



ANALYSIS OF NETFLIX STREAMING SERVICES ON CUSTOMER LOYALTY IN INDONESIA

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Abstract

The increasingly rapid development of the economy and technology can affect people's daily lives. Purpose of this research is to test and analyze how much customer loyalty using Netflix is influenced by service quality and reputation mediated by customer trust and customer satisfaction in the Indonesian people. This study uses quantitative methods using descriptive statistics, then survey in this study was carried out by distributing questionnaires to the Indonesian people who were the object of research and the total sample that could be tested was 401 data. The research data was processed using the SmartPLS 3 application. Result data showed that all independent variables significantly affected customer loyalty of the Indonesian people, except quality of service on customer loyalty was not significant.

**Keywords:** customer loyalty; service quality; reputation; streaming services; netflix

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INTRODUCTION

The rapid development of the economy and technology can affect everyday people's lives. With the existence of sophisticated technology, of course, online media will become more and more in the future, so the more and more people make online applications, the more competitors they have to face.

One of Netflix's problems is limiting subscribers from sharing accounts. Streaming platform Netflix has stated that it will end the practice of sharing accounts and will adopt a policy of paying users who do so. Previously, Netflix had allowed the practice of sharing accounts outside the home to help users use its services. However, it seems that Netflix shares a lot, so it has a lot and tough competition; one example is Disney Plus and Prime Video, which can offer much lower prices. It can also be stated that Netflix has limited expansion space in various countries due to technological factors in various aspects, such as the adoption of smart TVs and many users who share account-sharing features (Yuslianson, 2022).

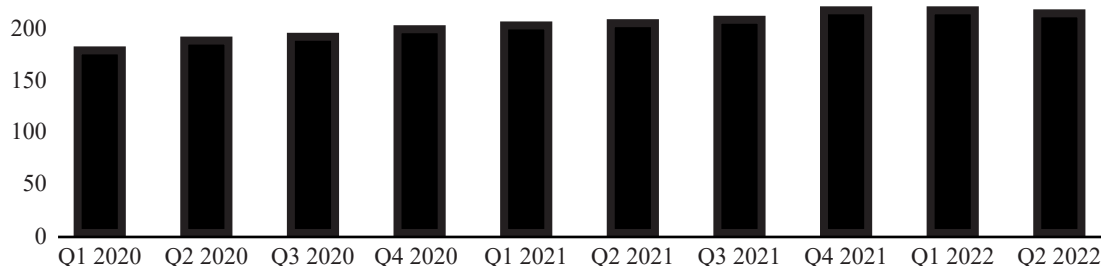


Figure 1. Netflix Investor Relations (2022).

Based on a report released by Netflix Investor Relations, the company that provides streaming digital media, Netflix lost a number of subscribers worldwide in the first quarter of 2022 of 200 thousand subscribers. This Netflix company always experiences growth in the number of subscribers both quarterly and annually. Netflix has forecast that the number of subscribers will decrease by 2 million in the coming quarters. Based on the information that has been collected, it will impact the company's stock price on the stock exchange. Investors dumped Netflix shares, causing the price to fall by as much as 35.1 percent (Faisal Javier, 2022).

Netflix has limited its users from sharing passwords or sharing accounts. This Netflix streaming service was declared to have received revenue of 7.87 billion US dollars in 2020, to be exact, at the beginning of the year. In its annual report, Netflix states that the number of Netflix users decreased in early 2022. Based on the information obtained, Netflix has lost 200,000 active subscribers worldwide, one of which is in Indonesia. This decrease in active paying users is the first time it has happened in the previous ten years. One of the factors that Netflix has experienced a loss is the password-sharing feature that exists on Netflix accounts with other people who are not part of the same family or household (Maulida, 2022). Some Netflix application users have reported being blocked by Netflix and subscribers unable to use or access its video service. Previously, Netflix had informed that if the user does not live with family, the user must have a private or own account to subscribe to Netflix. Finally, Netflix also offers a free subscription option for 30 days (trial) by creating your own account. With this new policy regarding sharing accounts and passwords, a number of customers have revoked their subscriptions to Netflix (Maulida, 2022).

Based on the latest information obtained from [whatifmediagroup.com](http://whatifmediagroup.com) that online streaming is the second largest market category, including Hulu, Disney Plus, and HBO has a market penetration of between 12 and 20 percent compared to 43% for Netflix, 40.1% for Amazon Prime, and 38, 3% for Youtube TV. One of the main hurdles preventing each service from getting a share is the cost which has been found to be 77.6% of consumers have a limited ceiling for one streaming service, with a proportion of 76.5% indicating that a company's total budget for streaming services is \$30 or less ([whatifmediagroup.com](http://whatifmediagroup.com), 2021).

