Implementation of Integrated Marketing Communications Model on the Internet Service Providers: Customer Survey Speedy Telkom Indonesia

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Abstract: The economic crisis in 2008 had caused many enterprises sustained losses. Among the enterprises was Telkom. This company sustained heavy corporate losses in form of income deficit that the corporate health index showed a negative figure. Moreover, its product lines, particularly Telkom Speedy, were having difficult time to develop due to the tight competition. Telkom Speedy image was also damaged by numerous complaints from its customers on mass media. The condition forced Telkom to take precaution by implementing Integrated Marketing Communication and improving the Product Attributes. Several researches have shown that the Integrated Marketing Communication Model and Product Attributes provide significant influence on brand image and on the customers’ decision to use Telkom Speedy services, both partially and simultaneously. It means better Integrated Marketing Communication and the Product Attributes will improve the Brand Image, which in turns, will provide positive impacts on customers' buying decision. The results show that the Integrated Marketing Communication Model gives more significant influence that the Product Attributes. Therefore, to improve Telkom Speedy's brand image, bigger efforts must be directed to the Integrated Marketing Communication.

Keywords: Integrated Marketing Communication, Product Attributes, Brand Image, Buying Decision.

1. Introduction
PT. Telkom, tbk is one of the companies in Indonesia affected by the global financial crisis. In 2008, and several years earlier, PT Telkom showed excellent performance and rapid growth, particularly in mobile phone SIM cards, Internet, etc. However, since 2009, the company's achievement have declined, which probably have been caused by financial crisis. As stated in SWA magazine, June 2009, According to WAI (wealth added index), PT. Telkom rating has declined dramatically to 100 in 2009, whereas previously occupied the first in 2008 (SWA, June 2009). Wealth added index, or WAI is a measurement number where the wealth surplus is above minimum return expected by investors. The minimum Return is reflected in form of cost of equity (CoE). Therefore, to achieve positive WAI, TSR must be higher than cost of equity. Meanwhile, what happened to PT Telkom was that the number of total shareholder return was lower than cost of equity, thus resulted negative WAI. Other data showed that in the last year, Telkom has passed its heyday. Based on a calculation, the potential income of PT Telkom in 2008 had declined about 20%. Whereas in four years earlier (2004-2007), the company showed increasing performance. The peak was in 2007, when the company recorded potential income of US$ 2 million.

Table 1: Declining Factors of Potential Income Source in the First Quarter of 2009

<table>
<thead>
<tr>
<th>Rank</th>
<th>Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Fixed Line Income Declined by 12%</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Depreciation Increased by 17%</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Operational Cost Increased by 27%</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Marketing Cost Increased by 33%</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Foreign Exchange Losses</td>
<td></td>
</tr>
</tbody>
</table>

Source: SWA, June 2009

Despite the fact, in 2012, the company had shown better performance based on the Corporate Governance Perception Index in 2012, the company was among 10 most trusted companies in Indonesia.

Table 2: Indonesian most trusted Company 2012 Rating Based on Corporate Governance Perception Index

<table>
<thead>
<tr>
<th>Rank</th>
<th>Companies</th>
<th>Self Assessment</th>
<th>Document</th>
<th>Paper</th>
<th>Observ</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PT Aneka Tambang (Persero) Tbk</td>
<td>12.68</td>
<td>17.47</td>
<td>11.9</td>
<td>4.42</td>
</tr>
<tr>
<td>2</td>
<td>PT Bank CIMB Niaga Tbk</td>
<td>13.16</td>
<td>17.95</td>
<td>12.4</td>
<td>3.46</td>
</tr>
<tr>
<td>3</td>
<td>PT Bank</td>
<td>13.83</td>
<td>18.19</td>
<td>12.9</td>
<td>46.90</td>
</tr>
</tbody>
</table>
PT. Telkom was also faced with fierce competition, as it is not the only company that provides Internet services. This was due to the rapid growth of the market share since the information and technology needs among people have dramatically risen. Such growth was a golden opportunity for many companies to provide Internet service. The fierce competition is reflected by numerous Internet service providers, where in the category of fixed Internet service providers; there is considerably large number of providers, not to mention the mobile Internet providers. The following table shows the data of Internet service providers.

<table>
<thead>
<tr>
<th>Table 3: Fixed Internet Service Providers (ADSL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Telkom Speedy 6 BizNet</td>
</tr>
<tr>
<td>2. Indonet 7 IPNet</td>
</tr>
<tr>
<td>3. CBN 8 RadNet</td>
</tr>
<tr>
<td>4. Melsa 9 FastNet</td>
</tr>
<tr>
<td>5. Centrin 10 Pacific</td>
</tr>
</tbody>
</table>

Source: http://opensource.telkomspeedy.com

Certainly, the achievement and performance decline of PT. Telkom in the last two years have negatively affected PT. Telkom image as the biggest information technology service provider in Indonesia. Such negative image will, hence, affect both corporate and product or brand image itself.

