

Chapter 1: Introduction

1.1 Research Background

The development of technology and digitalization in this modern era greatly affects various industrial fields. The development of technology in this modern era, of course, will be related to the existence of the internet and its users. From the data provided by Statista (2021), said that in Indonesia, in the first quarter of 2021, the number of internet users had reached 171.26 million users. This makes Indonesia ranked fourth as the country with the highest number of internet users among other internet user countries. This also makes Indonesia the country with the largest number of internet users in Southeast Asia. Of course, with the development of technology, more specifically the internet, it will affect many industries. One of the industrial fields that are affected is the entertainment industry or the film industry. In the past, before the development of technology, people could only watch movies by buying tickets at the nearest theatre or cinema, then people could also watch some movies on television, and people could buy DVDs or Blu-rays if they wanted to watch certain movies privately on their television in their homes. But now, technological advances make it easy for people to enjoy the films that exist in the world.

The term *online video streaming* is familiar to people now who live in this modern era of technological advancements. From a television industry perspective, the advent of streaming can be seen as part of a shift that has been termed the post-network, or post-TV, era (Strangelove, 2015). Today, there are many companies that have set up various streaming platforms or services that provide subscription video on-demand (SVOD) services and over-the-top (OTT) services for people to be able to watch movies in the easiest way possible, by using the internet. Netflix and

Amazon are two of the pioneers in the SVOD and OTT services industry. With more than 180 million combined subscribers, Netflix and Amazon are major new players in the global mediascape (Wayne, 2018).

The industry in the field of on-demand video subscription (SVOD) and over-the-top (OTT) has had enormous success especially in few years back. According to the data presented by Trading Platforms the video streaming segment will pass 1 billion users worldwide in 2021 and is projected to generate over \$100 billion in revenue by 2024 (Pascual, 2021).

