

## **CHAPTER I**

### **INTRODUCTION**

#### **1.1 Research Background**

In the modern era of economic development, globalization is one of the biggest contributions. It is the driving factor in trend as it increases international trades, developing technology, and easing up the transfer of information (Kovtun & Ignatyuk, 2014). Furthermore, in the perspective of business globalization makes it easier for more companies to trade goods or services internationally. Likewise, globalization has a positive impact on technological advancement, the elimination of trade barriers, and other aspects that lead to greater integration of many countries. For global development, countries are pushed in micro and macroeconomics development. Companies are driven to penetrate the global market by the government for the purpose of economic development (Bhattacharya et al., 2020). Given that, domestic companies begin to enter the international market. To expand internationally, building a global brand is often one of the primary considerations of a company's international business strategy (Chabowski et al., 2013). Companies try to shape the development process and promotion of global brands on a global scale. Therefore, with the globalization of competition, the success of a company depends on its ability to position and manage its brand in many different countries where it will operate (Matanda & Ewing, 2012).

Today's era has changed the way businesses are done, opportunities are more immensely global, making businesses should provide product/services for a global market. Customers will be able to find and compare different global brands (Sulhaini et al., 2018). The information is widely available, in which customers/consumers can compare different varieties of product and service options (Chen, 2015). Wide ranges of product and services created a more intense competition for the market. In fact, in the current time of a highly competitive market having a growing and sustainable customer brand loyalty is the biggest

goal that a business should achieve. Having a large amount and sustainable customer brand loyalty is an indicator of a successful business. A recent study shows that having a long-term marketing strategy is crucial, because customers are likely to compare brands based on the relationship between a loyal customer and the brand (Giovanis & Athanasopoulou, 2018). Despite different results companies are always finding an optimal formula to increase brand loyalty, which will lead to many different positive growths. Therefore, many companies are looking for ways to increase brand loyalty by differentiating brands features or services. This may lead to positive experiences and building brand satisfaction for the consumer/customer (Güner & Uygun, 2020).

From the previous research of brand loyalty, has been a profoundly serious concept in the marketing industry. In today's era, most businesses are going global to reach a broader market, especially in the digital industry opening many doors and potential market for a global business. In this research, researching brand loyalty in Indonesia will show how brand loyalty affects the Indonesian market for the digital entertainment industry which is growing at a rapid rate in the past 5 years.

In this research, brand experience will be explained for a growing global brand, a brand in the technology industry, entertainment, and broad band communication media. As per the Economic Sea (2019) report by Google, the advanced digital market shows promise in Indonesia. For that said, business is valued to be around \$130 billion by 2025 and gives off an impression of being engaging for foreign brands, including Netflix. As of today, Netflix is the world's largest and leading entertainment leading service industry, having to offer subscription-based monthly service for internet television streams (for example, movies and tv series/shows).

Marc Randolph, and Wilmot Reed Hastings Jr are the founders of Netflix. The company started operating from August 27th, 1997. What's more, presently has 193 million paid customers likewise, accessible in 190 nations (Netflix.com). The gigantic accomplishment of Netflix started in 1999 when Netflix took on new business model plan systems dependent on month-to-month membership ideas