Telkom Speedy is a flagship product owned by PT Telkom. The brand was among other brands that negatively influenced as a consequence of the company's declining performance. This was reflected by numerous complaints expressed by its customers. Based on the data from media, customers frequently complained about the product.

<table>
<thead>
<tr>
<th>Table 4: Data from Media Regarding Complaints Expressed by Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
</tbody>
</table>

Source: collected from various sources, 2012.

The data reflects the Speedy's poor performance. This will certainly affect the brand's image. A company's image is created by processing available information. Whenever the information change, it is almost certain that the image of a company and its brands will also change. Negative information regarding Speedy will affect the image of the brand, which in turns will cause damage to the company (Aaker, 2006). Anna Torres1 & Tammo Bijmolt (2005)

Such importance of a product image should be realized by a company that it must dispose its energy and resources to improve the image of the product and the company itself. One of the strategies to improve such image is by implementing integrated marketing communication. This strategy can create marketing information that introduces an added value of a company's comprehensive plan. The basic concept of integrated marketing communication is communication. It is used to maximize positive information, in order to create and support the relationship between a brand and its customers.

The positive information is generated by stimulating consumers mind to create and represent a concept of brand image. Clearly, the information and integrated marketing communication will improve the damaged image. When the image created from various conditions and information created by a company is positive, it is an advantage for the company. A good image of a product or brand is an asset, since the image provides impact to the customers' perception of a company's communication and operation in many
aspects, such as customers' buying decision.


Products and other attributes developed by a company are directly related to the company's image. As customers view that the company has a good image, they will consider the products and their attributes. On the contrary, when customers view that the company has a bad image, they will ignore everything related to the company. Through product attributes, one company might expect that customers will have positive impression on its product. This, in turns, will influence their buying decision. Generally, customers will buy products that they like. Brand is one of product attributes.

Based on the background, the problems and the purpose of this research are as follows:

1. How significant the image of Telkom Speedy brand is affected by integrated marketing communication.
2. How significant the image of Telkom Speedy brand is affected by product attributes.
3. How significant the buying decision of Telkom Speedy's customers is affected by integrated marketing communication.
4. How significant the buying decision of Telkom Speedy's customers is affected by product attributes.
5. How significant the buying decision through Telkom Speedy brand image is affected indirectly by integrated marketing communication.

2. Theoretical Frame Work

The marketer's task is to plan marketing activities and assemble marketing programs fully integrated to create, communicate, and provide a value for customers. Therefore, building a strong company or brand, is the core task of businesspeople, particularly marketers. To achieve this, it is certainly necessary to build a communication between the company and external parties. This communication is used to maximize positive messages and minimize negative messages in order to create and support ideal relationship between the company and external parties.

Integrated marketing communication is a concept that underlies the company's effort to integrate and coordinate various communication channels in order to deliver a clear, consistent, and persuasive message about an organization and its products. Such communication elements include Advertising, Public relation, Personal selling, Sales promotion, Direct marketing, and Event & experiences. (Kotler Keller, 2012; 518) Integrated marketing communication (IMC) can provide more consistent message and bigger sales impact. This will force the management to find out how a customer makes contact with a company and how the company communicates its positioning, its important features, and its timing issues. Shimp (1997; 12) suggests that the impact of non personal communication or mass communication on audience is attitude and awareness of customers toward a brand or a product.

The basic concept of integrated marketing communication is communication. It is used to maximize positive information, in order to create and support the relationship between a company and general public. The positive information is generated by stimulating consumers mind to create and represent a concept of brand or a company image. This is in line with Sutisna (2002; 331) who defines image as a mental description or a concept of something. Customers tend to create an image of a brand, store, and company based on their inferences generated from a marketing stimulus and environment.

According to Kotler in Buchari Alma (2004; 148) “Image is the set of beliefs, ideas and impressions that a person holds regarding an object. People’s attitude and action towards an object are highly conditioned by that object’s image.” Furthermore, Assasel in Buchari Alma (2004; 148) states that “an image is total perception of the subject that is formed by processing information from various sources overtime.” Therefore, it is clear that every communication delivered by a company will affect the company's image in its customers' minds.

