

STRATEGY ANALYSIS OF BUILDING CUSTOMER LOYALTY INDIHOME PT. TELEKOMUNIKASI INDONESIA Tbk

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Abstract

Looking at the emerging internet service competitors, it is hoped that IndiHome will become one of the providers offering the best internet access and services. High consumer loyalty for a product is the most important aspect for a company in carrying out its business activities. To increase consumer loyalty, companies must pay attention to the factors that become a benchmark for consumer loyalty, including product, price, place, promotion, people, process, and physical evidence. The type of research used is quantitative, with a research method that is correlational research which is defined as a research method based on the philosophy of positivism, used to examine certain populations or samples, sampling techniques are carried out randomly, and data collection uses research instruments. The study results show that the product (product) positively and significantly affects IndiHome consumer loyalty at PT. Telkom witel Medan. Price has a positive and insignificant effect on IndiHome consumer loyalty. Promotion has a positive and significant effect on IndiHome consumer loyalty. People have a positive and insignificant effect on consumer loyalty. The process (process) positively and significantly affects consumer loyalty. Customer satisfaction has a positive and significant effect on consumer loyalty.

Keywords: *Product, Price, Promotion, People, Process*

1. INTRODUCTION

Communication technology and internet services have developed to have an important role in society. Almost all of society's daily life, starting from the business sector, is growing rapidly with the increase in information and communication media, especially people in the world who are in the digitalization era and need internet services. Therefore, if it is said that internet service is one of the community's needs. PT. Telkom Indonesia is a company engaged in telecommunications with IndiHome products. These are a combination of telecommunication, information, media, and edutainment products and services into one consisting of high-speed, home telephone, and interactive services (UseTV cable) or Triple Play. Customer satisfaction can not only be achieved with service quality, but other factors can support the fulfillment of customer satisfaction. Zeithmal and Bitner (2003) suggest that satisfaction is a much broader concept than just an assessment of service quality but is also influenced by other factors such as service or service quality, product quality, price, situational factors, and personal factors of consumers. So that the existence of these factors can make business people think that customers are interested and settled.

Table 1. Customer Churn

| MONTH | Customer churn | | |
|------------------------|----------------|-------------|-------------|
| | 2020 | 2021 | 2022 |
| January | 0 | 382 | 362 |
| February | 0 | 319 | 430 |
| March | 93 | 445 | 504 |
| April | 630 | 439 | 328 |
| Mei | 316 | 378 | 345 |
| June | 670 | 538 | 433 |
| July | 441 | 398 | 424 |
| August | 344 | 249 | 500 |
| September | 329 | 250 | 537 |
| October | 249 | 237 | 526 |
| November | 293 | 336 | 566 |
| December | 450 | 314 | 311 |
| Total Customers | 3815 | 4285 | 5266 |

Source: Warehouse Indihome Witel Medan,2022

In Table 1. Loss of customers (Customer Churn) occurred in 2020-2022. There were 3,815, 4285, and 5,266 lost customers, respectively. From these data findings, research begins to overcome and anticipate losing customers to remain loyal to using Indihome services. Having loyal consumers is the goal of all companies. Consumer loyalty has an important role in a company. Maintaining them means maintaining the company's survival and improving financial performance so that it is stable and makes a profit. The value of a company will increase with the number of consumers who are loyal to the product. Value is created when consumers feel they are getting more than expected. From the value given to consumers, the company can create customer satisfaction. Ordinary customer satisfaction positively impacts the company so that consumers recommend companies or services provided to others, and it shows consumer loyalty to the company.