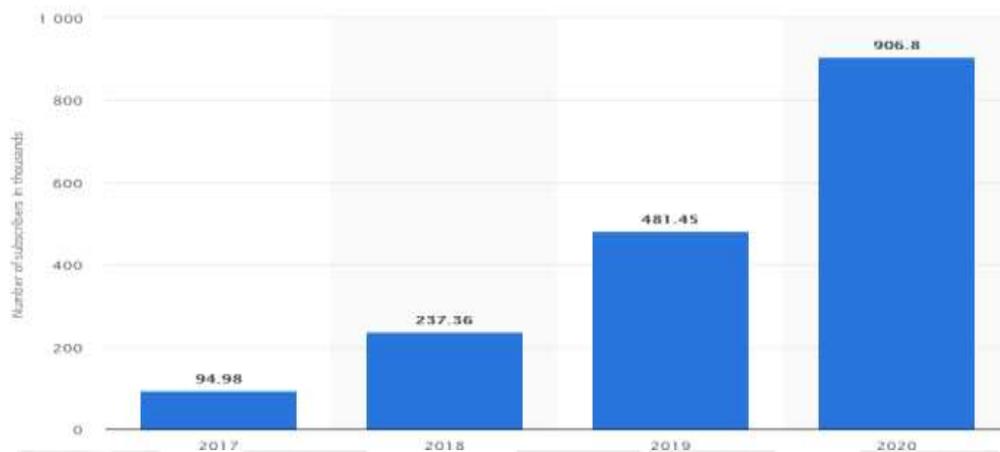
without adding extra expenses, for example, due dates, late charges, delivery, and rental charge or per rental title expenses. In 2007, Netflix introduced a more helpful way with appropriate substance for their clients, which permits them to in a flash watch the films on their own device or PC without locally storing the data locally. Furthermore, Netflix made sure a wide variety of gadgets can be used to watch their service, because of Netflix's success it turned into the world's largest video web-based service with the most subscriptions in 2019 (Statista, A).

To address the previous problem, more than five years prior, on January 27, 2016, Telkom blocked Netflix for all its supporting channels. Around then, this state-possessed organization contended that it had discovered unsuitable content. Telkom is the only internet provider in Indonesia that blocked Netflix. This has been a major issue since Telkom is one of the biggest internet providers in Indonesia. P.T. Telkom Indonesia was positioned first in the Top 100 Most Valuable Brands 2020 or the most significant organization in Indonesia (Telkom, 2020). Administration contributions from TELKOM, IndiHome have 7,000,000 customers, and from the second to last quarter of 2019 Telkomsel has 170 million consumers, of whom around 65% are information clients. As needs be, Netflix lost their expected client, couldn't use Telkom's clients, and did not augment their capacity to infiltrate bigger business sectors in Indonesia. In any case, even though Telkom users are blocked, Telkom's users are still able to watch Netflix's by getting to a VPN server. Despite the difficulties Netflix is confronting, Netflix is always finding a solution in handling the issues. The income created every year from 2016 - 2020 shows critical acceleration. The figure underneath shows the assessed streaming income of Netflix in Indonesia for the period 2017-2020 (Statista, 2016.D)

Netflix expected to create more income in worldwide business sectors by expansion to the international market, including Indonesia. Netflix started to infiltrate Indonesia's market back in 2016 and has more than 900 thousand supporters now. As figure 1.1 beneath represents, the quantity of Netflix's endorsers continues to twofold every year and is expected to develop fundamentally (Statista, B). Moreover, A report directed by internet base brand

enthusiasm about the main 100 most cherished worldwide brands in 2017 and 2018 uncovers that Netflix was in the 10th situation in 2017 and the 10th situation in 2018. The quick development of Netflix's endorsers in Indonesia has been an interest in researchers to break down if Indonesian clients do have a worldwide brand enthusiasm for Netflix.

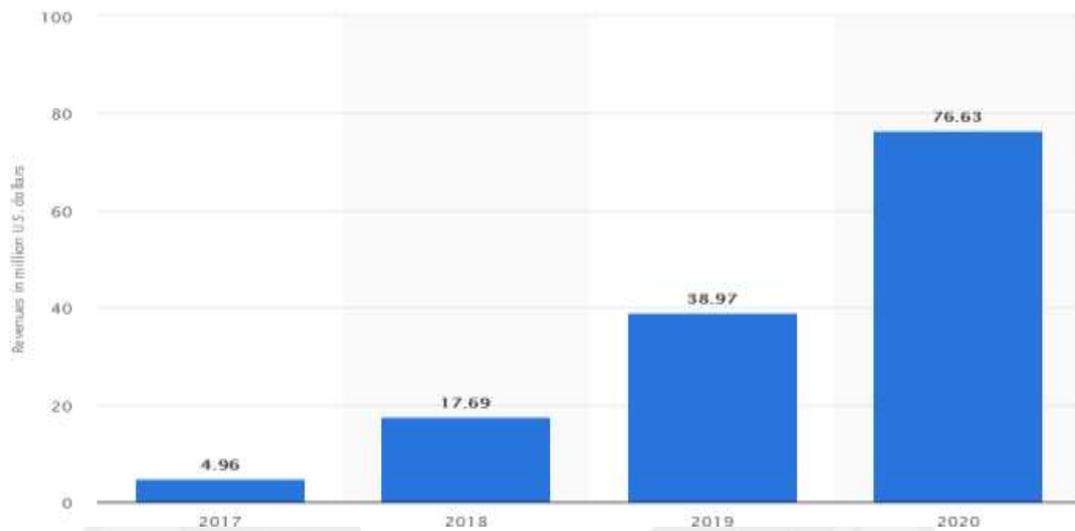
**Figure 1.1 Estimated Netflix's subscribers in Indonesia (2017- 2020)**



