CHAPTER I

INTRODUCTION

1.1   Review of the Research Object

A. Company Profile

Research's object   : PT. First Media Tbk.

Launch date   : September 8, 2007

Official website   : www.firstmedia.com

B. Company Overview

The rapid development of technology and Internet is already entering to the very advanced level. Many companies are engaged in the Internet services field due to these rapid developments, since internet has become a part of the community. The expansion of the Internet network was seen from the large number of subscribers and it users are still increasing.

PT. First Media formerly known as PT Broadband Multimedia, as an Indonesian public company listed on Indonesia Stock Exchange. First Media provides broadband internet service, cable television, and data communications, which as a whole is introduced as the "Triple Play". The products are sold either separately or in package. In 2008, First Media has approximately 180,000 internet subscribers and around 130,000 television subscribers. First Media's fiber optic network has a length of 2,597 kilometers spread across Jabodetabek, Surabaya, and Bali.

First Media is a subsidiary of Lippo Group. Lippo Group itself is a large company that was founded by Mochtar Riady. First Media also holds full ownership of PT. Ayunda Prima Mitra which controls 80% of PT Direct Vision, the company that operates the satellite television service Astro Nusantara. First Media will target one million affordable homes their network before early 2009. Since September 2013, BIG TV affiliate with First Media under Lippo Group Management and it's available through the nation. Nowadays, First Media serves more than 300.000

customers at this time and with continued improvement every day. Along with the development of the technology, First Media are always improving their product to meet customer demands.

C. History

First Media was founded in January 6, 1994 under the name of PT Broadband Multimedia Tbk. In March 1999, Broadband Multimedia began marketing themselves commercially under the trademark Kabelvision, which was followed in subsequent years with the launch Digital1 and MyNet. On June 16, 2007, Broadband Multimedia changed its name to First Media, as well as launching a new brand identity and service providers as "Triple Play". Kabelvision and Digital1 united under Home Cable products, while MyNet change into Fastnet. The Company commenced to operate on March 1, 1999.

At the end of August 2007, Lippo Group announced the disbursement of investment of $ 650 million over the next four years to First Media. Funding was to be invested every aspect of content development services and internet shopping, cable TV, HDTV, broadband access, wireless services, data storage facilities, and telephone service. In such funding, the Lippo Group holding company Shanghai Media Entertainment Group (through subsidiary STR), Cisco, and Motorola for network construction and financing of the project. First Media currently acquired several companies through its branches such as PT Margayu Vatri Chantiqa, PT Ayunda Prima Mitra, PT Link Net, PT First Media Production, First Media News, and PT First Media Television.

D. Vision and Mission
1) Vision

To become the premier integrated Mega media Services Company in Indonesia that capitalizing on the advancement in Internet Broadband Technology platform in order to deliver superior value to stakeholders.

2) **Mission**

1. To be the leader in its field
2. To emphasize on competence and professionalism
3. To focus on customer centric
4. To become prime employer of choice
5. To participate in social corporate citizenship

E. Business Strategy

Utilizing the advances in communications technology and maximizing the high-speed digital broadband Internet technology to provide the integrated Mega media services at affordable prices in Indonesia.

Consistently become the first in Indonesia to adopt the latest technological breakthrough, in an effort to quantum leap, and deliver superior products and services to customers.

Continuously achieve business efficiency to be the provider of high quality Mega media services with effective and competitive costs.

1.2 Problem Background

In the era of globalization, the products or services that compete in the market more numerous and diverse due to the openness of the market. Therefore, the competition among manufacturers to meet customer needs as well as provide customer satisfaction to the fullest, because basically the purpose of a business is to create customer satisfaction. One of the actions to satisfy the customer is to provide service to customers as well as possible. This fact can be seen as there are something's that can give the value of customer satisfaction. Total customer that rested on the product value, service value, personnel value, the value image or images, and the total cost, consisting of monetary costs expenses time, labor costs, and the cost of mind (Kotler, 2000).

The Internet is a global system of interconnected computer networks that use the standard Internet protocol suite to link several billion devices worldwide. It is an international network of networks that consists of millions of private, public, academic, business, and government packet switched networks, linked by a broad array of electronic, wireless, and optical networking technologies. The Internet carries an extensive range of information resources and services, such as the inter-linked hypertext documents and applications of the World Wide Web (WWW), the infrastructure to support email, and peer-to-peer networks for file sharing and telephony (Steward B., 2000).

