Paket Executive | 2 Mbps | Rp 75.000 | Rp. 995.000 | Unlimited | | |
| 7. Paket Biz | 3 Mbps | Rp 75.000 | Rp. 1.695.000 | Unlimited | | |

*) Line speed adalah fixed untuk setiap line Speedy, akan tetapi untuk koneksi ke internet global tetap dishare sehingga dimungkinkan akan terjadi penurunan throughput.

Source : www.telkomSpeedy.com. Accessed (20th Oct, 2012).

Figure 1.2

Speedy Tariff and Package

II. Speedy Package of Non Multispeed

(Applicable to existing customers or new customers to the areas that are not yet available package Speedy Multi Speed)

| No. | Paket | Line Speed | Biaya Registrasi | Biaya Bulanan | Kuota Bulanan | Excess Usage Charge |
|-----|------------------|------------|------------------|---------------|---------------|---------------------|
| 1 | Time Based | 1 Mbps | Rp75.000 | Rp200.000 | 50 Jam | Rp750 / 30 menit |
| 2 | Personal | 1 Mbps | Rp75.000 | Rp200.000 | 1 GB | Rp500 / MB |
| 3 | Professional | 1 Mbps | Rp75.000 | Rp400.000 | 3 GB | Rp500 / MB |
| 4 | Unlimited Office | 1 Mbps | Rp75.000 | Rp750.000 | Unlimited | |
| 5 | Unlimited Warnet | 1 Mbps | Rp75.000 | Rp2.500.000 | Unlimited | |

Source : www.telkomSpeedy.com. Accessed (20th Oct, 2012).

Figure 1.3

Speedy Tariff and Package

Description: The above tariff are excluding VAT (PPN) 10%

a. MAIL Package (Limited 15 Hours 1 Mbps)

With a speed of 1 Mbps downstream and 256 kbps upstream and low prices, this package is intended for the introduction of the Internet or for users who rarely use the internet but want a fast connection.

b. CHAT Package (Limited 50 Hour 1 Mbps)

With a speed of 1 Mbps downstream and 256 kbps upstream and at an affordable price, you can connect to the Internet at high speed with a longer duration.

c. SOCIALIA Package (Semi Unlimited 384 kbps)

With a speed of 384 kbps downstream and 96 kbps upstream without a time limit. You can access unlimited for browsing and chat as long as the quota limit of 3 GB per month. When a usage quota is reached, effective speed will be reduced to 128 kbps until the end of the month and will return to its original speed at the beginning of next month.

d. LOAD Package (Semi Unlimited 512 kbps)

With a speed of 512 kbps downstream and 128 kbps upstream without a time limit. You can access unlimited for faster browsing, downloading, and chat as long as the quota limit of 3 GB per month. When a usage quota is reached, effective speed will be reduced to 128 kbps until the end of the month and will return to its original speed at the beginning of next month.

e. FAMILIA Package (1 Mbps Unlimited)

With a speed of 1 Mbps downstream and 256 kbps upstream and the allocation of capacity to a greater international gateway. This package is

suitable for professionals or use the shared internet up to about 10 users.

f. EXECUTIVE Package (Unlimited 2 Mbps)

With a speed of 2 Mbps downstream and 512 kbps upstream and the allocation of capacity to a greater international gateway which is suitable for both business and offices with a shared internet usage up to about 20 users.

g. BIZ Package (Unlimited 3 Mbps)

With a speed of 3 Mbps downstream and 512 kbps upstream and the allocation of capacity to a greater international gateway. This package is suitable for both business and offices with a shared internet usage up to about 30 users.

1.2 Research Background.

Internet developments in the world are getting faster especially in Asia, according to Internet World Stat survey results, the continent accounted for almost half of the total number of Internet users in the world can be seen in Table 1.1 The data show that as many as 55.9% of the human population of the world are in Asia, it is proportional to the contribution of Asia to the use of the Internet, which is equal to 1,076,681,059 users or approximately 44.8% of the total Internet users in the world.