Source: Statista, A

Netflix is currently the global leading subscription-based streaming platform with the most subscribers and growing as in 2021 (Statista, A). The company's success is mostly from its global expansion. In 2017, Netflix operated in more than 190 countries around the world, and from the data collected most of its revenue are from international subscription (Brennan, 2019). The global market has been very prospective for Netflix to grow the overall industry. In this research, the plan is to deeply investigate Indonesian customers about their experience and insight for Netflix as globally leading but not in Indonesia. Indonesia is a country having a huge prospective market for the SVOD industry. The huge population size within excess of 267 million occupants and the high reception of computerized innovation has made organizations like Netflix spreading their business to Indonesia.

**Figure 1.2 Estimated Netflix Revenue 2017-2020**



**Source: Statista, B**

On July 7, 2020, Telkom finally unblocked Netflix channel, Major clients from Telkom providers like Speedy, Telkomsel, Kartu A.S, Indihome and Wifi.id can finally watch netflix without any blocking. As indicated by Arif Prabowo, The Telkom's Vice President for Corporate Communication, the kickoff of the Netflix obstructing happened after an arrangement was made to satisfy a few conditions (Jannah, 2020). As the information clarified over, Netflix's endorser and incomes keep on expanding each year despite the issue they were confronting. Consequently, this research needs to study the direct and indirect effects of customers' brand experience and loyalty on all results, with a particular setting about Netflix in Indonesia. Despite Telkom unblocking Netflix from their system, why has netflix hasn't become the leading SVOD in Indonesia comparing it globally as seen from figure 1.3, and 1.4 and table 1.1. Netflix has been overshadowed by the likes of HOOQ, Iflix, RCTI+, Vision+, Disney plus, VIU, and VIDIO. Netflix hasn't successfully led the SVOD industry in the Indonesian market, having less than approximately 2 million subscribers as for april 2021 (Monica Wareza, CNBC Indonesia, 2021).

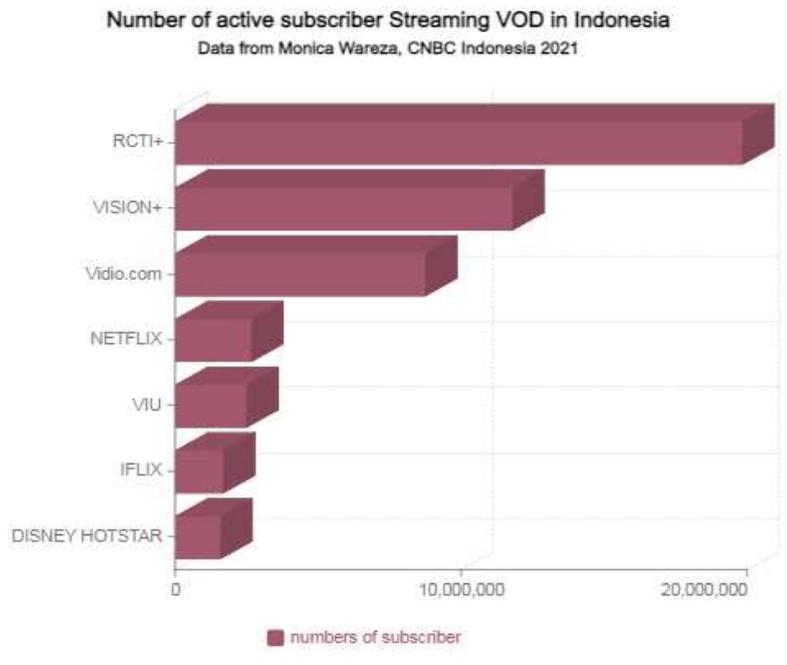
**Table 1.1 Number of Subscriber streaming VOD in Indonesia**