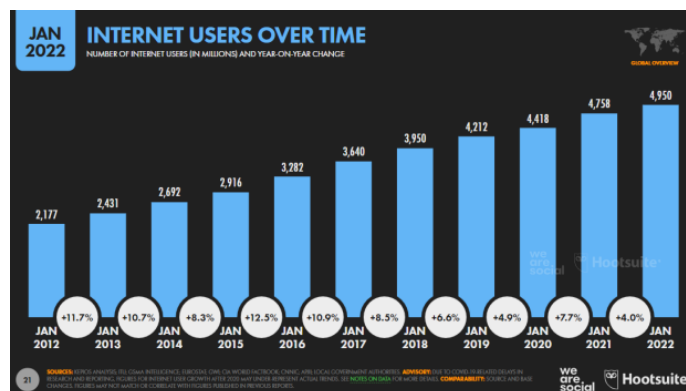


Figure 1. The ratio of internet users to the total population each year

(Source: Directorate General of Population and Civil Registration, Ministry of Home Affairs, 2022)

Based on Figure 1. during 2021 the number of global internet users increased by 4%, slowing compared to 2020, which increased to 7.7% amid a pandemic. Internet users in Indonesia alone reach 73.7% of the total population. According to the Directorate General of Population and Civil Registration (Dukcapil) of the Ministry of Home Affairs, the population of Indonesia reached 273.87 million on 31 December 2021. Based on We Are Social & Hootsuite data in the Digital 2022 Global Overview Report, out of the 7.91 billion world population, as many as 4.95 billion people, or 62.5%, have accessed the internet. Mobile phone holders reached 5.31 billion people, or 67.1% of the population. Regarding internet adoption or the ratio of internet users to population, Indonesia is slightly better than Vietnam, which has reached 73.2%. However, we lost to Thailand (77.8%) and are far behind compared to Malaysia (89.6%). This means that there will be around 201.8 million people who have access to the internet in Indonesia in early 2022. Several factors that contribute to increasing customer loyalty are the 7P marketing mix theory, which consists of product, price, place, promotion, people, process, and physical evidence by Kamau et al. (2015). When a company can maintain the dimensions contained in the 7P mix, this will result in satisfaction for consumers who have used Indihome services. Satisfaction is important in marketing because it is a predictor of consumption action. Satisfaction is pleasure or disappointment from comparing product performance with consumer expectations (Al-Msallam, 2015).

Consumers are at the pulse for companies to improve service and increase the number of company sales which are getting better in the eyes of consumers and can increase consumer loyalty to the company. If customers are satisfied, then customers will be loyal to internet services. Judging by the quality of service, it encourages customers and carefully establishes good relationships with customer expectations and needs. If the service received or perceived is per customer expectations, the service quality is good, and the customer will continue to use the services provided. The importance of the marketing mix to consumer loyalty IndiHome PT. Telekomunikasi Indonesia (Telkom) witel Medan is the main measure of success in acquiring new customers and installing and periodically maintaining the IndiHome network so that people can enjoy internet services. Consumers who subscribe to IndiHome have also continued to experience a very significant increase in the Covid outbreak phase, where the increase in Indihome revenue was triggered by consumer growth and the improvement in average per-user revenue (ARPU). During January-June 2021, Indihome consumers increased by 285 thousand people or 11.4% to 8.3 million across 496 regencies/cities.

Indihome's offering consisted of Prestige, Fit, Streamix, and Phoenix packages. Each package has advantages and adapts to consumer needs. Starting from the IndiHome Prestige package, a complete package that includes the telephone network, UseeTv services, OTT, and Movin. Digital Service, and Minipack. With service capacities of 10 Mbps, 20 Mbps, 50 Mbps, 100 Mbps, 200 Mbps, and 300 Mbps. The IndiHome FIT package is a package that has a telephone network, UseeTv, Ott, and Extra/Benefit but with a maximum service rate of only up to 10-50 Mbps. The Indihome Streamix package is where consumers only use the UseeTv service. Only internet services are available starting from 10 Mbps, 20 Mbps, 50 Mbps and 100 Mbps. The Indihome Phoenix package is a package that provides telephone network and digital service only with 10 Mbps, 20 Mbps, 50 Mbps, and 100 Mbps services. The number of IndiHome newly installed consumers starting in 2018, 2019, 2020, and 2021 with speed packages starting at 20 Mbps.