In the world where there are many similarities, image is everything. Without a strong image, it would be difficult for a company to attract new customers and maintain the current ones. Image is directly related to products and their attributes developed by a company. As customers view that the company has a good image, they will consider the products and their attributes. On the contrary, when customers view that the company has a bad image, they will ignore everything related to the company. This is in accordance to Sutisna (2011; 85) who states that:

Customers always consider an image. When a customer has a positive experience on a certain brand or product, he or she will have a positive image on the brand. If a product as a positive image, the company would have no difficulties in introducing a new line of product.

Based on the explanation above, there is a correlation between integrated marketing communication and product attributes which affects a brand's image, since both of them can create information and experience for customers.


Image is a filter that affects perception in company activities. A good image will become an effective protector from minor errors in terms of technical or functional quality. This means that whenever there were minor errors in terms of a function of a product, image can be a protector. However, whenever the minor errors occur frequently, the image will become negative and cause dissatisfaction among customers.

A good image is an asset, since an image provides impacts on customers' perception of an organization's communication and operation in many aspects. The following are roles of an image for a company.

1. An Image reflects hopes through external marketing campaign, such as advertisement, personal sales, and word of mouth communication. A positive image will facilitate a company to communicate effectively, and make people understand more about a product.
through word of mouth. A neutral or unclear image may not cause disaster, but it won't make the word of mouth communication more effective.

2. An image is a filter that affects perception in company activities.

3. An image is a function, experience, and also customers' expectation.

4. An image provides important impacts on management.

Based on the above roles, it seems that an image is very important for a company since the image will affect customers' attitudes toward the company, followed by customers' buying decision by considering the product attributes. Engel (1994:252) alma (2004:374) Sutisna (2002;83) Hossain (2007)

Customers tend to create an image of a brand, store, and company based on their inferences generated from a marketing stimulus and environment. (Sutisna, 2002:83). Wherein, customers' problem solving is actually a sustainable reciprocal action between environment factors, cognitive and affective processes, and behavior. The process of complex decision-making often involves several decisions. A decision involves two alternatives of actions (or behaviors) or more. A decision always requires alternatives of several behaviors. A marketer is usually interested in customers' buying decision, especially in which brand they will buy.

In addition to brand image, product attributes also affect customers' buying decision. As suggested by Fandy Tjiptono (2002; 103):Kotler keller (2012), kline (2010) "product attributes are important product elements and the basis of buying decision."

Based on the definition, the research frame of reference is described in the following figure:

**Figure 1:** Frame of Reference Paradigm

3. **Hypothesis**

Based on the conceptual frame of reference, the hypotheses of the research are as follows:

1. Integrated marketing communication influences Speedy brand image
2. Product Attributes provide influence Speedy brand image
3. Integrated marketing communication Influences Speedy's customers buying decision
4. Product Attributes provide influence Speedy's customers buying decision
5. Speedy brand image influences Speedy's customers buying decision

**4. Research Method and Analysis**

The research is related to the influence of integrated marketing communication program performance and product attributes on brand image, as well as their impact on buying decision. The research employs marketing management approach. Respondents in this research are Speedy customers. Therefore, analysis includes the influence of integrated marketing communication program performance and product attributes on the brand image, as well as customers' decision to use Speedy Internet service.

The research employs deskriptif survey and explanatory survey. Population in this research is Telkom Speedy customers who pay their monthly bills at Plaza Telkom Supratman, Bandung. On a daily basis, the number of customers who do the transactions at Plaza Telkom Supratman is 120 customers. Based on systematic random sampling, the representative number of respondents is 90. The analysis technique is path analysis by using Lisrel 8.7 Software. Based on the conceptual hypothesis, there is a correlation between the research variables. Figure 4 shows the diagram of the research.

**Figure 2:** The Causal Structure of the research

5. **Research Results**

Based on the path analysis by using Lisrel 8.7, path coefficient is used to recognize the influence between variables and t-count value is used to test hypothesis.
Table 6: Summary of Structural Equation Estimation

<table>
<thead>
<tr>
<th>Causal relationship between variables</th>
<th>Path coefficient value</th>
<th>Value t-count</th>
<th>Value t-table</th>
<th>test result α=0.05</th>
</tr>
</thead>
<tbody>
<tr>
<td>KPT to CM</td>
<td>0.48</td>
<td>4.60</td>
<td>1.96</td>
<td>Significant</td>
</tr>
<tr>
<td>AP to CM</td>
<td>0.38</td>
<td>3.63</td>
<td>1.96</td>
<td>Significant</td>
</tr>
<tr>
<td>KPT to KP</td>
<td>0.51</td>
<td>4.10</td>
<td>1.96</td>
<td>Significant</td>
</tr>
<tr>
<td>AP to KP</td>
<td>0.38</td>
<td>3.17</td>
<td>1.96</td>
<td>Significant</td>
</tr>
<tr>
<td>CM to KP</td>
<td>0.39</td>
<td>3.78</td>
<td>1.96</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: Lisrel 8.7 Output, 2012

With 0.05 margin error, the entire hypothesis is significant and acceptable. Table 7 shows the recapitulation of model and hypothesis test results.