Name of Brand	Numbers of subscriber in Indonesia
RCTI+	19,810,000

VISION+	11,770,000
VIDIO.COM	8,730,000
NETFLIX	2,650,000
VIU	2,480,000
IFLIX	1,660,000
DISNEY HOTSTAR	1,570,000

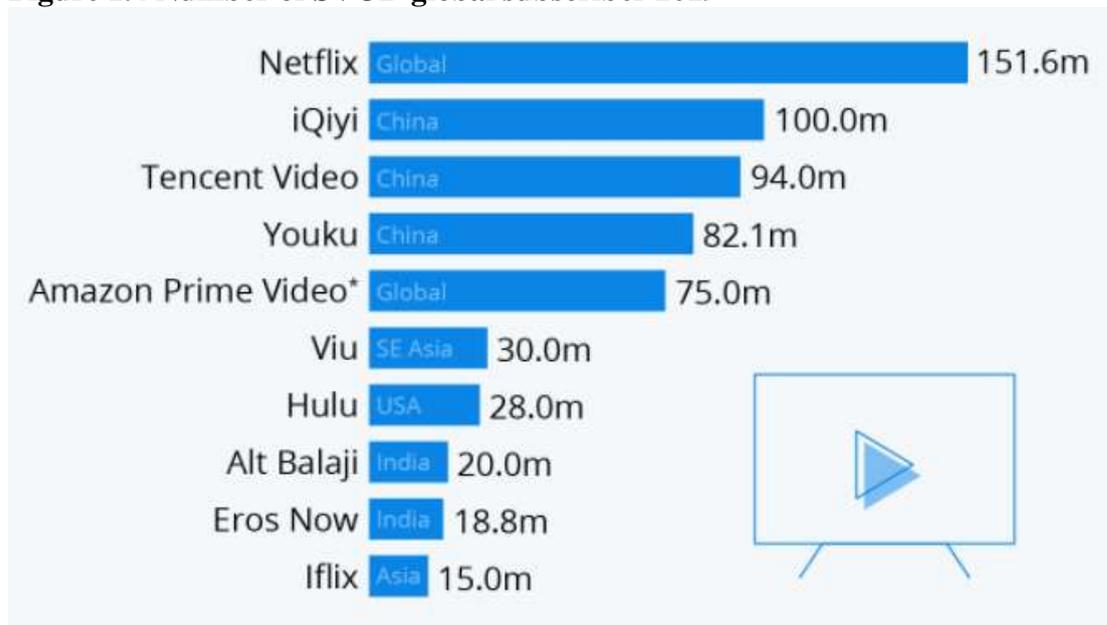
Source: Monica Wareza, CNBC Indonesia, APRIL 2021

**Figure 1.3 Number of Subscriber streaming VOD in Indonesia**



Source: Monica Wareza, CNBC Indonesia, APRIL 2021

**Figure 1.4 Number of SVOD global subscriber 2019**



**Source: Stista C, 2019**

Understanding brand experience is one of the fundamentals in making enthusiastic connections, considering it is firmly identified with brand loyalty and indispensably significant in showcasing market practices. Firms need to consider brand loyalty as a serious activity brand in their procedure because enthusiastic clients are probably going to do anything for the brand. Likewise, their sentiments, insight, conduct, and activities of the brand might be influenced by their craving to claim the brand (Kim & Kim, 2018). To get a better result, a brand needs to create a strong relationship with its customer and a positive satisfaction from customer will have a positive effect on brand experience. Customers who are enthusiastic with regards to a brand will in general have a positive outcome on buyer conduct. In this way, the significance of brand experience requires advertisers to lead top to bottom investigation about the determinants and furthermore the results of custom satisfaction (Ghorbanzadeh et al., 2020).