Netflix competition has also increased because the emergence of streaming platforms by other entertainment companies can also reduce Netflix subscribers in the first quarter of 2022. With technological developments, you can easily access online streaming, and you can choose various options to access TV series online, aka streaming and movies. Apart from this Netflix application, it also has many streaming platforms such as HBO Go, Disney Plus Hotstar, Youtube TV, Amazon Prime Video, Sling, Hulu, and others (Riyanto, 2022).

In 2019, Netflix encountered problems with taxation and also experienced blocking problems by Telkomsel Indonesia. This blocking problem has resulted in Netflix being inaccessible to Telkomsel and other subsidiaries such as Indihome and Wifi.id in 2016. On January 7, 2016 Netflix entered Indonesia and was blocked by Telkomsel on January 27, 2016 because it was considered not yet can fulfill the regulations and Telkomsel could unblock it if Netflix had followed Telkomsel's rules.

Conducted research on service quality as an independent variable, customer satisfaction and customer loyalty as the dependent variable in the banking sector by distributing 300 questionnaires of data and only 248 respondents received them but only 180 respondents could be used due to incomplete data and cancellations. This research uses partial least squares structural equation modeling PLS-SEM (Famiyeh et al, 2018). conducting research on the impact of service quality and customer satisfaction that shifts to the cost of customer loyalty. The research data was taken by distributing and analyzing 300 personnel. Data were analyzed using SPSS 20 which was collected from a questionnaire (Nguyen et al, 2020). Conduct intermediary research related to customer satisfaction and customer trust in customer loyalty. Data obtained through questionnaires that were distributed to 300 customers using the convenience sampling method, including 210 that were collected. This research was analyzed using SPSS and Smart PLS (Leninkumar, 2017).

Conducted research on the effect of service quality on customer satisfaction and customer loyalty in the B2B technology industry services with data collected from a questionnaire of 302 SGS Taiwan Ltd customer respondents. This study conducted multiple regression analysis to investigate how service quality variables can affect customer satisfaction and customer loyalty (Huang et al, 2019). conducted research on service quality which is an independent variable on customer loyalty and the role mediated by empirical customer satisfaction for the telecommunication service industry. The sampling procedure through a questionnaire obtained 515 respondents who were surveyed, 86 samples were discarded due to errors and only 429 data could be used in data testing. In this study, the authors have used a 5 point Likert scale measurement method for data which is calculated using the median (Kumar, 2017).

Conducted research on the relationship between service quality, customer satisfaction and customer loyalty in the hotel industry with 100 samples of data collected. The data of this study have been collected from both primary and secondary sources which evaluate the parameters of service quality, service satisfaction and customer loyalty on a 5-point scale (Alauddin et al, 2019). conducting research on the analysis of the mediating effect

of consumer satisfaction on the influence of service quality, price and consumer trust on consumer loyalty. Data obtained by distributing 322 questionnaires to students using the slovin formula and the data obtained was tested using SEM analysis with the help of AMOS software (Sudirman, 2019). conducted research on the impact of customer trust on loyalty, the mediating role of perceived benefits and satisfaction by sending 250 respondents from a customer email list obtained from Telkomsel. Then the research data was tested using a conceptual model simulation and empirical data research that was processed using AMOS software (Daud, 2018).

Based on the proposed alternative hypothesis, the research model framework built in this study can be represented in Figure 2.

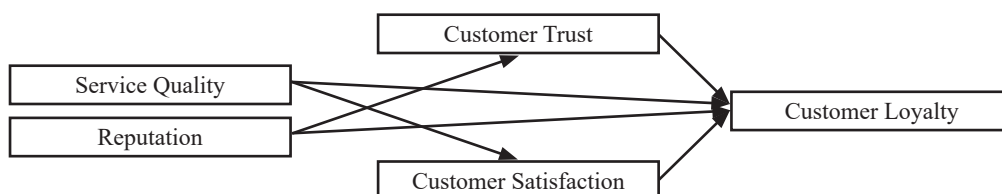


Figure 2. Research Model Framework

## METHOD

Referring to the purpose of this research by the author, this research is one of the studies to explain the factors that influence and determine customer loyalty in Indonesian society and also the influence between these factors. In this study, a quantitative approach was applied because it was assessed empirically, which had been composed of numerical measurements and analysis. The method used in this study is the survey method, where the research method in collecting data uses primary data with a questionnaire. The researchers adopted a cross-sectional study design in conducting research that tested the effect of customer loyalty, namely reputation, customer satisfaction, and customer trust (Tahir Islama et al., 2021). As well as the influence of service quality, satisfaction, and reputation on customer loyalty (Latif., et al. 2020).

