

## CHAPTER I

### INTRODUCTION

#### 1.1 Background of the Study

In today's era, the use of the internet can be said to cover almost all aspects of the daily activities of its users. In Indonesia itself, internet usage continues to increase every year. The following are the results of a survey on internet users in Indonesia conducted by Association of Indonesian Internet Service Providers (APJII) from 2019-2020.



Source: Association of Indonesian Internet Service Providers 2020

**Figure 1.1**

#### Internet User Penetration in Indonesia

Internet Penetration is the percentage of internet users to the population of a certain area. In this case, internet users are the population in Indonesia. In *Figure 1.1* above, the level of development of internet users in Indonesia is 73.7 percent of the Indonesia population. The graph above shows that as many as 196.7 million Indonesians have used the internet. In 2018, internet users of Indonesia only reached 64.8 percent or as many as 171.7

million people. So, we can conclude that there is an increase in internet users by 8.9 percent or as many as 25.5 million users until the second quarter of 2020. This is expected to continue to increase in the following year because the Indonesian Ministry of Communication and Information is the executor of digital transformation in Indonesia has prepared a program so that internet access can be affordable to all parts of Indonesia which have been considered blank spots (Irso, 2020).

With the development of information technology supported by the internet, the business sectors are also affected in the process of their activities. This influence ultimately drives the creation of digital transformation. According to *Danuri* (2019), digital transformation is a change in the way a job is handled by using information technology to achieve efficiency and effectiveness. This change provides convenience for customers in ordering products or in transaction. In addition, the effect of digital transformation is that the price of a product or services becomes more cheaper because the marketing and administrative processes do not require large costs. In this system, the operation is completely automatic, supported by a computerized system.

The development of digital technology is influenced by three things, namely digital transition, network convergence, and digital infrastructure. Network convergence is the efficiency and effectiveness of communication networks that can be used such as telephone, video, and communication both at home and in companies. The era of transition or technology transfer from

previous technology to digital technology. Specifically for network convergence, it will refer to lifestyle trends, namely time at home focused on family and busy travel that is a mix of work and play. In addition, busyness in the office between work and entertainment needs. With this trend, digital product manufacturers will direct their business opportunities there *Danuri* (2019).

Entertainment is one of the necessities for today's society. Especially since the Covid-19 pandemic hit the world which finally caused limitations on people's mobility. In Indonesia itself, many entertainment venues were forced to be temporarily banned. This makes people divert their activities to meet their entertainment needs to be safer to online applications. One online application that is often accessed by the public is a video streaming application.

Based on a survey conducted by Dailysocial.id regarding what applications are often used by Indonesian people to get entertainment during the pandemic, of the 966 respondents choosing social media applications 79 percent, video streaming applications 67 percent, game applications 63 percent, music streaming applications 44 percent, and another 3 percent (*Nabila, 2020*). This shows that video streaming applications are no less attractive for public consumption to meet their entertainment needs during the pandemic.

In addition, currently the role of television has begun to be rivalled by digital streaming services that offer VOD (video on demand) services. Video

on demand service is an interactive system that facilitates users to be able to choose and control programs, videos, and movies so that they can be watched at any time. Video on demand service that is so anesthetizing the Indonesian people also influenced by the intense competition of the supplying companies. One of the digital streaming service providers loved by the Indonesian people today is Netflix. Netflix provides a lot of digital content in the form of television shows, series, movies, anime, documentaries, and exclusive content that can be watched anytime and anywhere for its subscribers.

**Table 1.1**  
**The most used VOD Streaming Apps in Indonesia**

<i>Name of the video on demand streaming service provider</i>	Percentage (%)
Netflix	31
VIU	17
Vidio.com	15
Iflix	12
MNC Now	8
MAX Stream	7
Genflix	3
HBO Go	3
Disney+	2
Goplay	2

Source: [www.info.populix.co](http://www.info.populix.co)

Table 1.1 is the result of a survey conducted by Populix regarding the most frequently used video on demand application in Indonesia. Netflix took first place with a presentation of 31 percent and even almost doubled from VIU's second position with 17 percent. HBO Go and Disney+ are newcomers

to Indonesia and are predicted to be able to compete with Netflix in the Indonesian market in the future because of their exclusive content that is no less interesting.