Table 2. Number of Indihome Newly Installed Consumers

| PACKAGE SPEED 20 Mbps | | | | | |
|------------------------------|--------------|--------------|---------------|---------------|----------------------------|
| MONTH | 2018 | 2019 | 2020 | 2021 | Number of Consumers |
| January | 293 | 922 | | 4,176 | 5,391 |
| Februari | 236 | 651 | 1 | 3,791 | 4,679 |
| March | 234 | 254 | | 4,076 | 4,564 |
| April | 258 | 347 | 1 | 4,530 | 5,136 |
| Mei | 677 | 636 | | 3,553 | 4,866 |
| June | 1,112 | 590 | | 4,075 | 5,777 |
| July | 788 | 844 | | | 1,632 |
| August | 737 | 754 | 26 | | 1,517 |
| September | 505 | 775 | 2,211 | | 3,491 |
| October | 587 | 1,426 | 2,987 | | 5,000 |
| November | 542 | 2,333 | 4,190 | | 7,065 |
| December | 494 | 392 | 4,226 | | 5,112 |
| Total Consumers | 6,463 | 9,924 | 13,642 | 24,201 | 54,230 |

(Source: Warehouse Indihome Witel Medan, 2022)

Table 2 shows a significant difference between the 20 Mbps speed packets in 2021, which poses a distinct challenge for all Witel Regional 1, especially PT. Telkom Witel Medan to provide more business in terms of supply and education to consumers in the condition of the covid outbreak due to the need for internet services which have become quite an important need since the implementation of WFH (Work From Home) and online (in the network) for this reason, companies need to carry out continuous improvement and supervision intensively and continuously both on network quality, network development, IndiHome installation process for IndiHome consumers to enjoy the services provided.

Therefore, seeing the emerging internet service competitors, it is hoped that IndiHome will become one of the providers offering the best internet access and services. High consumer loyalty for a product is the most important aspect for a company in carrying out its business activities. To increase consumer loyalty, companies must pay attention to the factors that become a benchmark for consumer loyalty, including product, price, location, promotion, people, process, and physical facilities (physical evidence).

Previous research on the marketing mix has been widely carried out, including research conducted in January (2013). Product (price), promotion (people), and process significantly affect customer decisions in choosing Bukopin standby savings. These factors influence purchasing decisions. Meanwhile, according to Adeline Wijaya & Cynthia (2018), the marketing mix dimensions are product, price, place, promotion, process, and physical appearance. The results show that the marketing mix has a positive and significant relationship to customer satisfaction, and customer satisfaction also has a positive and significant effect on customer loyalty.

1. IMPLEMENTATION METHOD

The type of research used is quantitative with research methods, namely correlational research, which is defined as a research method based on the philosophy of positivism, used to examine certain populations or samples, sampling techniques are generally carried out randomly, data collection uses research instruments, data analysis is statistics to test the hypotheses that have been set (Sugiyono, 2017). This study looks at the relationship between the variables and the object under study (causal), so there are independent and dependent variables in this study. The research

location was conducted at PT Telekomunikasi Tbk Witel Medan Jl. Prof. HM. Yamin No. 13, Perintis, Kecamatan Medan Timur, Medan, North Sumatra 20235. The research was conducted from December 2022 to May 2023.

The sample in this study is consumers of Indihome access services, with the sampling method in this study using the probability sampling method with a purposive sampling technique, namely a sampling technique with certain considerations (Sugiyono, 2017, p. 126). The non-probability sampling method means that not every element of the population has the possibility or opportunity to be selected as the research sample (Erlina, 2008). Based on the results of calculations using the Slovin formula, the number of samples to be used in this study is 100 samples. The sampling technique uses purposive sampling, which is a sampling technique with certain considerations (Sugiyono, 2017, p. 126).