From the basis that has been explained over in this paper, this research sees that brand experience is a significant aspect that drives customer brand loyalty and assumes a significant part in managerial implication. This research centers around the results of Netflix's brand loyalty in Indonesia from previous research conducted by ((Huang, 2017) and (Husseini, 2018)). The factors proposed in the diary are

Attitudinal Brand Loyalty, Brand Love, Customer Satisfaction, Brand Trust and Dimension of Brand Experience Sensory, Intellectual, Behavior. As Netflix development has filled Indonesia, this research might want to test the other factors that are coordinated with brand experience and brand loyalty, likewise, to analyze whether strong feelings could shape good relationships towards Netflix in Indonesia.

## **1.2 Research Problem**

As stated above, Netflix has been the global leading Subscription based streaming platform according to Statista. However, In Indonesia it is not and in the last 5 years Netflix customers are growing, but still far behind from its leading competitor, VIU, VIDIO, and even the newcomer of 2020 Disney Plus.

The research question is:

1. Does brand experience positively influence customer satisfaction for Netflix in Indonesia?
2. Does brand experience positively influence brand love for Netflix in Indonesia?
3. Does brand experience positively influence brand trust for Netflix in Indonesia?
4. Does customer satisfaction positively influence brand loyalty for Netflix in Indonesia?
5. Does brand love positively influence brand loyalty for Netflix in Indonesia?
6. Does brand trust positively influence brand loyalty for Netflix in Indonesia?

## **1.3 Research Objective**

Based upon the research problem question above, the research objective is per following:

1. To examine and test whether the presence of brand experience positively influences customer satisfaction for Netflix in Indonesia.

2. To examine and test whether the presence of brand experience positively influences brand love for Netflix in Indonesia.
3. To examine and test whether the presence of brand experience positively influences brand trust for Netflix in Indonesia.
4. To examine and test whether the presence of customer satisfaction positively influences brand loyalty for Netflix in Indonesia.
5. To examine and test whether the presence of brand love positively influences brand loyalty for Netflix in Indonesia.
6. To examine and test whether the presence of brand trust positively influences brand loyalty for Netflix in Indonesia.

#### **1.4 Research Scope**

This research is scope to a limited to a certain condition:

1. This study discusses brand experience, brand love, brand trust, customer satisfaction, and brand loyalty
2. This study will be conducted in Indonesia mainly from an online survey from September 2021 to December 2021.
3. The respondents of this research will be aged between 17- 40 as this is the age range for Netflix users.
4. Netflix will be the specific brand that is researched upon.

#### **1.5 Research Outline**

The whole framework of this exploration is recorded beneath:

##### **● CHAPTER I – INTRODUCTION**

This section will consist mainly of the research structure, which are the research background, the research problem, research objective, research question, research scope and the research outline of this research paper.

##### **● CHAPTER II – THEORETICAL BACKGROUND**

The subsequent section comprises the hypothetical foundation that is utilized in the review, writing survey, and furthermore the linkages between variables. In this section the conceptual framework of this research is also added.

##### **● CHAPTER III – RESEARCH METHODOLOGY**

The third part clarifies the techniques that are utilized to additionally examine and gauge the connection between all variables. In addition, it will include the research plan and strategies for information assortment in the quantitative examination approach.

● **CHAPTER IV – RESULTS AND DISCUSSION**

The fourth section comprises the pre-test result and the aftereffect of real research of the linkages between variables in this research. The pretest outcome and the real outcome utilizing measurable assessment performed with the information gathered. The aftereffect of the result will give the response to the research question and prompt a finish of the examination.

● **CHAPTER V – CONCLUSION AND RECOMMENDATION**

The fifth part finishes up the general examination with the conclusion and it will give some insight from the researcher. Upon the outcome of the result, recommendation of future research will be stated in this section.

