CHAPTER I

INTRODUCTION

1.1   Background

The mobile industry has become very popular in the past decades. The number of Cellular phone users in Indonesia have increased significantly. Indonesia's mobile market has continued to expand at around 50% per year. By March 2007, the total mobile subscriber base had passed 65 million, up from 12 million subscribers just five years earlier. While the country's mobile penetration had quickly moved to almost 30%, there was still considerable potential remaining for further growth in this market. Of particular interest coming into 2007, five mobile operators were offering 3G services, having launched networks in 2006. Telkomsel was making a strong impression on the market (2 million 3G subscribers by March 2007), but the other operators had generally got off to a slow start (Report Linker, 2007). Meanwhile, according to the data, as per the end of December 2008, the number of Telkomsel users has reached 65 million, the number of Indosat users at 35.5 million, and the number of XL users at 26 million. There are 26.5 million phone users in Indonesia in total. When combined with CDMA hand phone users, total cellular phone users in Indonesia accounts for 50% of the whole population (Apollo Asia Multimedia). This figures describes how big the market is and how much potential there is for the mobile industry in Indonesia, that is mobile operators and other companies supporting handphone contents.

Based on 2008 survey and trends of teenangers behavior, cellular phones have become

not only a necessity in daily activities but they also create additional values for users through many differents applications and contents available. This trend is applicable for all kinds of people, male or female and young or old (SURVEI TREN DAN PERILAKU REMAJA Tampil Gaya dan Gandrung Musik Pop, 2008). Cellular phone also acts as a personal identity and this means that all the info, which is going through their cellular phone becomes personal info as well. The main criteria for users in choosing the products and types of cellular phones is its features that is offered by the cellular phone itself, such as the ability to function as an MP3 player, radio or a camera (SURVEI TREN DAN PERILAKU REMAJA Tampil Gaya dan Gandrung Musik Pop, 2008).

Nowadays cellular phone is not just for call-related activities or text messaging, cellular phones can also be used for entertainment, games, and also for office activity (SURVEI TREN DAN PERILAKU REMAJA Tampil Gaya dan Gandrung Musik Pop, 2008). Some forms of text messaging entertainments are SMS celebrity, SMS Horoscope, Ring-tone downloads and also Ring-back tones. Sometimes people use ring tones and ring-back tones to express their self-identity. The reason why the researcher chooses this topic is because ring-back tone has become one of the big phenomena in Indonesia's entertainment industry. Ring-back tone also creates opportunities for music artists in the entertainment industry because ring-back tones has become the biggest income for music artists in Indonesia in the current industry setting. The researcher also wants to know the main reason why costumer chooses to purchase ring-back tones because the consumer itself never dials his or her own phone, it is the individuals who call the consumer's telephone who will benefit from the ring back tone (Putranto, 2008, p. 37-

41).

1.1.2 GSM & CDMA Providers In Indonesia

Global System For Mobile Communication (GSM) provider:

- Axis - PT. Natrindo Telepon seluler (Axisworld)

- Indosat im3 - PT. Indonesian Satellite Corporation Tbk. (Indosat)

- Indosat Mentari - PT. Indonesian Satellite Corporation Tbk. (Indosat)

- Telkomsel - PT. Telekomunikasi Selular (Telkomsel)

- 3 - PT. Hutchison CP Telecommunications (Three)

- XL - PT. Excelcomindo Pratama Tbk. (XL)

Code Division Multiple Access (CDMA)

- Esia - Bakrie Telkom (Bakrie Telecom)

- Star One - PT. Indonesian Satellite Corporation Tbk. (Indosat)

- Mobile 8 / Fren - PT. Mobile-8 Telecom Tbk. (Mobile-8)

- Smart - PT. Smart Telecom (Smart)

- Telkom Flexi - PT. Telekomunikasi Indonesia, Tbk. (Telkom Flexi)

Telkomsel is the first provider that created Ring-back tone technology in Indonesia and it is more popular for "Nada Sambung Pribadi" (NSP) (Informartion Media, 2009).

1.1.3 Operator Market Share

The key players in the Indonesian market are PT Telkom and PT Indosat. They have further strengthened their positions by acquiring two other major telecom operators in

