

CHAPTER I

INTRODUCTION

1.1. Background of the study

Recently, the competition of the cellular phone operator in Indonesia has become very tight. There are a lot of new cellular phone operators appearing because of the good prospect of this business. The CDMA cellular phone operators business like Flexi, Esia, and Fren compete each other in order to get the first position in the market. Those companies have to improve their service features continuously to get more customers' attention and make people use their products. It is harder to make the consumers loyal to the product than to get the consumers. In my opinion, Flexi and Esia actually have bigger market on CDMA operator business rather than Fren.

The product development is a good action for the company to create added value to the customers and maintain them. This will affect the number of sales and maintain the continuity of the company. On the other hand, the product development needs enormous costs and has a high risk as the product being developed may fail in the market because it is not in accordance with the customers' demand.

The customers' decision to choose the cellular phone operator is affected by the product attributes themselves. The product attribute can be an eye-catching package of the product, the quality of the product itself, interesting feature of the product, or every other aspect found in the product. The more appealing product attributes have, the more customers are attracted to use the product, and they might be interested in buying the product. Consequently, the cellular phone operators have to develop their products that are in accordance with the needs of its target market.

Based on the explanation above, I will carry out a comparative study that is focused on the CDMA's operator product attributes and its connection with the consumer preference on the products. The title of this study is "The comparison of Flexi and Esia's product attributes in relation with customers' preference (Case Study at Faculty of Economics, Parahyangan University Bandung)". I am going to use questionnaires which are given to some respondents for the purpose of supporting the study. There are 50 students that are taken as the respondents. The respondents are the students taken randomly from the Faculty of Economics, Parahyangan University.

1.2. Identification of the Problem

For every producer, product development is compulsory in order to win the competition. The producer has to be able to develop its product according to the customers' needs. In order to offer the product that is suitable with its target market, the cellular phone operator has to focus on

the interesting product attributes that can create positive effects on customers' preference.

Based on the background of the study that has been described formerly, this comparative study has problems as follows:

1. What is customer perception on Flexi's product attributes?
2. What is customer perception on Esia's product attributes?
3. How is the connection between Flexi's product attributes and customers' preference?
4. How is the connection between Esia's product attributes and customers' preference?
5. How is the comparison of Flexi and Esia's product attributes in connection with the customers' preference on the product?

1.3. Objectives and Benefits of the Study

1.3.1. Objectives of the Study

1. To get the information about the customer perception on Flexi's product attributes.
2. To get the information about the customer perception on Esia's product attributes.
3. To know the connection between Flexi's product attributes and customers' preference.
4. To know the connection between Esia's product attributes and customers' preference.

5. To know the comparison of Flexi and Esia's product attributes in connection with customers' preference on the product.

1.3.2. Benefits of the Study

The purpose of the study is to determine the connection between customers' perception on product's attributes and customers' buying interest as well as study about the stronger connection in creating consumers' interest to execute the buying decision. Concerning the study, I hope that the result of the research will be useful for:

1. The readers to whom I hope that this term paper can be useful as a reference and increase their knowledge about the effect of customer's perception on product attributes to customers' preference of the product.
2. Flexi and Esia as cellular phone operators to whom I hope that this study can be useful as an input to maintain and develop customers' buying interest on the product by considering the product attributes to create an added value for its customers.
3. The researcher who gets the knowledge about the customers' perception on product attributes and its effect on buying decision.

1.4. Limitations of the Study

The product attributes that I want to focus on are the features and the benefits, because they are closely related to the product that I want to discuss. The product of Flexi and Esia mostly promotes its features and

benefits on their product's promotion, because the function of these two products are the same, i.e. to communicate with handphone's users. I also want to focus on the respondents who are chosen from the students of Faculty of Economics, Parahyangan University, in order to get more reliable sample.

The condition when I do a data gathering is when Flexi has not made a "Sure Price" promotion. This promotion gives Flexi consumer a very low price when they are calling or sending SMS to another Flexi user (the telephone rate is Rp49/minute, SMS rate is Rp100/SMS for Flexi Trendy user and Rp75/SMS for Flexi Classy User).

1.5. Data Gathering Process

The technique of data gathering that I use in this final paper is questionnaire. The questionnaire can be particularly useful to collect data from the random sample to know the comparison between Flexi and Esia's product attributes in relation with customers' preference. The questionnaire itself concerns the respondent's profile and asks directly how respondents think about Flexi and Esia's product attributes.

The questionnaires were distributed to the respondents on 10th May 2006. The respondents are students randomly taken from Faculty of Economics, Parahyangan University, in order to get more reliable sample. I will use the data collected from the questionnaire in connection with the theories to compare the Flexi and Esia's product attributes in relation with customers' preference on the product.

1.6. Concise History of the Product

1.6.1. Concise History of Flexi

PT Telkom Indonesia as a well-known telecommunication company in Indonesia is now providing a new service with latest technology, CDMA (Code Division Multiple Access). This company through its Fixed Wireless Division will use CDMA as digital fixed wireless digital telephone in form of home telephone (fixed home) and handphone. This fixed wireless CDMA basis service is called “TelkomFlexi”, which its movement as mobility is limited through one area code. This means that Flexi cannot be used if the consumer does not live in the related city where the number is being subscribed.

Actually Flexi is the extension development of C-Phone system that was found for the first time in Surabaya (developed by Telkom Divre 5). Surabaya is the place of birth of the first CDMA local telephone basis system. This local telephone basis system is also well-known as “Fixed Wireless”. After getting success in Surabaya, Flexi then appear in several cities in Indonesia such as Jakarta, Bandung, and Semarang. Because of its local telephone basis, the tariff is as cheap as home telephone. The customers can use Flexi to call someone with another cellular phone, even to another country. When the customer is going to another city, his or her Flexi’s number cannot be used in the related city. In this case, the customer has to buy a Flexi’s number in the related city where he or she

stays now. The format of Flexi's number is like an ordinary home telephone, for example, the Surabaya's Flexi number is (031) 7020 7050.

1.6.2. Concise History of Esia

Esia is PT Bakrie Telecom non-cable telephone product. From the first time of its appearance, Esia always make a surprising promotion to increase their sales. Their commitment is realized by doing a new breakthrough or revitalization steps in many things such as customer relationship management, network, and marketing to increase the number of Esia user.

This breakthrough is also a step to complete PT Bakrie Telecom ways in order to create a good relationship with many other business partners that can make the consumers easier to get Esia product and also increase the network quality of Esia. One of the ways to increase its target market is the company's doing partnership with Nokia. The company's focus is to provide a good service quality with affordable price for consumers.

The Esia rate is as cheap as home telephone rate, even cheaper. Like Flexi, Esia cannot be used while the consumer is not in the related city where the number of user is being subscribed.

1.7. Layout of the Paper

This term paper starts with the Abstract, a concise summary of the entire paper in Indonesian language. This abstract is followed by the

Preface, in which I acknowledge the work and contribution of other parties.
After that is the Table of Contents and List of Appendices, followed by this
four chapters :

Chapter I the Introduction of the analysis.

Chapter II the Theoretical Review containing the library and
internet website research.

Chapter III the Comparative Analysis containing the method, the
processing, and the presentation of data gathering.

Chapter IV contains The Conclusion and Suggestion.

In the final part, I present the Bibliography of the observation.