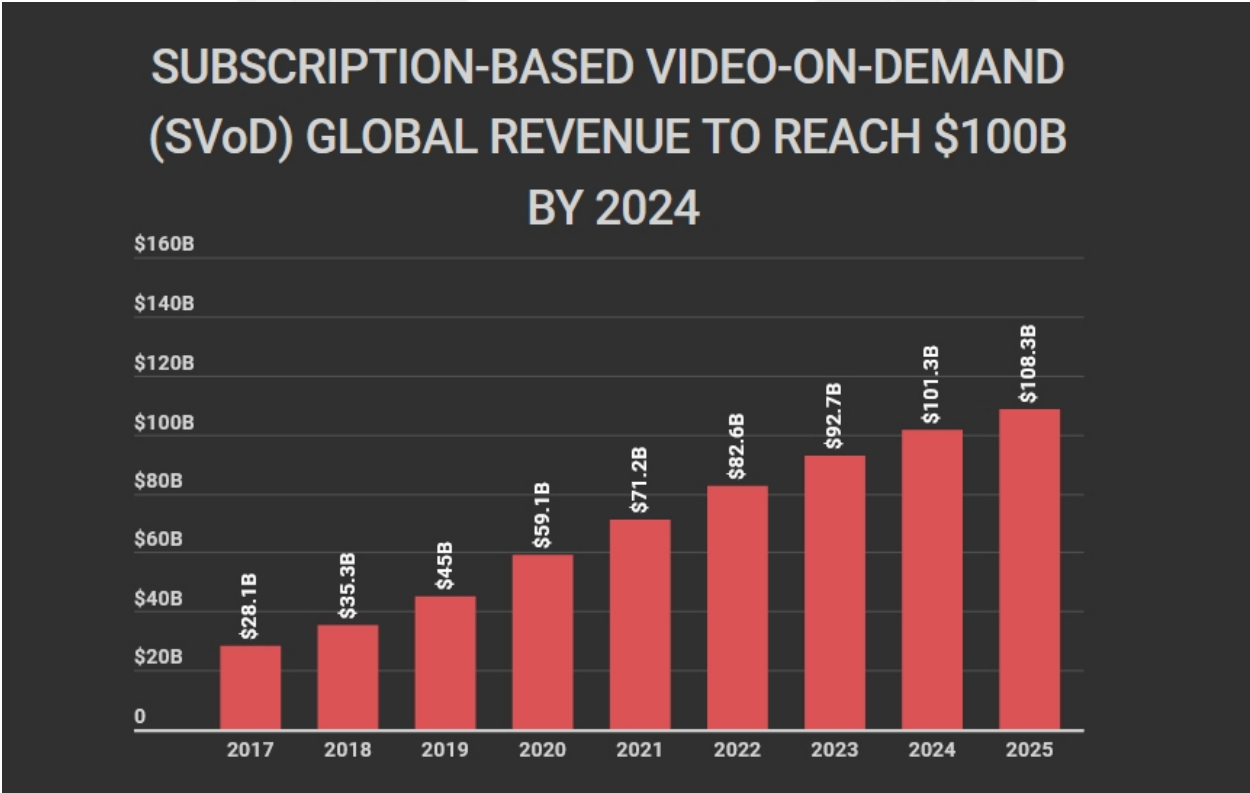


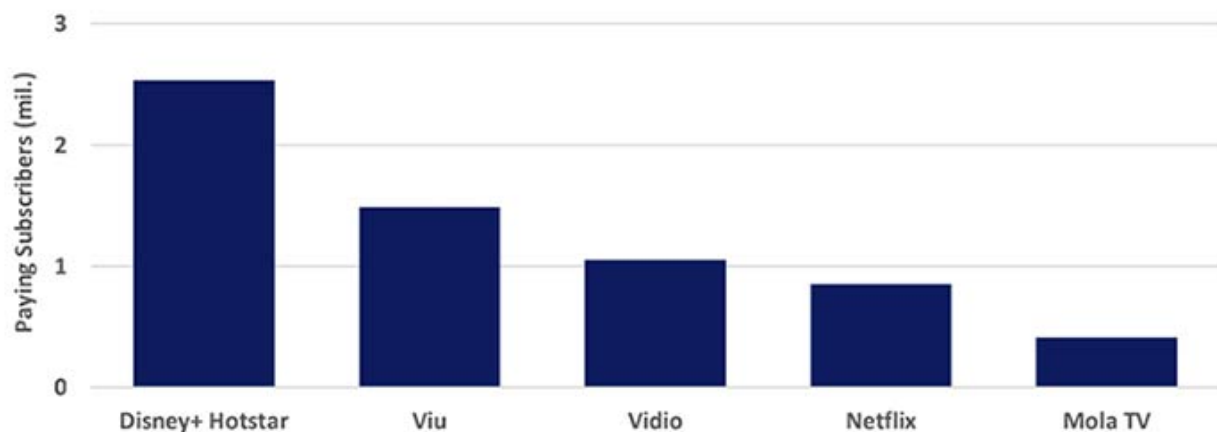
Figure 1. 1 SVOD Global Revenue

Source: (Pascual, 2021)

With this huge numbers of users and revenue, it makes the SVOD industry is one of the biggest industries in the world. SVOD has also had considerable success in Indonesia. Although not as big as the five largest countries using SVOD, namely the USA, China, UK, Japan, and Germany

(Pascual, 2021).Indonesia still has a relatively large number of users. According to the data from Statista (2021), SVOD services have shown a very high increase in Indonesia, with user penetration projected to reach 17.7% in 2025, up from 4.7% this year. This was also supported by an increase in revenue from \$270 million in 2020 to \$571 million in 2025, with a projected annual growth of 15.7%.

LEADING ONLINE VIDEO PLATFORMS BY SUBSCRIBERS IN INDONESIA



Note: As of mid-Jan 2021. | Source: AMPD Research

Figure 1. 2 Leading Online Video Platforms by Subscribers in Indonesia

Source: Pantaleon (2021)

From the data from Figure 1.2, it shows that by mid-Jan of 2021, Indonesia already has a cumulative of 7 million subscribers of SVOD through multiple services such as Disney+ Hotstar, Viu, Vidio, Netflix, and Mola TV that available in Indonesia. With Disney+ Hotstar leading the game with the most subscribers. Disney+ Hotstar has beaten Netflix by numbers of their subscribers as mid-Jan of 2021 with 2.5 million subscribers. Viu and Vidio is behind Disney+ Hotstar with 1.5 million users and 1.1 million subscribers (Pantaleon, 2021). Then Netflix is in the second from last position with the number of users, which is 850,000 subscribers. Of course, this is a concern for Netflix, which previously had the largest number of users in the SVOD industry in Indonesia.