The object of this research is to find out how much customer loyalty is towards the Netflix application. For the determination of the sample in this study are Indonesian people, so satisfaction and loyalty can be known for streaming applications. The method used in this study is a questionnaire collection method. There were 416 respondents in the questionnaire distributed to the Indonesian people. The criteria that make up the sample of this study are the people who live in Indonesia. Data obtained from CNBC Indonesia records that the number of Netflix subscribers in Indonesia in 2021 will reach 2,650,000 people (Wareza, 2021). Then the survey in this study was carried out by distributing questionnaires to the Indonesian people who were the object of research, and the total sample that could be tested was 401 data which were processed from the questionnaires that had been collected.

## RESULTS

In this study, there are two stages that need to be tested before entering the next process, namely testing the hypothesis. This study uses the Smart PLS statistical application to manage the data that has been collected. The researcher first tested the outer model, then the inner model, and then interpreted the hypothesis test. Researchers tested AVE, Cross Loading test, and reliability test. Table 1 can present the results of the AVE test that has passed the data test.

Table 1. AVE Test (Average Variance Extracted)

Questions	AVE	Description
Customer Loyalty	0,707	Valid
Customer Satisfaction	0,746	Valid
Customer Trust	0,722	Valid
Reputation	0,641	Valid
Service Quality	0,650	Valid

Source: Primary data processed (2022)

The data above shows that the AVE customer loyalty data test has an AVE value of 0.707; customer satisfaction of 0.746; customer trust of 0.722; reputation of 0.641; and service quality of 0.650. It can be stated that all AVE value data is more than 0.5 ( $> 0.5$ ), so it can be stated that all variables are valid.

In this study, to determine the validity value of Cross Loading, it can be seen that the value must be above  $> 0.7$  so that it can be said to be valid.

Table 2. Cross Loading Test

Indicator with variables	Cross Loading	Description
Customer Loyalty	0,841	Valid
Customer Satisfaction	0,864	Valid
Customer Trust	0,850	Valid
Reputation	0,801	Valid
Service Quality	0,806	Valid

Source: Primary data processed (2022)

Based on the data above, it can be stated that the customer loyalty variable has a Cross Loading value of 0.841; customer satisfaction of 0.864; customer trust of 0.850; reputation of 0.801; and service quality of 0.806. These data show that all Cross Loading above is  $> 0.7$  and can be declared valid.

In this study, Cronbach's Alpha test is one way to determine whether a variable or indicator can be reliable. If a test result is reliable, the data obtained from respondents is always consistent or the same. One of the requirements to fulfill or be said to be reliable is to have a Cronbach's Alpha value  $> 0.6$ .

Table 3. Cronbach's Alpha Test

Indicator with variables	Cronbach's Alpha	Description
Customer Loyalty	0,793	Reliable
Customer Satisfaction	0,830	Reliable
Customer Trust	0,808	Reliable
Reputation	0,719	Reliable
Service Quality	0,730	Reliable

Source: Primary data processed (2022)

Based on the table above, it can be stated that the results of Cronbach's Alpha test value on the customer loyalty variable are 0.793; customer satisfaction 0.830; customer trust 0.808; reputation 0.719; and service quality 0.730. It can be said that only the customer loyalty and customer trust variables meet the requirements for this value Cronbach's Alpha  $> 0.6$ .

This Composite Reliability test was carried out so that it could be seen whether the construct is reliable or not. Provisions can be reliable if they have a test result value above 0.7 ( $> 0.7$ ).

Table 4. Composite Reliability Test

Questions	Composite Reliability	Keterangan
Customer Loyalty	0,879	Reliable
Customer Satisfaction	0,898	Reliable
Customer Trust	0,886	Reliable
Reputation	0,843	Reliable
Service Quality	0,848	Reliable

Source: Primary data processed (2022)

Based on the table above, the customer loyalty variable has a Composite Reliability of 0.879; customer satisfaction of 0.898; customer trust of 0.886; reputation of 0.843; and service quality of 0.848. Overall, all variables can be declared reliable because they meet the requirements of the Composite Reliability value  $> 0.7$ .

