# CHAPTER I
# INTRODUCTION

## 1.1.    Background

In this era of globalization, everything has become more related with technology improvements. Globalization is a social process where the geographical restraints recede as the cultural values recede and society does not even realize they are receding. This basically means that the boundaries between countries are disappearing and everything is becoming more interdependent and interconnected (Waters, 2013). Globalization has triggered significant growth on many aspects especially in information technology, one of which, internet. Internet is one of the realizations of technology developments that helps human to interact and communicate to one and another despite the geographical area. For instance, people used to send letters to relatives who live in different location to stay connected which can take up to a few days, even weeks, depending on the distances. However, with the help of technology, people nowadays are able to use internet to send an email instead, which allows any kind of messages or news to be sent instantly.

Internet stands for interconnection networking. It is an open global network communication and connect millions even billions of computer network with various types, that uses computer network that was created by United States Department of Defense in year 1969 from a project called ARPANET which stands for Advanced Research Project Agency Network. The project was first focused on designing network, reliability, how much information that can be shared, which then all the standards they have defined became the forerunner to the development of TCP/IP (Transmission Control Protocol / Internet Protocol) and up until now is still being developed. The first ARPANET connection was in a form of few universities, they were Stanford Research Institute, University of California, Santa Barbara, and University of Utah all connected in 1969. ARPANET was announced to public first time in 1972 and it has grown rapidly since then until in 1981 when there were 213 networks connected it began to confuse ARPANET to control them all. It was the reason on dividing ARPANET into     two     sections,     MILNET     for     military     purposes     and

ARPANET for non-military purposes such as universities network connection (KlikTekno.id, 2014, taken on 17 February 2018).

In Indonesia, computer network was first used in 1980s. Its introduction process involved five local universities, which are *Universitas Indonesia (UI), Universitas Terbuka (UT), Institut Teknologi Bandung (ITB), Universitas Gadjah Mada (UGM),* and *Institut Teknologi Sepuluh Nopember (ITS)* with dial-up facility named UNInet. However, due to the under-developed infrastructure, the network was unable to grow. Despite of the hardship occurred throughout the years, internet has been able to work in Indonesia and functioned as how it should be. The success of internet usage in Indonesia can be clearly seen in 1994 when the first commercial Internet Service Provider (ISP) started to operate using IndoNet's dial-up (mastel.id, 2015, taken on 17 February 2018).
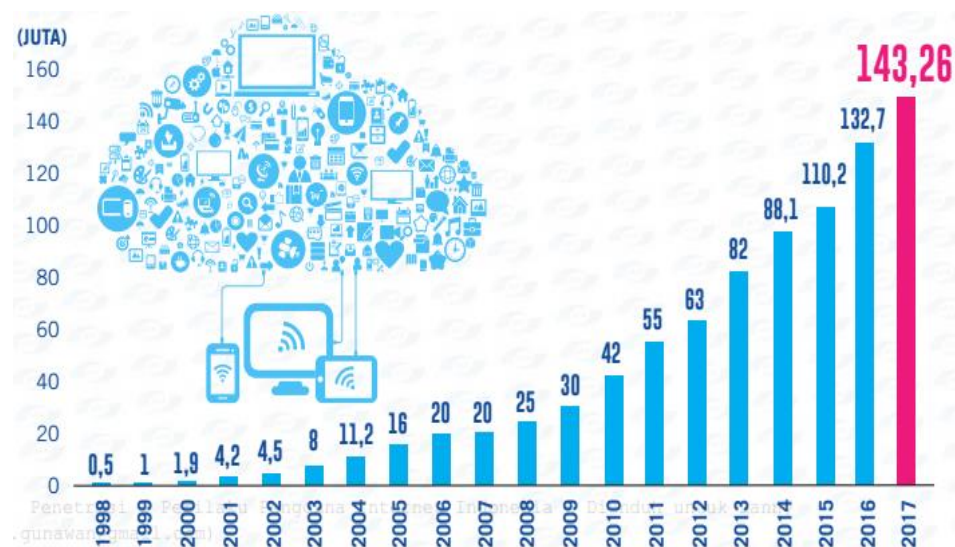


**Picture 1.1 Internet Users Growing Table** (Source: APJII, 2017)

The trend of internet usage in Indonesia is increasing every year. According to *Asosiasi Penyelenggara Jasa Internet Indonesia* or *APJII* (2014), the number of internet user in Indonesia year 2005 was only 16 million from a total of 206,3 million citizens or only 7.8 in percentage. But the number kept on increasing every year. Until in the year 2014, the number of internet users reached 88.1 million users, which account for 34.9% out of a total of 252.4 million Indonesian citizens. The latest statistic done by APJII in 2017 also shows another

significant increasing number of internet users in Indonesia. A total of 143,26 million from 262 million of population of Indonesia is now connected to the internet (APJII, 2017). The penetration of internet user in Indonesia has now reached 54,68% and the number is believed to keep on increasing in the upcoming years.