According to *Lobato* (2019), “Netflix is one of the few media brands of the internet era to penetrate so deeply into households and the broader popular consciousness that it has become a verb (Let’s Netflix it / Netflix and Chill)”. Not like YouTube, Netflix only distributes professionally produced content rather than content created by its users. The content produced is also quite diverse and geographically differentiated in each country. This is what makes Netflix popular and can easily penetrate markets in various countries including Indonesia.

Customer satisfaction is one of the goals that must be achieved by the company if it wants to maximize its profits. Especially for a customer-centric company. According to *Sanny, Larasathy, Claudia, & Widarman* (2019), business success depends on customer satisfaction which occurs with a well-structured marketing system and plan. In this context, companies that provide products and services digitally must of course go through a different approach, namely through digital marketing.

In line with the rapid growth of digital technology, user experience has become one of the most popular research topics today. User experience is important in product development due to the increasing functional complexity and interfaces of products, development of new interaction paradigms, availability of innovative technologies and devices, etc. (*Filippi & Barattin*,

2018). User experience refers to the internal and subjective feelings that a person has when using a product or service (Chen, You, Jianmin, & Schroeter, 2018).

In order to improve the experience of using the application, Netflix provides profiled, my list, and continue features. The profiled feature is useful for creating different accounts. For example, accounts for children. Then the account can only access content provided for children. My list feature is useful for creating a list of videos that consumers like so that they can be enjoyed again like the playlist feature in a music player application. Meanwhile, the continue feature is a feature that automatically plays the last time consumers watched a video. So that when consumers want to watch it again, the video will be played at the last time the video was watched.

A brief description of how the user experience can be seen in the feedback, reviews, or reviews from customers after they use a product or service. This of course can also describe how satisfied a customer is with the product or service. Usually, these customer reviews are on application-based services that can be downloaded through the Appstore or Google Playstore. Researchers conducted a search through the Appstore and Google Playstore regarding ratings and reviews on the Netflix application download page. Below is a table of Netflix customer ratings and reviews showing the feedback and complaints from its customers.

**Table 1.2**  
**Netflix subscriber ratings and reviews table**

Sumber	Tanggal	Nama	Nilai	Ulasan	Kesimpulan
Appstore	9/12/2020	Yuyun Razqelia	*****	“Serial Netflix the bestt lah”	<i>Pleasure</i>
	6/12/2020	Made Aditya	***	“Masih ada bug pada switch accounts dengan kata sandi”	<i>Bug</i>
	6/12/2020	Civut.	*****	“Such a cool app! Tampilan bagus, easy to search the movie or series, isinya tambahan dong biar makin lengkap drakornya hehehe”	<i>Easy to use</i>
	2/12/2020	Okeyw	*	“lagi nonton ½ jalan tiba-2 forced close dan gaada lagi filmnya”	<i>Error</i>
Google Playstore	19/12/2020	Jessica rian	*****	“Ah suka banget, filmnya up to date dan seru seru menyajikan berbagai genre. Love bgtt”	<i>Pleasure</i>
	18/12/2020	Rizky Amalia	*	“ Dear Netflix, kok ini sdh dimasukkin kode cvnya masih g bisa juga sih gimana atuh”	<i>Error</i>
	17/12/2020	Moh Aldhimas	***	“Perbaiki server yang lama responnya untuk lainnya sudah bagus	<i>Slow response speed</i>
	15/12/2020	M Amir	***	“Suaranya kurang bagus”	<i>Sounds problem</i>

Source: Prepared by the writer (2022)

Based on Table 1.2, there were several customers who express their pleasure after using the Netflix application by giving a five-star rating and good reviews. But besides that, still there have been several bad ratings accompanied by complaints submitted by Netflix customers regarding the use of the application in the form of errors, bugs, and other technical problems. This shows that Netflix still needs to conduct further and in-depth evaluation of the user experience of its customers. Because Netflix customer satisfaction depends on the perfection of the app.

In providing a memorable brand experience, Netflix provides story synopsis and trailers or snippets of scenes for each of its content that can be watched first before customers start watching the whole thing. Netflix has red as the colour that represents its brand identity and the slogan “Netflix and chill” which is quite popular, so it can trigger the sensory experience of its customers. In addition, Netflix attaches great importance to personalization to better understand its customers and provide a unique experience. Netflix can provide recommendations on what content customers can watch next based on historical data about content that has already been released enjoyed by customers. According to Lobato (2019), Netflix's subscription business model echoes pay TV, but its algorithmic recommendation system is still purely new media. Therefore, it is also necessary to know whether with these advantages, Netflix has been able to help customers solve the problems they face.