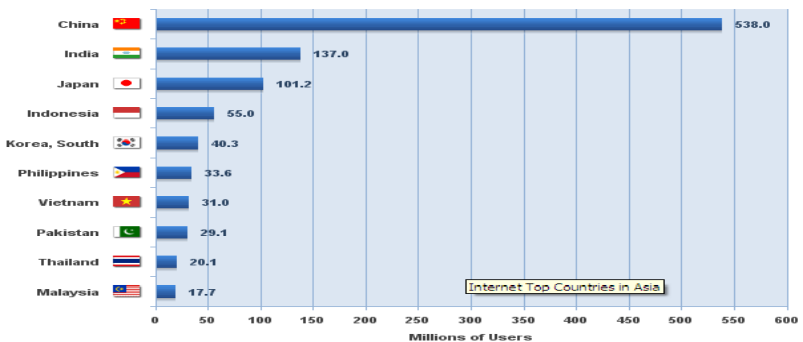
Table 1.1 Internet Usage in Asia
Internet users, Facebook subscribers & Population Statistic
For 35 Countries and regions in Asia

| Internet Users and Population Statistic for Asia | | | | | | |
|--|------------------------|-------------|-----------------------------|----------------------------|------------------|-----------------------|
| Asia Region | Population (2012 Est.) | Pop % World | Internet Users 30-June-2012 | Penetration (% Population) | Internet % Users | Facebook 30-Sept-2012 |
| Asia Only | 3,922,066,987 | 55.9% | 1,076,681,059 | 27.5% | 44.8% | 235,989,160 |
| Rest of World | 3,095,779,935 | 44.1% | 1,328,837,317 | 42,9% | 55.2% | 701,418,020 |
| WORLD TOTAL | 7,017,846,922 | 100% | 2,405,518,376 | 34,3% | 100.0% | 937,407,180 |

Source: <http://www.internetworldstats.com/stats3.htm#asia>. Accessed (26th Dec, 2012).

Besides, Indonesia is able to enter the ranks of the top ten suppliers of Internet users Countries in Asia, according to the data Indonesia ranks fourth largest after the China, India, and Japan is shown in Figure 1.4

Asia Top Internet Countries
June 30, 2012

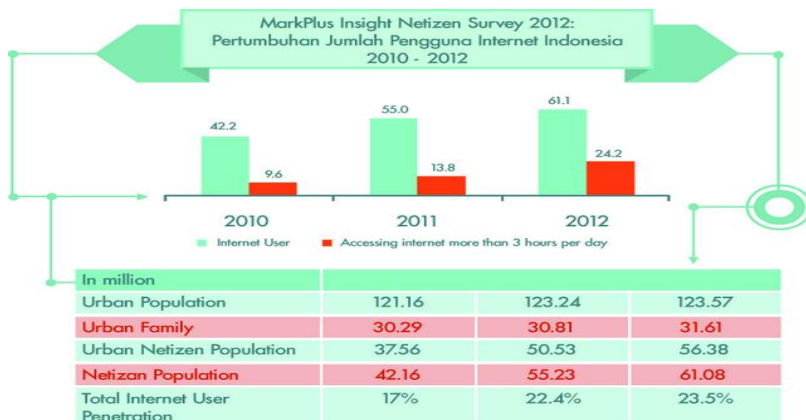


Source: Internet World Stats - www.internetworldstats.com/stats3.htm
 2,405,518,376 Internet users in the World estimated for June 30, 2012
 Copyright © 2012, Miniwatts Marketing Group

Source: <http://www.internetworldstats.com/stats3.htm#asia>. Accessed (26th Dec, 2012).

Figure 1.4
Asia Top Internet Countries-June 30, 2012

Based on the MarkPlus Insight: The number of Internet users in Indonesia Reaches 61 Million People



www.themarketeers.com

Source: (<http://dailysocial.net/post/markplus-insight>). Accessed (26th Dec, 2012).

Figure 1.5

Markplus survey of Indonesian internet growth in 2010-2012

MarkPlus Insight released data on the use of the Internet in Indonesia. Internet users in Indonesia by the end of 2012 reached 61.08 million people. Increased 10% higher than in 2011. Compared to the total population, Internet user penetration reached 23.5%. MarkPlus Insight conducted a survey of 2151 people aged 15-64 years old.

Table 1.2
List of Internet Service Provider in Bandung

| No | Name | Product |
|----|----------------|---|
| 1. | Fibre Optics | a. MetroNET by Biznet |
| 2. | Cable Internet | a. FastNet by FirstMedia b. Max3 by BizNet |
| 3. | ADSL | a. Speedy by Telkom |

Source: <http://www.expat.or.id/info/internetaccess.html#Cable>. Accessed (7th Mar, 2013).