Internet helps people not only in communication sector, but it has also helped people in various of another sectors such as economy where it can help them with work life, finding prices and buying things, to finishing bank transaction. In public services, people can access government or law information, administration or registration information, as well as tax report. Educational sector is also helped by the existence of internet where people can find helpful article, see tutorial video, and help them who want to enroll to a university or any other educational institution. The other beneficial can also be found in social-politic, health, and daily lifestyle. Moreover, 65,98% of the total of internet users are using internet every day, and 26,48% of the internet users are using internet more than 7 hours daily. It proves on how attached internet nowadays to support people daily needs (APJII, 2017).

In order for people to get connected to the internet, an Internet Service Provider or ISP is needed. ISP is a company or a corporation who offers internet connection to the customers. ISP has both domestic and international network that makes the customers or the internet users from the connection provided by the ISP can gain access to the internet network globally. In Indonesia, ISP used to be identically connected with cellular network, because ISP used to sell internet access from cellular network. For instance, one of them is telkomnet instant of Telkom. With the advancement of technology, ISP nowadays have evolved and no longer depending on cellular network, rather than it now uses technologies such as Wireless, HDSPA Modem, and Fiber Optic Cable. (www.digiyan.com, taken on 17 February 2018). In Indonesia, there are several big companies running as Internet Service Providers such as IndiHome, MNC Play Media, First Media, and Biznet Networks (id.techasia.com, taken on 17 February 2018).

There are several big Internet Service Providers in Indonesia, one of them is PT Telkom Indonesia Tbk, a state-owned enterprise who is engaged in a service

and communication and telecommunication network in Indonesia. A total of 52.09% of shares are owned by Government of the Republic of Indonesia while remaining 47.91% is owned by the public. Telkom shares in Indonesia Stock Exchange (IDX) are represented with code "TLKM" and in New York Stock Exchange (NYSE) with code "TLK". (www.telkom.co.id, taken on 18 February 2018). One of the product that PT Telkom Indonesia Tbk offers is IndiHome Fiber. It is a leading digital service using fiber optic technology with features Triple Play services consisting of Fixed Broadband Internet, Fixed Phone, and UseeTV (Interactive TV). IndiHome Fiber also offers Dual Play Service which consists of Fiber Internet (Fast Internet service) and Fixed Phone or Fiber Internet (Fast Internet Service) and UseeTV (Interactive TV) (www.telkom.co.id, taken on 18 February 2018).

The advantages of fixed broadband internet is that by using fiber optic technology, it may increase the speed of the internet where it can transfer data up to 100 Mbps, way faster compared to copper cable. It also offer more stable network when the internet is accessed at the same time rather that what copper cable could offer as it is more advanced. Fiber optic cable is more durable in any kind of weather condition such as lighting strike and electromagnetic interference. Fiber optic technology is the latest and most advanced in data delivery technology used in fixed broadband services. Phone service offered by IndiHome is a telecommunication service with low cost and clear voice quality. IndiHome Fiber package offers free calling up to 1000 minutes, it depends on the selected packaged or equals to 17 hours per month with can be used for both local and long-distance call freely. The next service, UseeTV is the first TV interaction in Indonesia. UseeTV provides quality display presentations, as well offers variety of features that are not available in other services providers, such as Pause and Rewind, Video on Demand, Video Recording, and many more. The customers can choose as many premium choices available. (www.indihome.co.id, taken on 6 April 2018).

The packages IndiHome Fiber offers are vary from IndiHome Deluxe and Premium packages of Triple Play and IndiHome Netizen I and II packages of Dual Play (www.indihome.co.id, taken on 7 April 2018). The difference between

Triple Play and Dual Play is the service options offered. Whereas Triple Play offers all fixed broadband internet services, fixed phone, and UseeTV all in one, Dual Play only offers either fixed broadband internet and fixed phone or fixed broadband internet and UseeTV so that the customers may choose the available services that may suit the needs and wants of them. Here are the lists of prices (all prices are subject to tax) for each of the package offered by IndiHome Fiber:



**Picture 1.2 Package and Price of IndiHome Deluxe Package – Triple Play**

(source: IndiHome)



**Picture 1.3 Package and Price of IndiHome Premium Package – Triple Play**

(source: IndiHome)

IndiHome have several packages available for its product. IndiHome offers type of product that can fulfill the needs of its customer. If the customer is searching for bundle package of fixed broadband internet, fixed phone and TV interactive, they can choose IndiHome Deluxe Package (picture 1.2) or IndiHome Premium Package (picture 1.3), depending on the speed of the internet or how many TV channel the customer wants to have.