Indonesia. PT Telkom, also known as Telkom Indonesia acquired PT Telkomsel, the largest mobile operator in Indonesia, and PT Indosat settled for PT Satelindo, the second-largest mobile operator. Indonesia's mobile market continues to grow, expanding at an annual rate of close to 50 per cent. By early 2008 the total mobile subscriber base had passed 90 million, up from 12 million just six years earlier. It is expected that there will be 120 million mobile subscribers by the end of 2008. Based on point-topic.com, the dominant player in the mobile segment is PT Telkomsel with 22 million mobile subscribers (55 per cent market share) followed by PT Indosat with 13 million subscribers (32.5 per cent market share) and Excelcomindo with 4.5 million subscribers (11.25 per cent market share) (Point Topic, 2008). Meanwhile based from asiatimes.com, the three national GSM operators, PT Telkomsel, PT Satelindo and PT Excelcomindo Pratama (Excelcom), control 95 percent of the market. Telkomsel controls 51 percent of the market share, far exceeding Satelindo, 77 percent owned by Indosat, with its 25 percent share of the market and Excelcom with 16 percent. As of the end of last year, Telkomsel had 3.25 million subscribers, Satelindo 1.76 million and Excelcom 1.22 million. Telkom acquired its majority holding of Telkomsel last year under a landmark deal with Indosat to end cross-holdings in the telecommunications sectors. Indosat's other cellular operator, IM3, said to control only 2.5 percent of the mobile market, started off this year with a tremendous advantage. A controversial "roaming facility" agreement between Satelindo and IM3, which came into effect in September, meant IM3 could provide services without having to build its own network. This is clearly unfair to the other operators without a national "roaming capacity" and heralded a massive promotional campaign from IM3, offering the cheapest new SIM (security identity module) cards, low line rates, and free mobile Internet access for

subscribers (Guerin, Bill, 2002). The pie chart below shows the market share percentage of provider in 2007 (both GSM and CDMA):
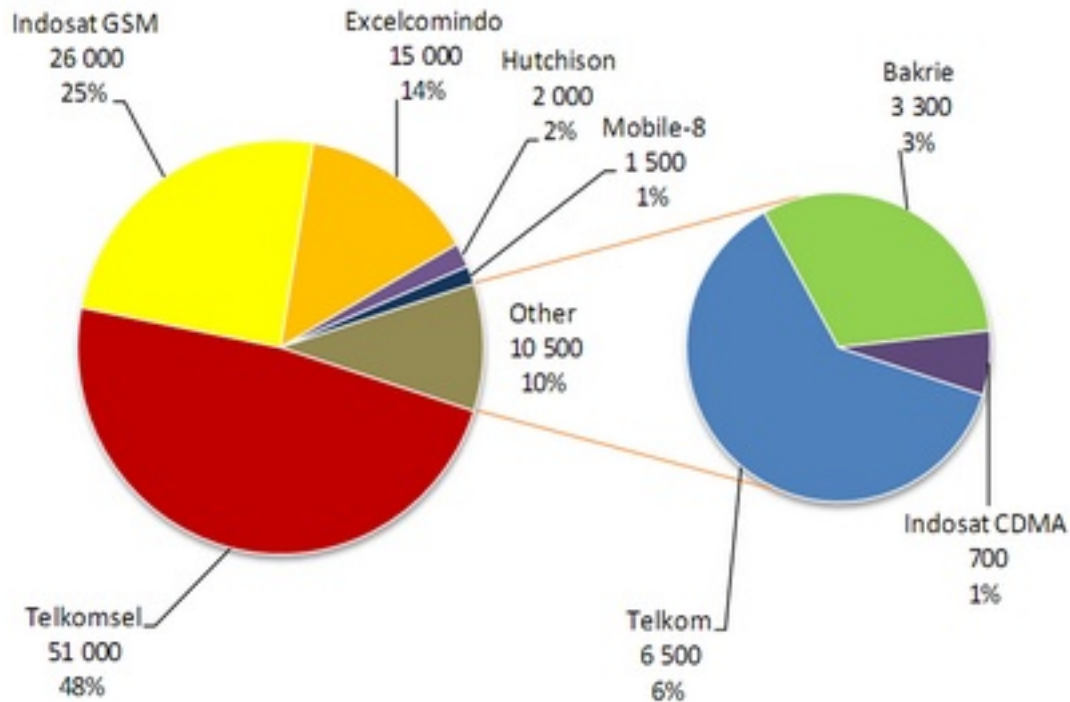
(Nukov, 2008)

The pie chart above shows the percentage of the market share of provider in Indonesia, including GSM provider and CDMA provider. We can see from the chart that Telkomsel and Telkom are leading the market for GSM and CDMA with 48% for Telkomsel and 6% for Telkom.

1.1.4 Mobile Marketing

Mobile Marketing Alliances defines mobile marketing as the use of mobile medium as a communications and entertainment channel between a brand and an end-user. Mobile marketing is the only personal channel enabling spontaneous, direct, interactive and/or

targeted communications, any time, any place" (Mobile Marketing Association, 2004a). Although the above is perhaps a bit over optimistic in its view of mobile marketing, it is a definition that summarizes the special feature that the mobile phone can add to marketing. Mobile marketing is the marketing is the marketing of product and services through the use of a mobile communication channel. It is a personal, time and location sensitive channel, which can reach its intended audience instantaneously with direct, interactive, or targeted communication. Mobile marketing should always be used with the utmost care, so as not to compromise the integrity of the receivers of these messages. It is potentially a great new marketing tool, but it must always be integrated with other channels.