Table 7: Recapitulation of Model and Hypothesis Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Hypothesis</th>
<th>Statistic Test Results</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>KPT → CM</td>
<td>H0 : ρ1 = 0 : KPT does not influence CM</td>
<td>t-count value 4.68</td>
<td>H0 is rejected, because t-count value ≥1.96</td>
</tr>
<tr>
<td></td>
<td>H1 : ρ1 &gt; 0 : KPT influences CM</td>
<td>RMSEA 0.772</td>
<td></td>
</tr>
<tr>
<td>AP → CM</td>
<td>H0 : ρ1 = 0 : AP does not influence CM</td>
<td>t-count value 3.63</td>
<td>H0 is rejected, because t-count value ≥1.96</td>
</tr>
<tr>
<td></td>
<td>H1 : ρ1 &gt; 0 : AP influences CM</td>
<td>RMSEA 0.772</td>
<td></td>
</tr>
<tr>
<td>KPT → KP</td>
<td>H0 : ρ1 = 0 : KPT does not influence KP</td>
<td>t-count value 3.17</td>
<td>H0 is rejected, because t-count value ≥1.96</td>
</tr>
<tr>
<td></td>
<td>H1 : ρ1 &gt; 0 : KPT influences KP</td>
<td>RMSEA 0.772</td>
<td></td>
</tr>
<tr>
<td>AP → KP</td>
<td>H0 : ρ1 = 0 : AP does not influence KP</td>
<td>t-count value 3.78</td>
<td>H0 is rejected, because t-count value ≥1.96</td>
</tr>
<tr>
<td></td>
<td>H1 : ρ1 &gt; 0 : AP influences KP</td>
<td>RMSEA 0.772</td>
<td></td>
</tr>
<tr>
<td>CM → KP</td>
<td>H0 : ρ1 = 0 : CM does not influence KP</td>
<td>t-count value 0.53</td>
<td>H0 is accepted, because t-count value ≥1.96</td>
</tr>
<tr>
<td></td>
<td>H1 : ρ1 &gt; 0 : CM influences KP</td>
<td>RMSEA 0.772</td>
<td></td>
</tr>
</tbody>
</table>

Source: Data Processing Results

The results of data processing by using LISREL 8.7 show that there are direct, indirect, and total influences, as shown by table 8.

Table 8: Decomposition of Influences between Variables

<table>
<thead>
<tr>
<th>Influences between variables</th>
<th>Influences Direct</th>
<th>Indirect through CM</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>KPT → CM</td>
<td>0.48</td>
<td></td>
<td>0.48</td>
</tr>
<tr>
<td>AP → CM</td>
<td>0.38</td>
<td></td>
<td>0.38</td>
</tr>
<tr>
<td>KPT → KP</td>
<td>0.51</td>
<td>0.19</td>
<td>0.70</td>
</tr>
<tr>
<td>AP → KP</td>
<td>0.38</td>
<td>0.15</td>
<td>0.53</td>
</tr>
<tr>
<td>CM → KP</td>
<td>0.39</td>
<td></td>
<td>0.39</td>
</tr>
</tbody>
</table>

Source: Data Processing Results

The following objective information is the results of the analysis.

Brand image is influenced by integrated marketing communication and product attributes. It means that excellent integrated marketing communication and high quality product attributes will enhance the brand image. Each
significance influence of integrated marketing communication and product attributes on the brand image is \((0.48)^2= 23.04\%\) and \((0.38)^2=14.44\%\). Meanwhile, mutual influence between integrated marketing communication and product attributes is 66.54\%. It means that the level of a brand image can be explained mutually by integrated marketing communication and product attributes. The other 33\% is an influence of other variables that cannot be explained by the model.

Buying decision is influenced positively by integrated marketing communication and product attributes. It means that a well-executed integrated marketing communication and excellent product attributes will encourage customers' buying decision. Each influence significance of integrated marketing communication and product attributes is \((0.51)^2= 26.01\%\) and \((0.38)^2=14.44\%\). Meanwhile, mutual influence between integrated marketing communication and product attributes accepted by buying decision is 61\%. It means that the level of a brand image can be explained mutually by integrated marketing communication and product attributes. The other 39\% is the influence of other variables that cannot be explained by the model.