Unlike online services, which are centrally controlled, the Internet is decentralized by design. Each Internet computer, called a host, is independent. Its operators can choose which Internet services to use and which local services to make available to the global Internet community. Remarkably, this anarchy by design works exceedingly well. There are a variety of ways to access the Internet. Most online services offer access to some Internet services. It is also possible to gain access through a commercial Internet Service Provider.

The Internet allows greater flexibility in working hours and location, especially with the spread of unmetered high-speed connections. The Internet can be accessed almost anywhere by numerous means, including through mobile Internet devices. Mobile phones, data cards, handheld game consoles and cellular routers allow users to connect to the Internet wirelessly. Within the limitations imposed by small screens and other limited facilities of such pocket-sized devices, the services of the Internet, including email and the web, may be available. Service providers may restrict the services offered and mobile data charges may be significantly higher than other access methods. The low cost and nearly instantaneous sharing of ideas, knowledge, and skills has made collaborative work dramatically easier, with the help of collaborative software. Not only can a group cheaply communicate and share ideas but the wide reach of the Internet allows such groups more easily to form.

Table 1.1 Internet Users Worldwide
Source: Internetlivestats (2014)

INTERNET USERS WORLDWIDE					
Year (July 1)	Internet Users	Users Growth	World Population	Population Growth	Penetration (% of Pop. with Internet)
2014*	2,925,249,355	7.9%	7,243,784,121	1.14%	40.4%
2013	2,712,239,573	8.0%	7,162,119,430	1.16%	37.9%
2012	2,511,615,523	10.5%	7,080,072,420	1.17%	35.5%
2011	2,272,463,038	11.7%	6,997,998,760	1.18%	32.5%
2010	2,034,259,368	16.1%	6,916,183,480	1.19%	29.4%

Table 1.1 shows data about the growth and penetration of internet user in the world. Internet users are increasing from 2010 to 2014 along with the increasing in world population. Penetration of Population with Internet is increase dramatically from 24.4% into 40.4% in just 5 years.

In Asia itself, overall Internet usage has seen tremendous growth. May, 2011, it was pointed out that 50 percent of the world's population was in a very concentrated circle in Asia. This continent is by far the biggest market in the world. It was covered 45.1% of internet users in worldwide (Internetworldstats, 2014).

In 2014, the Asia Pacific region counts a total of 1.25 billion Internet users, representing 47% of the global online population. This means that the Internet penetration in Asia Pacific reached 32%, which lies just below the global average of 37%. However the regional differences in terms of internet adoption are significant. Whereas South Asia is in a rather under developed stage with penetration levels of 17%, Oceania exceeds the global average by almost 200%, with a penetration level of 63%. However, especially the two big Asian players, India and China, will drive the digitalization of the region in the near future. Also other developing countries such as Indonesia are expected to feature double digit internet user growth rates over the coming years (etc-digital.org., 2014).

As figure 1.2 shows that Indonesia becomes the fourth place among Asians countries. The Internet in Indonesia is a relatively new communication media in

Indonesia, an archipelago that spans over more than 17,001 islands. Several Internet access services are available in Indonesia, ranging from ADSL to mobile Internet. Telephone line-based service was among the first Internet access services in Indonesia with PT Telkom as a main player who controls most fixed telephone line networks.