Mobile marketing is a wide term which includes Gaming and Gambling, Infotainment, Banking and finances, and mobile advertising (Paananen, 2003). The mobile entertainment content, is the focus of this thesis. Nowadays Hand phone technology has become more advanced than before in Indonesia. There are many things that are integrated with the hand phone technology such as radio FM, digital camera and MP3 playing capabilities, not to mention the size of the hand phone that seems to become smaller and more sophisticated in shape (Nester et al., 2003). There are also many providers in the market. Hand Phone is no longer just for communication but it became a an item to express lifestyle, appearancees, trend and prestige. In Indonesia, there are many things to offer in the entertainment segment. There are Horoscope SMS, Celebrity SMS and Lifestyle SMS. There are also entertainment functions such as Ring-tone downloads and Ring-back tone activation. The two later types of entertainment are the biggest incomes in the music and cellular phone provider industry in Indonesia and become a phenomenon.

1.1.5 Ring-back Tone

Ring-back tone is different than Ring tone. Although they sound similar, there is a vast different between these two. The ring-back tone define the nature of the relationship as they are individually assigned to a particular identified caller, ring tones symbolize the popularity of particular music album, or hot trend in music industry (Shashi, 2009).

Ring-back Tone (RBT) or Audible Ringing Tone is the audible ringing that is heard on the telephone line by the calling party after dialing. prior to the call being answered at the receiving end. This tone assures the calling party that a ringing signal is being sent on the called party's line, although the ring-back tone maybe out of sync with the ringing signal.

Ring tone is the sound made by a telephone to indicate an incoming call or text message. The term is a misnomer, as it is often used to refer to any *ring sound*, almost all of which are not tones. The term is most often used to refer to the customizable sounds used on mobile phones.

1.1.6 Ring-back Tone In Indonesia

Unfortunately in Indonesia, ring-back tone is not yet assigned to a particular caller. The RBT symbolizes the popularity of audio singles from various bands. It can personalized to the user's taste with many kinds of music such as top 40 music or even Ethnic types

of music. This makes the function of ring-back tone in Indonesia similar to a ring tone, except that it replaced the tone heard by the caller while waiting for a call to be picked up. Ring-back tone is something that we purchase but cannot be enjoyed by our self. People in Indonesia tend to use ring-back tone as a way to express themselves (Putranto, 2008, p. 37-41).

The music industry in Indonesia is falling because of the high level of piracy. Indonesian musician only have 4% income from CD sales, and meanwhile the remaining 96% is lost because of pirated CD's (Putranto, 2008, p. 37-41). Indonesian people prefer to buy pirated CD's rather than buying the original CD's because it is a lot cheaper to buy pirated CD's rather that buying the original one. Most of the Indonesian people do not care of the quality, they just buy the CD's that are low cost and easy to get. This phenomenon makes the music industry in Indonesia decreasing rapidly. Many artists in Indonesia got their potential revenue lost because of the piracy.

Thanks to how Indonesia has experienced an enormous growth in mobile phone uptake in the past couple years, mobile phones are already providing an important revenue stream for Indonesia's record labels. Consumers are paying for mobile ring tones and ring-back tones and copyright owners have had some success in ensuring that they receive a portion of the money being spent on these services. Many record industry players see mobile content as key to the future of Indonesia's music industry (Kompas).

1.2   Scope

The target population of the study consists of 300 respondents. The areas covered were in south Jakarta, north Jakarta, west Jakarta, east Jakarta and central Jakarta. The researcher will conduct a focus group discussion and then distribute 60 questionnaires for each area, using convenient sampling.

1.3   Aims and Benefits

The purpose of this study is to create a ==significantly altered replication== based on a journal conducted in China about "Consumer Attitudes Towards Online And Mobile Banking In China". The researcher will use the same approach that is the consumer attitudes, their demographic and the behavior characteristic towards the ring-back tone user in Jakarta. This study offers an insight into ring-back tone usage in Jakarta, which has not been previously investigated. The other benefit from this study is to find out why ring-back tone became a phenomena in the music industry's marketing and why consumers tend to activate ring-back tones.

The objectives of this study are:

- To understand the demographic characteristics and buying patterns of ring-back tone users in the Jakarta.

- To understand the factors that influence users to purchase Ring-back tones.

- To help providers and music labels in improving their promotional plan for the entertainment services in particular ring-back tone segment.

1.4   Structure

Chapter 1   Introduction

This chapter gives the background and general information of mobile marketing, particularly ring-back tone, and the industry in Indonesia. The scope determines how the researcher will conduct the research and the respondents including the target population and also the location for the survey. Aims and benefit clearly explain about the purpose of the study and what benefits can be achieved by this study and for future use in the industry.

Chapter 2   Theoretical

This chapter determines the hypothesis, theoretical framework that will be used to support the thesis.

Chapter 3   Methodology

Explains the methods that will be used to conduct this research and analyze the issues related to the thesis topic. This chapter includes the data analysis method and data gathering method.

Chapter 4   Result

This chapter discusses about the result of the research including the analysis that use the methods such as factor analysis, descriptive analysis, ANOVA / (t)-test. This chapter also includes the explanation of how the methods were impelemented and the reseacrh findings.

Chapter 5   Conclusion

Reviewing the result and conclusion of the survey and also identifying the solutions that the researcher suggests for future improvement.