2. RESULTS AND DISCUSSION

Instrument Test

Validity and Reliability Test

SEM-PLS is referred to as the outer model; in covariance-based SEM, it is called confirmatory factor analysis (CFA). There are two criteria to assess whether the outer model (measurement model) meets the convergent validity requirements for reflective constructs, namely (1) the loading must be above 0,7, and (2) a significant p-value (<0.05) (Hair et al., 2017). However, loading requirements above 0.7 are often not met in some cases, especially for newly developed questionnaires. Indicators with loadings below 0.40 should be removed from the model. However, for indicators with loadings between 0.40 and 0.70, we should analyze the decision's impact to remove these indicators on average variance extracted (AVE) and composite reliability. We can remove indicators with loadings between 0.40 and 0.70 if they increase average variance extracted (AVE) and composite reliability above their threshold. The AVE limit value is 0.50, and the composite reliability is 0.7. Another consideration in deleting indicators is their impact on construct content validity. Indicators with small loading are sometimes retained because they contribute to the validity of the constructed content.

Table 3. Validity Testing based on Factor Loading

| | | Loading | AVE | Composite Reliability | Cronbach's Alpha | rho_A |
|-----------------------|-------------|---------|-------|-----------------------|------------------|-------|
| Product (X1) | X1.1 | 0,889 | 0,720 | 0,885 | 0,820 | 0,881 |
| | X1.2 | 0,863 | | | | |
| | X1.3 | 0,791 | | | | |
| Price (X2) | X2.1 | 0,894 | 0,630 | 0,835 | 0,719 | 0,826 |
| | X2.2 | 0,774 | | | | |
| | X2.3 | 0,703 | | | | |
| Promotion (X3) | X3.1 | 0,775 | 0,597 | 0,856 | 0,776 | 0,778 |
| | X3.2 | 0,743 | | | | |
| | X3.3 | 0,795 | | | | |
| | X3.4 | 0,778 | | | | |
| Person (X4) | X4.1 | 0,822 | 0,736 | 0,893 | 0,821 | 0,832 |
| | X4.2 | 0,877 | | | | |
| | X4.3 | 0,874 | | | | |
| Process (X5) | X5.1 | 0,913 | 0,682 | 0,864 | 0,765 | 0,803 |

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| | | | | | | |
|---------------------------|------|-------|-------|-------|-------|-------|
| | X5.2 | 0,702 | | | | |
| | X5.3 | 0,848 | | | | |
| Consumer Loyalty (Y) | Y1 | 0,819 | 0,796 | 0,886 | 0,769 | 1,055 |
| | Y2 | 0,959 | | | | |
| Customer Satisfaction (Z) | Z1 | 0,809 | 0,677 | 0,863 | 0,762 | 0,763 |
| | Z2 | 0,819 | | | | |
| | Z3 | 0,840 | | | | |

Table 4. Discriminant Validity Testing

| | Product (X1) | Price (X2) | Promotion (X3) | Person (X4) | Process (X5) | Customer Satisfaction (Z) | Consumer Loyalty (Y) |
|---------------------------|--------------|------------|----------------|-------------|--------------|---------------------------|----------------------|
| Product(X1) | 0,849 | | | | | | |
| Price(X2) | 0,382 | 0,794 | | | | | |
| Promotion (X3) | 0,220 | 0,554 | 0,773 | | | | |
| People (X4) | 0,357 | 0,538 | 0,424 | 0,858 | | | |
| Process (X5) | 0,418 | 0,464 | 0,461 | 0,613 | 0,826 | | |
| Consumer Loyalty (Y) | 0,209 | 0,222 | 0,031 | 0,272 | 0,405 | 0,892 | |
| Customer Satisfaction (Z) | 0,151 | 0,448 | 0,520 | 0,407 | 0,728 | 0,231 | 0,823 |

Significance Test (Hypothesis Tes) (Inner Model)

Table 5. Path Coefficient Test & Significance of Influence

| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (O/STDEV) | P Values | Support |
|---------|---------------------|-----------------|----------------------------|--------------------------|----------|---------------|
| X1 -> Z | -0,210 | -0,159 | 0,097 | 2,167 | 0,031 | Supported** |
| X2 -> Z | 0,146 | 0,133 | 0,105 | 1,396 | 0,164 | Not Supported |
| X3 -> Z | 0,202 | 0,203 | 0,095 | 2,150 | 0,033 | Supported** |
| X4 -> Z | -0,135 | -0,140 | 0,087 | 1,556 | 0,121 | Not Supported |
| X5 -> Z | 0,738 | 0,727 | 0,082 | 9,027 | 0,000 | Supported** |
| Z -> Y | 0,231 | 0,267 | 0,097 | 2,374 | 0,019 | Supported** |