Netflix has successfully entered Indonesia and its services have been enjoyed by the people of Indonesia since January 2016, the company founded by Reed Hastings and Marc Randolph in 1997 in Scotts Valley, California has had enormous success by having 209 million subscribers worldwide by July of 2021 (Statista, 2021). In Indonesia, Netflix offers its subscription products with prices starting from Rp. 54,000 up to Rp. 186,000. Netflix is a pioneer in the SVOD and OTT industry that provides users with the convenience of enjoying movies and original series provided and can be enjoy through its official website and application that can be access with its users' Smartphone, Smart TV, and Game Console. The rise of streaming services has been tightly coupled to the promise of individual freedom and flexibility (Spilker & Colbjørnsen, 2020). Netflix users are given the freedom to be able to choose various kinds of films and series available on their website without having any restrictions. Original series such as *House of Cards*, *The Queen's Gambit*, *Stranger Things*, and many more are popular series watched by Netflix's users. But in Indonesia now from the data presented in Figure 1.2, it shows that Netflix's number of cumulative increase of subscribers among other big player in the SVOD industry of Indonesia is behind Disney+ Hotstar, Viu, and Vidio, with only Mola TV behind them.

Of course, this is a challenge for Netlifix to be able to keep their customers loyal to use products and services from Netflix, and not switch to other SVOD platforms. Another challenge is to be able to increase the number of new subscribers for Netflix, with a large selection of platforms available in Indonesia, with unique products for each brand.

From the cases and phenomena that have been described, this research will be entitled "Antecedent and Consequence of Netflix Subscribers' Customer Satisfaction in Indonesia". This research uses

a research model that has been formed by Kataria & Saini (2019) as a grand journal reference that has an objective to analyze and prove factors that have a positive influence on Netflix Subscribers' customer satisfaction such as perceived quality, perceived value of cost, brand identification, brand trust, and lifestyle-congruence. And, this research also aims to analyze the consequence resulting from customer satisfaction, which is brand loyalty, and prove that customer satisfaction has a positive influence on brand loyalty.

According to Olsen (2002) perceived quality affects customer satisfaction because perceived quality is an evaluation of certain beliefs, whereas satisfaction is a post-purchase concept. This means that if a customer be able achieve a positive gain of perceived quality from a brand, it will make them satisfied with the brand. This research aims to find out whether the perceived quality obtained by Netflix subscribers has an positive influence on their satisfaction. From the research that has been done by Othman et al. (2017) and Mostaghimi et al., (2017) can prove that perceived quality has a positive influence on customer satisfaction. Dorai and Varshney (2012) stated that perceived value is directly related to satisfaction, when the perception of value increases in the minds of consumers, satisfaction also increases. This means if the value that obtained by the customer has a met their expectation it will has a positive influence towards their satisfaction. This theory has been successfully proven through research conducted by Hapsari et al. (2016) and Hsu et al. (2015) that perceived value has a positive influence on customer satisfaction. Kataria & Saini (2019) stated consumers who identify with the brand are satisfied when brand expectations are met. This means that when a company have brand identification from its customer, it will increase their satisfaction as well. According to Singh and Sirdeshmukh (2000), that brand trust has a positive influences towards customer satisfaction and could increase brand loyalty. This means

when a company already gained trust from its customer, it will positively influence an increase in customer satisfaction that will affect brand loyalty as well. According to Nam et al. (2011) customer satisfaction can be a mediator of the effect of lifestyle-congruence on brand loyalty. This means if customer's lifestyle is in accordance with the brand, it will have a positive influence towards customer satisfaction and brand loyalty. From research conducted by Jorfi & Gayem (2016) and Ali & Muqaddas (2015), it proves that brand identification and lifestyle-congruence have a positive influence on customer satisfaction. However, research conducted by Kataria & Saini (2019) says that brand identification has no effect on customer satisfaction. For brand trust, Kataria & Saini (2019) succeeded in proving that brand trust has a positive influence on customer satisfaction. According to Kataria & Saini (2019), they stated that a high satisfaction from customer will lead towards an increase in market share and premium prices through attitude and behaviour loyalty. This means with a customer satisfaction of a brand, it will lead an increase in brand loyalty. This theory has been successfully proven by Kataria & Saini (2019) and Bhartyadikara (2020) that customer satisfaction has an effect on increasing customer loyalty to the brand. The purpose of this research is to observe and analyse the role of customer satisfaction towards Netflix subscriptions, with several factors that have a positive influence on customer satisfaction on Netflix. The essence of novelty of the obtained results of the research needs to be connected with their importance for science as well as with practical importance (Cohen, 2017). For this research, the contributions can be acknowledged from two different perspectives, such as theoretical and managerial perspectives. For theoretical contributions, even though many previous research was conducted and find the significant relationship between variables in various industries that used for this research, the result of this research will contribute to literature of references in the ecosystems of perceived quality, perceived value of cost, brand identification,