Figure 1.1 Internet Users in Asia
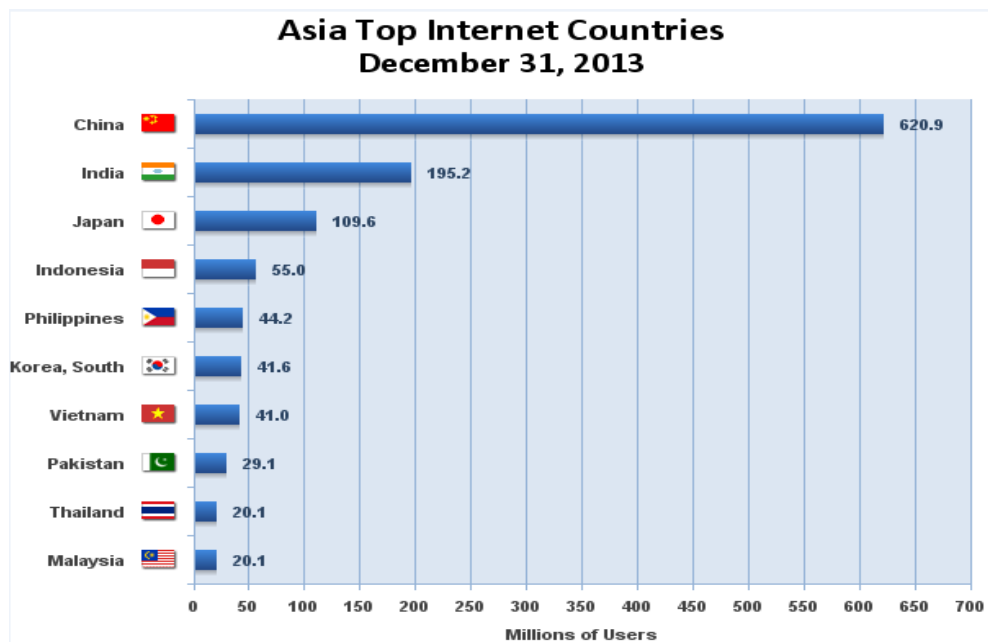
Source: Internetworldstats, 2013

Based on the Indonesia Internet Service Providers Association, in Q4 2013 there are 71.19 million Internet users in Indonesia or about 28 percent of Indonesia's population (APJII, 2013). While according to Cisco Visual Networking Index, in 2013 Indonesia is the world's second fastest growth of IP traffic and has become of Internet of Everything country (Edinayanti, 2014).

Table 1.2 Indonesia ISP and HomeCable TV Service

Website	Service Type	Product Sold	Alexa Rank

			Worldwide	Indonesia
telkom.co.id	Telecommunication	Fixed Line, Mobile Telephony, Internet Service, Digital TV, Property and Construction, IT Service.	15,878	224
firstmedia.com	Internet Service Provider & Cable TV provider	Internet Service, Home Cable TV.	31,425	268
mymax3.net	Internet Service Provider & Cable TV provider	Internet Service, Home Cable TV.	212,372	3,986
cepat.net.id	Internet Service Provider & Cable TV provider	Internet Service, Home Cable TV.	772,052	18,230

Source: Alexa.com/rank/2014

Table 1.2 shows some of Internet Service Provider and Cable TV provider in Indonesia. This table shows some of the websites of the Internet Service Providers and Cable TV provider and their rank according to Alexa.com. Telkom Indonesia has a website named Telkom.co.id is the largest telecommunications services company in Indonesia, which run telecommunication business unit mainly in fixed line telephony, internet and data communications. Telkom.co.id placed 224 in Indonesia rank and 15,878 in worldwide rank. First Media is take rank 268 in Indonesia and rank 31,425 worldwide, while for mymax3.net take rank 3,986 in Indonesia and 212,372 in worldwide. The last is cepat.net.id has taken place in rank 18,230 in Indonesia and rank 772,052 in worldwide.

The Internet is playing a greater role in the lives of average Indonesians, particularly among its huge population of youths. In return, they're also demanding faster, better access, underlying some of the challenges facing the next administration. First Media product called Triple Play, which is a service-based digital broadband technologies include high-speed internet access services without restriction that is always lit (Fastnet), digital cable TV (HomeCable), and high-speed data communications and a large capacity for business and commercial

applications (DataComm). The area that has been covered so far is the area of Greater Jakarta, Surabaya, and Bandung.

Along with the expansion of the network and infrastructure development, PT First Media Tbk (KBLV) is targeting 850,000 subscribers in 2014. The number was increased by 30% compared to 2013, which has total 620,000 subscribers, which 312,000 of them were subscribe in internet service and the rest 308.000 subscribe in cable TV (Suara Pembaharuan, 2013).

Alexa.com is the leading of global web metrics. Alexa rank system can tracks over 30 million websites worldwide. The rank estimate based on the searching key word by internet users using different types of toolbar and add-ons for Google Chrome, Firefox and Internet Explorer.