**p-value < 0.05

Based on the results in Table 5, the results are:

- 1) Product (X1) has a positive effect on customer satisfaction (Y), with P values (0.031 < 0.05). This confirms that the proposed hypothesis (H1) is accepted.
- 2) Price (X2) has a positive effect on customer satisfaction (Y), with P values (0.164 > 0.05). This confirms that the proposed hypothesis (H2) is rejected.
- 3) Promotion (X3) has a positive effect on customer satisfaction (Y), with P values (0.033 < 0.05). This confirms that the proposed hypothesis (H3) is accepted.

- 4) People (X4) have a positive effect on customer satisfaction (Z), with P values ($0.121 > 0.05$). This confirms that the proposed hypothesis (H4) is rejected.
- 5) Process (X5) has a positive effect on customer satisfaction (Z), with P values ($0.000 < 0.05$). This confirms that the proposed hypothesis (H5) is accepted.
- 6) Customer satisfaction (Z) has a positive effect on customer loyalty (Y), with P values ($0.019 < 0.05$). This confirms that the proposed hypothesis (H6) is accepted

Table 6. R-Square

| | R Square | Adjusted R Square |
|-----------------------|-----------------|--------------------------|
| Customer loyalty | 0,053 | 0,044 |
| Customer satisfaction | 0,621 | 0,601 |

Based on the table above, it can be concluded:

- 1) The R-Square value of Customer Loyalty (Y) is 0.053, which means that Satisfaction can influence Customer Commitment (Z) and can influence Customer Loyalty (Y) by 5.3%.
- 2) The R-Square value of Customer Satisfaction (Z) is 0.621, which means that Product (X1), Price (X2), Promotion (X3), People (X4), and Process (X5) can influence Customer Satisfaction (Z) by 62.1%.

Table 7. Q-Square

| | Q² (=1-SSE/SSO) |
|-----------------------|-----------------------------------|
| Customer Satisfaction | 0,371 |
| Customer Loyalty | 0.033 |

The Q-Square value for Customer Loyalty (Y) is 0.033. Because $Q\text{-Square} = 0.033 > 0$, it is concluded that Customer Satisfaction (Z) has predictive relevance for Employee Performance (Y). The Q-Square value for Customer Satisfaction (Z) is 0.371. Because $Q\text{-Square} = 0.371 > 0$, it is concluded that Product (X1), Price (X2), Promotion (X3), People (X4), and Process (X5) have predictive relevance for Customer Satisfaction (Z).

Table 8. Testing The Goodness of the Fit Model

| Estimated Model | |
|------------------------|-------|
| SRMR | 0.096 |

It is known that based on the results of the SRMR goodness of fit test, the value of $SRMR = 0.096 < 0.1$, it is concluded that the model has FIT.

Discussion of Research Results

Based on the results of the Smart PLS analysis described above, the overall discussion of the results of this study is as follows:

1. The effect of the product on customer satisfaction PT. Medan Telkom

The findings in the first hypothesis show that the product for H1 has a β value of -0.210, and P values of 0.031 are below 0.05. This shows that the product has a significant effect on customer

satisfaction PT. Telkom Witel Medan, H1 is accepted. The results of this study show that the better the product offered, the more customer satisfaction will increase. A product can be offered to a market for attention, acquisition, use, or consumption to satisfy a want or need. Based on the test results, it is known that the product has a partial and significant effect on customer satisfaction, meaning that quality products using new technology are followed by significant customer satisfaction.

2. Effect of Price (Price) on customer satisfaction PT. Telkom Medan

The second hypothesis's findings show that price significantly affects customer satisfaction with β 0.146, P Values 0.164 are above 0.05, and H2 is rejected. This means that the perception of Indihome prices at PT. Telkom witel Medan has a relatively high price but does not significantly affect customer satisfaction due to the suitability of price perceptions with the benefits obtained.