brand trust, lifestyle-congruence, customer satisfaction, and brand loyalty. Hopefully this research can provide information, knowledge, and can be used as reference for further research on customer satisfaction and brand loyalty in the SVOD and OTT industry in Indonesia and globally. For managerial perspective, this research will contribute by providing the results of this study that can be helpful for Netflix to acknowledge which factors that need to be improve in order to increase customer satisfaction from their subscribers. This research can provide information on factors that play an important role in influencing customer satisfaction from the customer's perspective, and suggestions or input that is useful for marketing Netflix products regarding customer satisfaction in Indonesia. Because Netflix is not the only company that provides SVOD and OTT services in Indonesia. There are many competitors in the SVOD industry in Indonesia, such as Vidio, Disney+ Hotstar, and Viu.

With a satisfied customer whose become loyal to Netflix, it will certainly make it easier for Netflix to maintain and increase the number of customers because, in the subscription system, customers will pay every month.

1.2 Problem Statements and Research Question

The industry in the SVOD and OTT fields has experienced a rapid progress and success. There are already many forms of business that exist in this industry, and of course, every companies are experiencing a very tight competition to provide quality films and contents to give satisfaction to the customers. With a lot of companies providing these services and an easy access to them. The role of customer satisfaction is very important, a brand must strive to make customers of the brand satisfied with their products and services so that customers can become loyal to the brand. With a customer whose become loyal to the brand, and in this case is Netflix, they will continue to

subscribe to become members through subscriptions every month. Netflix will continue to try to gain and retain customers to remain loyal to Netflix. This research objectives is to analyse several factors influencing customer satisfaction, and to prove if Netflix Subscribers are satisfied with the products, will they become loyal to the brand.

The research questions for this research study are:

RQ1: Does perceived quality has a positive influence on customer satisfaction?

RQ2: Does perceived value of cost has a positive influence on customer satisfaction?

RQ3: Does brand identification has a positive influence on customer satisfaction?

RQ4: Does brand trust has a positive influence on a customer satisfaction?

RQ5: Does lifestyle-congruence has a positive influence on a customer satisfaction?

RQ6: Does customer satisfaction have a positive influence on a brand loyalty?

1.3 Purpose of study

The purpose of this research study is:

1. To determine if perceived quality has a positive influence on customer satisfaction.
2. To determine if perceived value of cost has positive influence on customer satisfaction.
3. To determine if brand identification has a positive influence on customer satisfaction.
4. To determine if brand trust has a positive influence on customer satisfaction.
5. To determine if lifestyle-congruence has a positive influence on customer satisfaction.
6. To determine if customer satisfaction has a positive influence on a brand loyalty.
7. To fulfil one of the academic requirements to achieve a Sarjana Manajemen

1.4 Research Benefits

The benefits of this research study are:

1. For the theoretical benefits, this research can prove to be useful in understanding how multiple factors such as perceived quality, perceived value of cost, brand identification, brand trust, and lifestyle-congruence can influence customer satisfaction and if customer satisfaction has a positive influence on brand loyalty and this research can provide information, knowledge, and can be used as reference for further research on brand loyalty in the SVOD and OTT industry in Indonesia and globally.
2. For managerial benefits, for companies and other form of businesses in the SVOD and OTT industry, this research can provide information on factors that play an important role in influencing customer satisfaction from the customer's perspective, and suggestions or input that is useful for marketing Netflix products regarding customer satisfaction in Indonesia.

1.5 Systematic Outline

To define the outline of the research paper, an outline will be presented and explained below:

Chapter 1: Introduction

In this chapter of the research, it will discuss and describe the general context of research in several sections, such as the background, questions, objectives, benefits, and systematic framework of the research.

Chapter 2: Literature Review

This chapter contains descriptions and explanations of all independent and dependent variables, correlations between variables, research models, and hypotheses as well as various supporting theories.

Chapter 3: Research Method

In this chapter of the research, it describes the analytical tools and methodological approaches used in the research, assisted by data from various sources. Details including population, sample, conceptual analysis, data collection methods, and tests will be discussed.

Chapter 4: Results & Discussion

This chapter summarizes the results of research based on the data collected and discusses the results of statistical analysis on correlations between variables. Which includes descriptive statistics, validity test, reliability test, and the result of hypothesis test.

Chapter 5: Conclusion & Recommendation

The last chapter presents conclusions from the findings of the empirical analysis, managerial implications of the research, and also recommendations for conducting further research.