Netflix can also influence the behaviour and activities of its subscribers. Thanks to the availability of subscription packages that can even be used via mobile phones supported by stable internet, it will make customers happy to watch their favourite movies and series in high intensity (binge watching). Such efficiency and control over media choice and consumption can greatly motivate customers to binge watching behaviour (Shim & Kim, 2017). Therefore, there are still non-technical factors from Netflix that are human and need to be known through the brand experience.

According to Cagan (2018), strong technology product companies know that they need to ensure consistent innovation which means they must

continuously create new value for their customers and businesses. Not only tweaking and optimizing existing products, but also developing each product to reach its full potential. Therefore, it is important to know how customers value at a global company like Netflix.

Netflix provides a wide collection of locally produced content professional, varied across genres, and global and not necessarily available on other digital streaming services. Although the amount and type of content varies in each country due to licensing matters and regulations in certain countries, all exclusive and original Netflix content, mostly of good quality, can be enjoyed by Indonesian customers.

Netflix also has some content that has caused controversy and negative response from its subscribers. Like the Atypical series with depictions of autism characters that are considered too stereotypical. Then there is the Messiah series with plots and characters that are carried to cause controversy in a number of religious groups, especially Muslims (Kincir.com, 2020). Then recently there was Cuties, the French film deemed to highlight the sexuality of children which led more than 610,000 people to have signed a petition on Change.org demanding that subscribers stop their Netflix subscriptions in protest to the streaming service company that broadcasts Cuties. on September 9, 2020 (Tempo.co, 2020).

Based on the description above, the researcher is interested in conducting further research on "The Influence of Customer Value, Brand Experience, and

User Experience on Customer Satisfaction with Netflix Digital Streaming Services (Case Study on Netflix Gen Z subscribers in Medan City)".

### **1.2 Problem Limitation**

To be more focus on this research, the writer decided to conduct the research by setting up several limitations, such as:

- a. The data will be gathered only from Netflix users in Medan city
- b. The research only uses 4 variable, which customer value as variable X1(independent variable), brand experience as variable X2(independent variable), user experience as variable X3(independent variable) and customer satisfaction as variable Y (dependent variable).

### **1.3 Problem Formulation**

Based on the background of the problem, the formulation of the problem in this study is:

1. Does customer value have partial effect Netflix digital streaming service customer satisfaction?
2. Does brand experience have partial effect customer satisfaction with Netflix's digital streaming service?
3. Does user experience have partial effect customer satisfaction with Netflix's digital streaming service?
4. Do customer value, brand experience, and user experience have simultaneously effect on customer satisfaction (Netflix Gen Z in Medan).

### **1.4 Objective of the research**

The objectives of this study are as follow.

1. To know and analyse whether customer value have partial effect on customer satisfaction of Netflix digital streaming service.
2. To know and analyse whether brand experience have partial effect on customer satisfaction of Netflix digital streaming service.
3. To find out and analyse whether user experience have partial effect on customer satisfaction of Netflix's digital streaming media.
4. To know and analyse whether customer value, brand experience, and user experience have simultaneous on customer satisfaction of Netflix digital streaming service.

## **1.5 Benefits of the research**

The benefit of this research will be divided into two (2), which are as the follow:

### **1.5.1 Theoretical Benefit**

This completion of this study is expected to give a better understanding about how customer value, brand experience, and user experience will influence customer satisfaction. Thus, this study is expected to be an extra knowledge for future researchers or readers who will conduct the similar topic.

### 1.5.2 Practical Benefit

The expected benefits in this research are:

1. For researcher

Can increase knowledge and insight and can apply knowledge and the experiences that have been gained during the lectures into practice, especially those related to the problems in the research.

2. For Academics

Can provide additional useful information for the world of education, especially in the field of marketing. In addition, it can be used as a reference for further research.

3. For Netflix Digital Streaming Service Company

Can find out more about the factors that affect customer satisfaction with Netflix's digital streaming service and can open insights about other digital streaming services that compete with Netflix.

4. For Netflix Digital Streaming Service Subscribers

Provide information to customers that Netflix is a digital streaming service that is quite popular in Indonesia and inform customers about what factors need to be considered before using the Netflix digital streaming service.

5. For further researcher

The results of this study can be used as reference material for further research by adding or replacing existing variables and can also be useful reading material for those who need it.