3. Effect of Promotion on customer satisfaction PT. Telkom Medan

The findings of the third hypothesis show that promotion (promotion) significantly affects customer satisfaction with β 0.202, P Values 0.033 are below 0.05. This shows that the promotion carried out by PT. Telkom Witel Medan for Indihome is on target, thereby affecting customer satisfaction. Promotion is a one-way flow of information or persuasion that can lead an organization or person to create transactions between buyers and sellers. The promotion has always been a major concern for customers. However, promotion affects customer satisfaction because promotional activities are mature and both online and on-site. Based on the test results, it is known that promotion (Promotion) significantly affects purchase satisfaction, meaning that promotions have influences such as promotions through browsers, social media, and personal branding influencers on customer satisfaction significantly.

4. Influence of People (People) on customer satisfaction PT. Medan Telkom

The findings of the fourth hypothesis show that people influence customer satisfaction at PT Telkom Witel Medan with β -0.135, P Value 0.121 is above 0.05 based on the test results in this study. It is known that H4 is rejected. This means that people do not significantly affect customer satisfaction, as evidenced by the lack of communication between employees and customers. People means people who serve or plan services to customers and potential customers. Here is what is meant by people being employees of PT Telkom Witel Medan. Because people serve most services, the person or workforce must be selected, trained, motivated, and of the best quality to provide customer satisfaction.

5. Effect of Process (Process) on customer satisfaction PT. Telkom Medan

The findings in the fifth hypothesis indicate that the process significantly affects customer satisfaction with β 0.738, and P Values 0.000 are below 0.05 based on the test results in this study. It is known that H5 is accepted. It can be interpreted that the process significantly affects customer satisfaction, as evidenced by the fast service of PT. Telkom witel Medan provides services such as installing Indihome services and handling Indihome disturbances. The process also has proper procedures to provide progress on the work being done.

6. Effect of consumer satisfaction on customer loyalty PT. Telkom Medan

The findings of the sixth hypothesis show that customer satisfaction has a significant effect on customer loyalty with β 0.231, P Values 0.019 are below 0.05, and H6 is accepted. This means that the better customer satisfaction received by Indihome PT. Telkom Witel Medan consumers' customer loyalty will increase significantly. The results of research conducted by Asniwaty et al. (2019), and Wibowo et al. (2021), found that customer satisfaction significantly affects customer loyalty. The level of customer satisfaction makes various measurements in achieving success in marketing, one of which is assessing customer loyalty. In this study, it was found that there was a significant influence between customer satisfaction and customer loyalty. Customer satisfaction is an important aspect that can be used to assess loyalty. Customer satisfaction with Indihome PT. Telkom Witel Medan shows a positive attitude toward consumers by being loyal to Indihome and willing to recommend Indihome services to others. To meet consumer satisfaction, it must be followed by customer loyalty. Very satisfied customers tend to be loyal to the product. There is a positive linear relationship between customer satisfaction and customer loyalty which will increase customer satisfaction and be followed by an increase in customer loyalty. Therefore, Indihome consumer satisfaction significantly affects customer loyalty so consumer satisfaction can increase Indihome customer loyalty.

3. CONCLUSION

Based on Product, Price, Place, Promotion, People, and Process research results on customer satisfaction in choosing PT. Telkom Medan, the conclusions of this study are as follows:

- 1) The product positively and significantly affects IndiHome consumer loyalty at PT. Telkom witel Medan
- 2) Price positively and insignificantly affects IndiHome consumer loyalty at PT. Telkom witel Medan
- 3) Promotion positively and significantly affects IndiHome consumer loyalty at PT. Telkom witel Medan
- 4) People (people) have a positive and insignificant effect on IndiHome consumer loyalty at PT. Telkom witel Medan
- 5) The process positively and significantly affects consumer loyalty IndiHome PT. Telkom witel Medan
- 6) Customer satisfaction positively and significantly affects consumer loyalty IndiHome PT. Telkom witel Medan

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