Furthermore, integrated marketing communication provides indirect influence on buying decision through brand image. The significance of this indirect influence is 0.19. Therefore, the total influence of integrated marketing communication on buying decision is 70\%.

Likewise, product attributes have indirect influence on buying decision through brand image. The significance of this indirect influence is 0.15. Therefore, the total influence of integrated marketing communication on buying decision is 53\%.

Based on the level of the significance, integrated marketing communication is the strongest variable that influences buying decision (70\%). Product attributes give 53\% of influence, and the other 39\% is brand image.

6. Conclusion

1. It has been recognized that Integrated Marketing Communication influences brand image. This is proven by the hypothesis testing that shows positive results.
2. It also has been recognized that product attributes influence brand image. The hypothesis testing regarding this also shows positive results.
3. Integrated Marketing Communication also influences buying decision. Positive results shown by hypothesis testing prove that customers' buying decision is influenced by integrated marketing communication.
4. It also has been recognized that product attributes influence customers' buying decision. This is proven by the hypothesis testing regarding the correlation between product attributes and buying decision.
5. It is recognized that integrated marketing communication and product attributes provide indirect influence to buying decision through brand image.

7. Research Implications

Based on the conclusion, it is recommended that brand image should be improved and buying decision should be encouraged by a sound integrated marketing communication and excellent product attributes. Therefore, Telkom Speedy should evaluate the followings:

1. Direct marketing should be improved and intensified, not only in current events, but also in other means of marketing. The direct marketing can also be executed in electronic shops that attract many customers. One of the examples of electronic shops is Bandung Electronic Center, where Speedy has not touched yet.
2. The most important thing is to improve Telkom Speedy performance. Product performance is one of the main features considered by customers. If possible, Telkom Speedy should also expand its Internet network capacity to maximize its service performance, since its customers has been growing rapidly.
3. Customer benefit also needs to be reconsidered that Telkom Speedy is lack of. This can be provided by educating people about the benefit of Internet, particularly safe and healthy Internet for everyone.
4. To improve its customer quantity, Telkom Speedy needs to attract more customers to use Internet services. One way to attract more customers is to reduce price by giving discounts during peak time, cheaper unlimited package, or other means of providing benefits for the customers.
5. This research has found a positive input for the company to improve its brand image that will encourage customers buying decision. To improve the brand image, Telkom speedy should consider the following actions.
   a. Implementing intensive integrated marketing communication because it can improve Telkom Speedy brand image. A good image perceived by customers will be realized if marketing activities are better than the current ones. Furthermore, integrated marketing activities can stimulate customers to identify needs, which in turns will lead them to buying decision.
   b. In terms of advertising, television and print media are perfect to introduce products. However, ads must be interesting to attract customers' attentions.
   c. Sales Promotion needs to be improved by providing clear terms and conditions in every promotion activities. The terms and conditions must be designed and written as simple as possible to attract customers.
   d. Event is one of the most common marketing activities held by Telkom Speedy. However, it would be more effective if such events is held regularly and intensively. The events may not only include sales activities, but also sponsorship activities. Additional events can also be included in public relation activities as a communication channel to society. One example of the events is socialization of positive Internet use, or known as "safe and healthy Internet."
   e. Direct sales must be intensified, by using catalogs directly handed to customers, or via telephone that offers Speedy services to individuals or organizations.
6. Product attributes must be maintained and improved. The company must emphasize added value provided by the product. In addition, excellent, improved, and interesting attributes will be appealing to customers, which in turn will encourage buying decision.

7. Speedy has provided various packages and product choices for its customers. However, those should be redesigned and improved. The current available packages, especially "limited" packages are not varied enough, while "unlimited" packages are numerous but expensive.

8. Performance improvement and product reliability must be maintained, as many customers will not be satisfied whenever there are some troubles with the Internet connection. Network capacity should be expanded, so that services can be improved. The number of network must be more than the number of Internet connection.

9. Guarantee provided by the company for its customers must be applied, so that performance and capabilities of the product can be maintained.

10. By doing so, customers will see no other than positive image, which in turn will create trust and encourage buying decision.

   a. Speedy customers must experience huge benefit by using Internet service. Telkom Speedy can provide such benefit by allowing additional customer services. This can be done by cooperating with other cellular service provider so that customers can access Internet from their mobile devices.

   b. The service quality must be improved to balance the relative value of quality and price. It would be better if this quality improvement does not incur price increase.

   c. Having public figure to represent the brand must be considered carefully, so that the brand can be represented appropriately.

11. The research has not discussed other variables that influence brand image and buying decision. Therefore, further research needs to be conducted to cover these variables.

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[22] Majalah SWA Juni 2009


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