Figure 1.2 FirstMedia.com Website's Rank

Source: http://www.alexa.com/siteinfo/www.firstmedia.com/2014
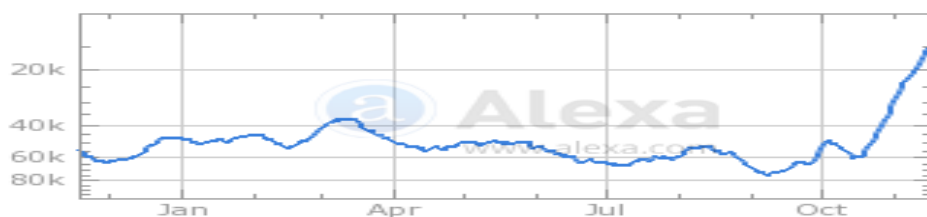
Figure 1.3 shows that according to alexa.com, PT.FirstMedia website rank has a fluctuated growth from January 2014 and in early October started showing the positive trend for the rank.

Figure 1.3 FirstMedia.com Website Daily Page View

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Firstmedia.com daily page views have decreasing in January-October 2014 periods. The daily page views decreased into 22.7% in at the end of October compare with the last 3 months with 26% at the beginning of July (Alexa.com, 2014). It means the effectiveness of PT. First Media website is decreasing.

Bounce rate is an Internet marketing term used in web traffic analysis. It represents the percentage of visitors who enter the site and then leave ("bounce") rather than continuing on to view other pages within the same site. Bounce rate is a measure of the effectiveness of a website in encouraging visitors to continue with their visit. It is expressed as a percentage and represents the proportion of visits that end on the first page of the website that the visitor sees.

Figure 1.4 FirstMedia.com Bounce Rate

According to Alexa.com, the bounce rate for firstmedia.com is down 18% compare with the last 3 months into 22.70%. While the daily page views per visitor in October 2014 has decrease 17.41% into 3.32 people per day compare with the last 3 months. Daily time on site for firstmedia.com is falling 27% compare with last 3 months; it took only 3 minutes and 32 seconds in average for a people to stay in firstmedia.com. Even firstmedia.com bounce rate is down into 18% means that the website has increased in effectiveness of the site, but since the daily page views

per visitor and daily time on site are decreasing, it shows that the website itself is already ineffective and cannot maintain to attract customer.

The decreasing trend for websites daily visitors and online transaction shows there is also decreasing trend in Firstmedia.com customer satisfaction. Along with the higher customer satisfaction leads to greater customer loyalty. This means if the customers are satisfied they will continue to buy in that sites and recommend the site to the other that will create the increasing number of transaction and sites visitors. If these trends continue decreasing, the probability of Firstmedia.com wins the competition with other companies will be an obstacle for First media to run business.

Service Quality has defined as Tangibility, Empathy, Reliability, Responsiveness, and Assurance (Parasuraman, 2005). But, a recent study, based on data collected from focus group interviews, electronic service quality (e-SQ) defines with Reliability, Responsiveness, and Assurance. Those three dimension are important in both online and offline settings. However, some other dimensions are unique to customer's evaluation of e-SQ, including Ease of navigation, Flexibility, Efficiency, Site aesthetics, Price knowledge. According to Zeithaml (2002) online service quality is one of driven factors of customer satisfaction.

Zeithaml (2002) developed the e-SERVQUAL measure of e-service quality to study how customers judge e-service quality. It contains seven dimensions: efficiency, reliability, fulfillment, privacy, responsiveness, compensation and contact. The first four dimensions are classified as the core service scale, and the latter three dimensions are regarded as a recovery scale, since they are only salient when online customers have questions or problems. Expectations play important role to determine the customer's service quality evaluation and satisfaction (O'Connor, 2000).

Table 1.3 Complaints for PT.Firstmedia and Firstmedia.com

Complains	
2012	19 Report
2013	37 Report
2014	65 Report

Source: Kaskus.co.id, Rumahpengaduan.com, komplain.info.com, kompas.com,
myzone.okezone.com.

Table 1.3 show us the increasing in complain for PT.Firstmedia and Firsmedia.com from 2012-2014. From 2012, there are 19 complaints posted in social media and also website media that shows PT.Firstmedia and Firstmedia.com has a problem. In 2013 the complaints posted was increased to 37 complaints and keep increased in 2014 that has 65 complaints posted. It shows that PT.Firstmedia is unable to prevent the problems that occur in their services in the future.