A business phenomenon that's happening today in Indonesia is a war of tariff Between ISP (internet service provider) that occur product or service tightly. War of tariff is communicated in every media, such as print media or electronic media. This promotion actually gives an impact to the customer mindset, especially is about prices. But, There are amount of operator in Indonesia causes the tariff competition until reached to the lowest point.

Tariff competition will be ending soon and will be moved to the quality competition. People will prefer to the quality than to the low price but bad quality. (<http://inet.detik.com/read/2012/05/10/163722/1914278/328/perang-tarif-berakhir-operator-mulai-perang-kualitas>).

Telkom Speedy use or needs the ADSL that helps to connect to the internet. ADSL (Asymmetric Digital Subscriber Line) it is a modem technology and works on the frequency between 34 kHz – 1104 kHz. This is a causal factor that makes a difference in the data transfer speed between the ADSL modem within conventional modem (working on the frequency below 4kHz). The benefit is given an ability on the internet access with high speed and voice/fax simultaneously. (www.telkomSpeedy.com)

East Bandung is a part of the 3rd regional division of West Java and Banten. In 2012, there is increased of Telkom Speedy customer. This is a good phenomenon that faced by Telkom. We can see from the table 1.3:

Table 1.3
Telkom Speedy Growth of Customer, Churn, and Interruption, East Area of Bandung 2011-2012

| Month | Speedy's Customer | Speedy's Churn | Speedy's Interruption |
|-----------|-------------------|----------------|-----------------------|
| June 2011 | 41,513 | 182 | - |
| July | 43,726 | 140 | - |
| August | 45,837 | 138 | - |
| September | 47,558 | 132 | - |
| October | 49,081 | 138 | - |
| November | 50,661 | 311 | - |
| December | 51,381 | 318 | - |
| January | 51,451 | 276 | - |
| February | 52,425 | 443 | - |
| March | 52,653 | 305 | - |
| April | 52,754 | 266 | 312 |
| May | 53,085 | 317 | 364 |
| June 2012 | 53,914 | 487 | 370 |

Nb: - : no data

Source : Processed Data from Unit of Consumer Service (UCS), 2012 Telkom Bandung, East area. Accessed (20th Oct, 2012).

From that graphic above, from June 2011-June 2012, the total of Telkom Speedy customer has increased from 41,513 in June 2011 and increase to 53,914 in June 2012. The customer of Telkom Speedy always increases. For the churn is fluctuating, but almost increases from 182 in June 2011 to 487 in June 2012. While the level of Telkom Speedy interruption, also increases from April 2012 to May 2012 are increased from 312 to 370. Churn it describes that the customer satisfaction. If the churn increase so the customer who unsatisfied also increase and it would be makes customer stop to use this service and move to the other ISP.

This is a kind of customer complaints or interruptions that was shared through the call center 147. We can see from the table 1.4 below:

Table 1.4
Kind of Interruption in Bandung, East Area 2012

| No. | Interruption Segment | Interruption Sub-segment |
|-----|----------------------------|--|
| 1 | CPE & Modem | <ol style="list-style-type: none"> 1. Setting the Modem 2. Restart the modem 3. The modem is broken |
| 2 | Remote DSLAM and DSLAM | <ol style="list-style-type: none"> 1. CID UNBIND 2. PORT DSLAM |
| 3 | Usage Info | <ol style="list-style-type: none"> 1. Alert of Quota Application |
| 4 | Local Network Copper | <ol style="list-style-type: none"> 1. Secondary Cable |
| 5 | Open the Isolir and Isolir | <ol style="list-style-type: none"> 1. Deactivate the Internet Network 2. Isolir |

Source : Processed Data from Unit of Consumer Service (UCS), 2012 Telkom Bandung, East area. Accessed (20th Oct, 2012).

From the data on the table 1.4, we can see that's so many kind interruptions and complaint from the customer on the Speedy network, such as DNS, bad network, interrupted on the modem (ADSL), the other complaints are about the call center 147 that's not answered their customer calling or difficult to call, take a too long time to answer the customer question, operator of the call center 147 sometimes didn't know technically about their question, complaints about the connectivity of the Speedy. The billing is not suitable within usage. This complaint also makes the bad image of the Company and also the product or service. It makes the customer loyalty will be goes down and try to move to another ISP. The customer always sees and looking for the factor that makes them satisfy and use the product or service continuously. According to the Kotler and Keller (2012: 153), The critical value is about quality. Quality is a value that hopes by customer to fulfil their needs. If the

quality is good it makes the customer satisfied and impact to their loyalty. The level of product quality, service, and price Speedy operators that are given by the company will be very influential on customer satisfaction.