**Picture 1.4 Package and Price of IndiHome Netizen I Package – Dual Play**

(source: IndiHome)



**Picture 1.5 Package and Price of IndiHome Netizen II Package – Dual Play**

(source: IndiHome)

If the customer only needs either fixed broadband internet and fixed phone or fixed broadband internet and TV interactive, the customer may choose Dual Play services instead. IndiHome Netizen Package I (picture 1.4) for fixed broadband internet and fixed phone or IndiHome Netizen Package II (picture 1.5) for fixed broadband internet and TV interactive. Currently, IndiHome's internet speed is up to 100 Mbps.

PT Telkom Indonesia (www.republika.co.id, taken on 7 April 2018) states that in 2017 the numbers of IndiHome customers have surpassed 2 million with its Triple Play, fiber-based technology. First Media, on the other hand, by the same period, the total of its customers are around 1 million (www.wartakota.tribunnews.com, taken on 7 April 2018). Biznet Networks, according to its Brand Manager (www.industri.bisnis.com, taken on 7 April 2018)

has around 400,000 customers. The other big company group, MNC Play has around 250,000 customers (www.kalimantan.bisnis.com, taken on 7 April 2018). It shows that PT Telkom Indonesia have the biggest market shares in telecommunication industry through its product, IndiHome.

As the biggest ISP in Indonesia, the customers will definitely expect a very good service in return of the services and packages they are paying for. However, there are many cases happened where numbers of customers are disappointed by how the company handles services complaints. If we look on a search engine and wrote *"penanganan indihome buruk"* or indihome disappointing, and there are 16.700 results and 6.030 results for indihome bad handling or *"penanganan indihome buruk"*. There is one online platform that accommodates reviews from customers, *www.mediakonsumen.com,* and there are several complaints about IndiHome.
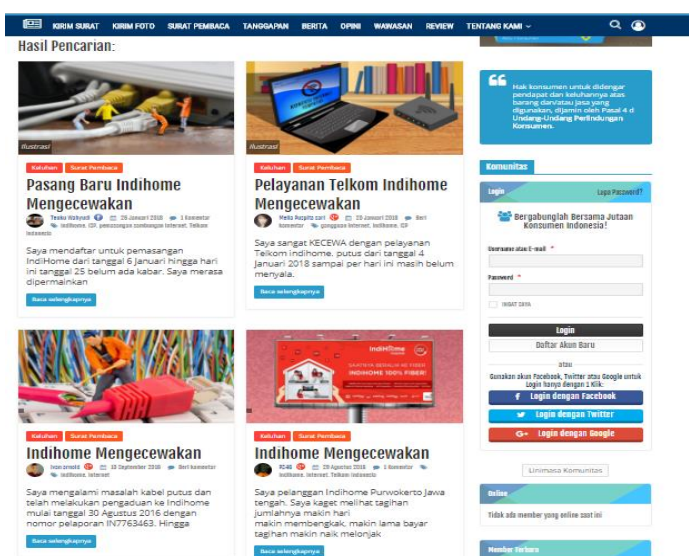


**Picture 1.6 Screenshot of Customers Complaining On a Website.**

(source: mediakonsumen.com)

Sri Wulandari in 1ˢᵗ February 2018 where the customer service from IndiHome already promised to set a schedule for the technician to come by and fix the problems on 27ᵗʰ January 2018, but until 1 February 2018, there was no one from the IndiHome to come and fix the problems that the customer were having (www.mediakonsumen.com, taken on 12 April 2018). Another bad customer

experience is posted by Ida Ayu Dewi in 24$^{th}$ June 2016, she was having internet trouble and already called the customer service to report the problem. However, the problem has not been fixed although 10 days have passed. Even though she already called the customer service almost every day to ask for the update, it seemed the handling service done by the representative team is very slow and it leads to service failure that is experienced by the customer. It is interesting to be investigated as IndiHome as the ISP with the biggest market shares should control the not only the product quality but also the handling service quality as careless decision and action done by the company may result in customer experiencing service failure and may lead to retaliatory behavior, and some may lead to demands for reparation.