Many companies still feel difficult in offering quality service in that services are mainly delivered through human interaction between customer and service employee. Results with a big deviation from customer expectation cause various negative reactions such as quitting future purchasing and negative Word Of Mouth (WOM).

Table 1.4 Show some of complains about service that provided by PT.Firstmedia. Since PT.Firstmedia did not have an official report for complains from its subscribers, many of the customer have to post complains to the public website or even media due to the slow response that occur in First Media. It makes First Media fragile in building their customer satisfaction and loyalty.

Table 1.4 Customer Complain for First Media

Customer name	Source	Complaint
Eva Christina. Surabaya	http://rumahpengaduan.com/2013/03/01/pelayanan-pelanggan-first-media-parah/	Subscribing first media up to 3 MBPS and unlimited quota, for Rp. 387 500 per month. Internet speed every 10 down to below 1 Mbps, even less than 0.5 MBPS.

Deswita Arieyanti, Tanggerang	http://myzone.okezone.com/content/read/2014/03/06/12535/first-media-penipu	Slow response from the customer service so the customer has to wait for one month before the complaint has posted.
J. Steven Purba, Jakarta	http://komplain.info/internet-provider/2014/07/30/keluhan-abadi-untuk-first-media.html	Disorders such as breaking up the internet all night and even a full day. Slow response from the customer service
Rorica Tixson, Jakarta	http://www1.kompas.com/suratpembaca/read/36243	First media did not appreciate loyal customer.

Source: Kaskus.co.id, Rumahpengaduan.com, komplain.info.com, kompas.com, myzone.okezone.com.

Regarding to the facts and phenomenon above, the writer felt the need to investigate and find out more about how the quality of online service of PT.Firstmedia and its influence on customer satisfaction. By using E-SERVQUAL, author would like to raise the research titled "Analyzing the Impact of Online Service Quality on Customer Satisfaction," Case Study: Firstmedia.com (PT.Firstmedia).

1.3 Problem Formulation

In this research, the problems' formulation is determined by the increasing competition in the business that will affect the rise and fall of demand for a product. It encourages companies to take more action, through good service quality. By maximizing the Service Quality, the company will try to increase the popularity of their products or services. From the problems' formulation, there are several question of the research, which is:

   a. Does Efficiency give significance effect on Satisfaction of Customer Firstmedia.com?

   b. Does Reliability give significance effect on Satisfaction of Customer Firstmedia.com?

   c. Does Responsiveness give significance effect on Satisfaction of Customer Firstmedia.com?

d. Does Fulfillment give significance effect on Satisfaction of Customer Firstmedia.com?

e. Does Privacy give significance effect on Satisfaction of Customer Firstmedia.com?

f. Does Online Service Quality of firstmedia.com give significance effect to its Customer Satisfaction?

The effect of Service Quality will have an effect on Customer Satisfaction because of the Service surpass the Customer Perception about the Service. It will affect to the Customer Satisfaction and also Customer Loyalty.

1.4 Research Objective

This research explains about how the e-Service Quality will impact on Customer Satisfaction. The objectives to be achieved in this research are:

a. To test the effect significance of Efficiency on Customer Satisfaction.

b. To test the effect significance of Reliability on Customer Satisfaction.

c. To test the effect significance of Responsiveness on Customer Satisfaction.

d. To test the effect significance of Fulfillment on Customer Satisfaction.

e. To test the effect significance of Privacy on Customer Satisfaction.

f. To test the effect significance of Online Service Quality of firstmedia.com on Customer Satisfaction.

1.5 Research Function

1.5.1 Theoretical Function

The results of this research are hopefully can give useful information to develop more knowledge in the field of marketing management that related to the impact of e-Service Quality towards Customer Satisfaction. There are so many ways to improve knowledge, and this research is one of them.

1.5.2   Practical Function

This study can be used as a reference for the company that has to do with this research, especially Internet Service Provider Company that has the same business industry. This research can be used to improve the company's knowledge.

1.6   Systematical Writing

Systematic of writing in this study are divided into five chapters as follows:

1.   Chapter I: Introduction
2.   Chapter II: Theories and Framework
3.   Chapter III: Research Methodology
4.   Chapter IV: Research Result and Data Analysis
5.   Chapter V: Conclusion and Suggestion