The Adjusted R Square data test results aim to find out the analysis results of how significant the relationship between each variable is in the research model. If the adjusted R square value has a significant value, the explanatory power of the regression equation and the dependency or relationship between variables can become more muscular (Hair et al., 2014).

Table 4. R Square Adjusted Test

Variable	R Square Adjusted
Customer Loyalty	0,553
Customer Satisfaction	0,598
Customer Trust	0,438

Source: Primary data processed (2022)

R square shows the percentage value of fit in a model. Based on the data above, the relationship between service quality and reputation on customer loyalty has an adjusted R-squared value of 55.3%. In comparison, the remaining 44.7% is influenced by other variables or factors not included in the model. At the same time, the relationship between service quality and reputation on customer satisfaction has an adjusted R-squared value of 59.8%. Other variables influence the remaining 40.2%, not in the research model. Finally, the relationship between service quality and reputation on customer trust has a value R square adjusted 43.8%. Other variables influence the remaining 46.2%, not in the research model.

In this study, researchers conducted a data test to see the influence or relationship between the independent and dependent variables. In this study, 2 independent and 1 dependent variable were mediated by 2 variables. The author uses the path coefficient method to see the relationship or direct influence between variables in this study. In a variable that can be stated to affect other variables significantly, the conditions must be fulfilled and have a p-value <0.05 (Hair et al., 2014).

## DISCUSSION

Based on the results of the data test above, it has been explained that the relationship between customer satisfaction and customer loyalty has a p-value of 0.000; customer trust with customer loyalty has a p-value of 0.003; reputation with customer loyalty has a p-value of 0.016; reputation with customer trust has a p-value of 0.000; service quality with customer loyalty has a p-value of 0.064; service quality with customer satisfaction has a p-value of 0.000. It can be stated that all data on the relationship between variables in the path coefficient table above is said to significantly affect customer loyalty, customer satisfaction, and customer trust because it has a p-value below <0.05.

Based on the values in the sample mean table, it can be stated that customer satisfaction affects customer loyalty, which has a significant value and influence of 0.380 (> 0.05); customer trust affects customer loyalty has a significant value and influence of 0.186 (> 0.05); reputation affects customer loyalty has a significant value and influence of 0.138 (> 0.05); reputation affects customer trust has a significant value and influence of 0.662 (> 0.05); service quality affects customer loyalty with an insignificant value and no effect of 0.124 (> 0.05); service quality affects customer satisfaction has a significant value and influence of 0.773 (> 0.05). To be able to determine whether the relationship is positive or negative, it can be seen in the columns for the original sample value, customer satisfaction, customer trust, reputation, and service quality, which has an original sample value of 0.378; 0.193; 0.136; 0.663; 0.122; 0.774 so the relationship has 5 positive effects, and 1 is not significant.

## CONCLUSION

In this study, the authors aim to analyze and detect factors that can affect the level of customer loyalty in society in Indonesia. This study analyzes the influence of the independent variables on the dependent, where the independent research variables are service quality and reputation, and the dependent variables are customer trust, customer satisfaction, and customer loyalty. Based on data processing, analysis and observation, it can be concluded as follows: (1) Service quality has a significant favorable influence and impact on customer satisfaction with a sample mean value of 0.773 and a p-value of 0.000, and this relationship is positive. The author has produced the same results as the previous research investigated by Latif et al. (2020); (2) Service quality is not significant in influencing and impacting customer loyalty, with a sample mean value of 0.124 and a p-value of 0.064, and this relationship is negative. The author has produced the same results as the previous research investigated by Lesmana et al. (2021) and Prentice et al. (2020); (3) Reputation has a significant favorable influence and impact on customer trust, with a sample mean value of 0.662 and a p-value of 0.000, and this relationship is positive. In the research, the author has produced the same results as the previous research conducted by Tahir Islama et al. (2021); (4) Reputation has a significant favorable influence and impact on customer loyalty, with a sample mean value of 0.138 and a p-value of 0.016, and this relationship

is positive. The writer's research has produced the same results as the previous research conducted by Khan et al. (2020); (5) Customer trust has a significant favorable influence and impact on customer loyalty, with a sample mean value of 0.186 and a p-value of 0.003, and this relationship is positive. In the research, the author has produced the same results as the previous research conducted by Tahir Islama et al. (2021); (6) Customer satisfaction has a significant favorable influence and impact on customer loyalty, with a sample mean value of 0.380 and a p-value of 0.000, and this relationship is positive. In the research, the author has produced the same results as the previous research conducted by Tahir Islama et al. (2021).

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