As the response of customer behavior of the service failure can be interpreted as retaliatory behavior and demands for reparation. According to Bechawati and Morrin (2003), retaliatory behavior is an act of customer to give the related company a punishment or to create a discomfort situation for unfair actions from the company towards the customers. On the other hand, demands for reparation is a positive request which is done by the customers towards the company for handling the problems that have occurred (Gregoire & Fisher, 2008). This matter is important to be investigated in order to know how far the responses of IndiHome's customers for the problems arise. In this research, the concept of retaliatory behavior and demands for reparation is at the stage of intention or customer interest for doing the action. In accordance with Pinder (1998), intention of interest in an individual will have an impact on the actual action of behavior. Thus, from this research the company will be able to realize the retaliatory behavior and demands for reparation that could have been the result of service failure from overcoming the problems that occurred.

Customer response to retaliatory behavior and demands for reparation due to unfair service failures is affected by perceived betrayal variable. Perceived betrayal is the customer's belief that the company deliberately violates the norm in the context of the relationship between customers and company. At the perceived betrayal stage, it will result in acts that are difficult to apology and forget the failure of service done by the company in handling the problem that

occurred. In the context of service providers, act of betrayal includes a situation where the customer believes that the company has lied, taken advantages of, tried to exploit, broken trust, not keeping promises, and blocked important information against customers (Gregoire & Fisher, 2008). Handling problems as the result of failure in the service towards the customer is very important. Appropriate and effective complaints handling of customers complaints for service failures will result in a very good impact in preventing things that can harm the company for their actions (Tax *et al.,* 1998). In this research, the writer would like to examine whether perceived betrayal from IndiHome customers toward the company would lead to retaliatory behavior or demands for reparation.

Handling problems of service failure in the recovery phase is important. In the recovery stage, the customer will complain to the company. At this stage, the role from norm of justice in accordance with the restoration guidelines, the violation of the norm of justice will have an effect to perceived betrayal. The violation to the norm of justice is known as fairness judgments conceptualized in three factors which are distributive fairness, procedural fairness, and interactional fairness (Gregoire & Fisher, 2008).

According to Barclay et al., (2005) Distributive fairness, procedural fairness, and interactional fairness will have an effect on the perceived betrayal in the process of solving the problem. There are some studies that support a company must improve its distributive fairness, procedural fairness, and interactional fairness that will suppress any negative action that might be done by the customer as a result from service failures that have been done. In this part, it is very important for the company to solve and minimize any action that may put the company in unfavorable position caused by the customer (Gregoire et al., 2010). In this part, IndiHome will deal directly with the customers in solving any problem that occurs. Therefore, it is important to focus and discuss these three factors.

The context of discussion of this research involves the relationship between customers and the company. Strong relationship between customer and company especially in the service area is considered to be an important asset for the company (Rigby et al., 2002). It is also supported by De Wulf et al., (2001)

that strong relationship between the company and customers will benefit the company. Thus, it is important for IndiHome to keep building and maintaining a good relationship with its customers. Relationship quality has an important role in the recovery phase of complaints made by customers due to service failure.

There are two concepts that become the research gap that has been discussed by some previous researchers of "love is blind" and "love becomes hate" (Gregoire & Fisher, 2008). "Love is blind" is a concept that shows a condition where relationship quality between the customer and the company is high, the customer's desire to retaliate becomes lower or the customer will be more tolerable on the company's mistakes especially in service sector. Unlike the case from the research conducted by Gregoire et al., (2008) the results show opposite to the concept in general. His finding shows that when a relationship between the company and the customer is high, the customer will tend to be intolerant of the unfairness he or she receives. This makes the customer feels betrayed and tends to be more sensitive in evaluating every service provided by the company. This concept is known as "love becomes hate". This becomes the research gap for the needs of further discussion and research to examine the research gap of relationship quality as a moderating variable in this research.

This research is based on the same topic research done by Gregoire and Fisher conducted in Canada in year 2008. The result of research conducted by Gregoire and Fisher (2008) is perceived betrayal is a key motivation that encourages customer to perform justice returns through retaliatory and reparation actions. Other findings indicate that high relationship quality will result in customers feel betrayed more if the company breaks the norm or failures in its service. The result is contradicted with the previous research.

The selection of topic from this research is based on the importance of discussing and knowing the effect on each of the variables described earlier. In the context of services, it is important and failures in service will have an adverse impact if not taken care immediately (Tax et al., 1998). From previous several researches suggest that relationship quality has a very important role in minimizing perceived betrayal from the customer that would result in retaliation and demands for reparation (Bhattacharya & Sen, 2003; Gregoire & Fisher, 2006;

Hess et al., 2003; Mattila, 2001; Tax et al., 1998). Findings from other researches show the opposite results that relationship quality has no effect in minimizing perceived betrayal from customers (Mattila, 2004; Gregoire & Fisher, 2008). Thus, with the research gap, the selection of this research topic will give positive contribution both theoretically and practically to the object of this research which is IndiHome in Indonesia.