Besides the product quality and service quality, price is also a factor which causes the customer satisfaction and to be a loyal (Kotler and Keller 2012: 405). Price is the sacrifice of the customer to get the product or service. The customer also hopes that what they sacrifice is a same with the product or service that they wish. For that factor, the customer wants the affordable price compare within other product or service brand. If the price has decided by company is matched with the customer wishes, so they will be satisfied and always use that product or service.

According to Kotler (2009: 143) quality is the totality of features and characteristics of the products or services that depend on its ability to satisfy stated or implied needs

Thus, the researchers looked at a problem that must be solved in satisfaction issues at Speedy Internet according that background and then do some research. So, the title raised in this research is:

“IMPACT OF SERVICE QUALITY, PRODUCT QUALITY AND PRICE ON THE CUSTOMER SATISFACTION AT 2012”

1.3 Problem Statement

Problem Statement is based on background above such as:

- a. Is there a significant effect of service quality to customer satisfaction of Telkom Speedy in the 3rd regional division of east area, Bandung
- b. Is there a significant effect of product quality to customer satisfaction of Telkom Speedy in the 3rd regional division of east area, Bandung
- c. Is there a significant effect of price to customer satisfaction of Telkom Speedy in the 3rd regional division of east area, Bandung

- d. Is there any significant effect between service quality, product quality, and price simultaneously to customer satisfaction of Telkom Speedy in the 3rd regional division of east area, Bandung

1.4 Research Purposes

Based on the background of the problem and formulation of the problem, the purpose of studies is:

- a. To determine and analyse whether exist or not the effect of service quality on customer satisfaction of Telkom Speedy in 3rd regional divisions of east area, Bandung.
- b. To determine and analyse whether exist or not the effect of product quality on customer satisfaction Telkom Speedy in 3rd regional divisions of east area, Bandung.
- c. To determine and analyse whether exist or not the effect of price on customer satisfaction of Telkom Speedy in 3rd regional divisions of east area, Bandung.
- d. To determine and analyse whether exist or not the effect of service quality, product quality, and price to customer satisfaction of Telkom Speedy in the 3rd regional division of east area, Bandung.

1.5 Usability of Research

- a. For firm/company
 1. Provide an overview of the impact of quality of service, to customer satisfaction
 2. Provide an overview of the impact of product quality on customer satisfaction
 3. Provides an overview of the impact of price on customer satisfaction

4. Provide an overview of the impact of service quality, product quality, and price to the customer satisfaction
5. Provide advice and input to the operational management and marketing in improving services/product and better quality to customers

b. For Author

1. To apply knowledge gained during the study authors.
2. Increase the author's knowledge and experience, the authors of the knowledge gained during the course, which the authors tried to measure the impact of service quality, product service, and price on customer satisfaction of PT Telkom Speedy (broadband ready).

c. For The Other Parties

The results of this study are expected to add insight to the readers and as an input if you want to conduct further research on the impact of service quality, product quality, and price to customer satisfaction of Telkom Speedy (true broadband)

1.6 Report Systematic

To give a clear Figure or a description of the research conducted, it drafted a systematic way of writing that contains information about the material or concept and issues discussed in each chapter. The writing systematic of this research is as follows

CHAPTER I : INTRODUCTION

This chapter is a general description of the research study objects, the background problem, problem formulation, purpose and usefulness of research approaching, scope of research and writing systematics

CHAPTER II : LITERATURE REVIEW

In this chapter is clearly the result of literature review related to the problem to be inspected. This chapter includes a description of the theoretical basis that is used as the basis of analysis of the research, previous research and framework.

CHAPTER III : RESEARCH METHODOLOGY

This chapter describes the approaches, methods, and techniques used to collect and analyze data in order to answer or explain the research problem.

CHAPTER IV : RESULT AND DISCUSSION

This chapter describes the research object description, analysis result and data processing along with the discussion, presented chronologically and systematically in accordance with the scope of the research and consistent with the purpose of the research.

CHAPTER V : CONCLUSIONS AND RECOMMENDATIONS

In this chapter contains the conclusions of the research performed as well as suggestions and recommendations had given to companies and others with needs.