## 1.2. Research Problems

1. Does Distributive Fairness have a significant effect on Perceived Betrayal of customers of IndiHome in Surabaya?

2. Does Procedural Fairness have a significant effect on Perceived Betrayal of customers of IndiHome in Surabaya?

3. Does Interactional Fairness have a significant effect on Perceived Betrayal of customers of IndiHome in Surabaya?

4. Does Relationship Quality moderate the Distributive Fairness relationships against Perceived Betrayal of customers of IndiHome in Surabaya?

5. Does Relationship Quality moderate the Procedural Fairness relationships against Perceived Betrayal of customers of IndiHome in Surabaya?

6. Does relationship quality moderate the Interactional Fairness Relationships against Perceived Betrayal of customers of IndiHome in Surabaya?

7. Does Perceived Betrayal have a significant effect on Retaliatory of Behavior of customers of IndiHome in Surabaya?

8. Does perceived betrayal have a significant effect on demands for reparation of customers of IndiHome in Surabaya?

## 1.3. Research Objectives

1. To examine if the Distributive Fairness have a significant effect on Perceived Betrayal of customers of IndiHome in Surabaya

2. To examine if the Procedural Fairness have a significant effect on Perceived Betrayal of customers of IndiHome in Surabaya

3. To examine if the Interactional Fairness have a significant effect on Perceived Betrayal of customers of IndiHome in Surabaya

4. To examine if the Relationship Quality moderate the Distributive Fairness relationships against Perceived Betrayal of customers of IndiHome in Surabaya

5. To examine if the Relationship Quality moderate the Procedural Fairness relationships against Perceived Betrayal of customers of IndiHome in Surabaya

6. To examine if the Relationship Quality moderate the Interactional Fairness relationships against Perceived Betrayal of customers of IndiHome in Surabaya

7. To examine if the Perceived Betrayal have a significant effect on Retaliatory of Behavior of customers of IndiHome in Surabaya

8. To examine if Perceived Betrayal have a significant effect on Demands for Reparation of customers of IndiHome in Surabaya

## 1.4. Research Contributions

The result of this research is expected to provide benefits to the following:

### 1.4.1. Practical Contributions

1. This research enriches and broadens the existing theory about management strategies that is connected with variables such as distributive fairness, procedural fairness, interactional fairness, relationship quality, perceived betrayal, retaliatory behavior, and demands for reparation.

2. This research provides deeper understanding and knowledge of the theories about complaint handling and gives contribution to relationship quality variable that becomes the research gap in this study.

### 1.4.2. Theoretical Contributions

The writer hopes that the result of this research can be the basis and scientific data for IndiHome in handling and solving problems which are related with service failures. In addition, through this research is expected for telecommunication industry especially internet service providers in Indonesia to know how important the employees and anyone involved in the process in handling and solving each of the complaint by the customers.

## 1.5. Research Limitations

Research limitations of this research are as following:

1. This research only has seven variables from three independent variables, they are distributive fairness, procedural fairness and interactional fairness, one moderation variable which is relationship quality, one mediation variable which is perceived betrayal, and two dependent variables, they are retaliatory behavior and demands for reparation.

2. The object for this research is IndiHome and the limitation of the subject for this research is set for customer of IndiHome in Surabaya, 18 – 60 years old and those who have done at least one submission complaint report to IndiHome.

**1.6.    Research Outline**

In order to facilitate the reader in following the discussion, the research is arranged systematically into five chapters:

**CHAPTER I: INTRODUCTION**

This chapter defines about the research problem and provides the background information that becomes the based research for the writer to start this research in detailed that can contribute to understanding the research problem. The content for this chapter includes the background information, research problems, research objectives, research contributions both theoretically and practically, research limitations, and research outline.

**CHAPTER II: LITERATURE REVIEW**

This chapter explains the major studies used in this research, previous research, theoretical foundations, research models, frameworks, and how the modeling efforts address the hypothesis to be tested.

**CHAPTER III: RESEARCH METHODS**

This chapter describes the detailed technical and scientific activities such as type of research, population and sample, collection methods, operational definitions and measurement of variables and data analysis methods.

**CHAPTER IV: DATA AND ANALYSIS**

This chapter contains an overview of the research, which is IndiHome, data analysis, descriptive statistics and discussion on how the data collected are related to the theories and prior researchers presented at the beginning of the study.

**CHAPTER V: CONCLUSION**

This chapter consists of the conclusion of this research, as well as gives implications and recommendations.