CHAPTER I

INTRODUCTION

1.1 Background of Research

In this modern era, technology has experienced rapid progress. Many hi-tech products have been created as the result of having so. One of those hi-tech products is mobile phone. Recently, mobile phone already progressed significantly as well, whether in terms of technology, design, features or applications. At the beginning, mobile phone belong to a luxury item that was only owned by upper class people, but with the passage of time, nowadays, mobile phone already considered as a mass product which must be owned by everyone. With a population 260 million people, put Indonesia as one of six countries with the highest mobile phone users in the world by 2013. As mentioned by the minister of communication and information, Tifatul Sembiring at Gajah Mada University, the number of mobile phone users in Indonesia in 2014 was 270 million users. Thus, with the great development of technology in today's life, especially with the high number of mobile phone users in Indonesia, giving opportunity to companies to revolutionize the way how they do their business.

In order to maintain and survive in the fierce competition, companies must strengthen their competitive strategy by getting use of advancements in technology. Many business activities can be supported by technology and one of them is marketing activities. Marketing activities that are carried out through mobile phone is known as the Mobile Marketing or M-Marketing. According to (Kamphuis &

Ramnarain, 2012), mobile marketing is the new way to access people, communities and interested groups. (Yunos & Gao, 2002) developed the definition of mobile marketing as a set of marketing activities that deliver advertisement to mobile devices using a wireless network and mobile advertising solutions to promote the sales of goods and services, or build brand awareness. One type of mobile marketing platforms is advertising. In 2010, Swallow identified that they are five forms advertising via mobile devices and one of them is Short Message Service (SMS) advertising.

SMS advertising is one kind of mobile advertising. Although nowadays people and tend to connect with internet in their daily life, but the advertisement through SMS is still effective to promote goods and services. This is supported by study conducted in United Kingdom by Frost & Sullivan in Jake (2013). They found that 98% of the text messages are read compared with tweet which was only 29%, 22% for email and posts on Facebook. In fact, according to their study, people that soon will read text messages on average within the first five second later after the messages received. When consumers get SMS advertising, the consumer can read it, delete it or save it until they decide what to do with the SMS ads.

Advertising through SMS would be useless if the company does not pay attention to the attitudes of its consumers toward advertising which is delivered. Kotler believes that "an attitude is a person's enduring favorable or unfavorable evaluations, emotional feelings, and action tendencies toward some object or idea" (Kotler, 2012). Consumer attitudes toward SMS advertising are quite diverse; there

are positive and negative perceptions from each of consumers. If the consumers have positive attitude toward SMS advertising, that will benefit the company because they have probability to take next action, such as make a purchase. If the consumers have a negative attitude, this will be a threat for the company because by anytime its consumers attitudes are the content of SMS advertising. Tsang (2004) Mentioned that there are four characteristic of SMS advertising content, which are entertainment, informativeness, irritation and credibility. Each of those characteristic will give influence on how consumers attitudes towards SMS advertising. In the previous study, conclude that consumer held negative attitude toward SMS advertising where entertainment was factors that had the strongest influence (Zabadi et al., 2012).

The number of SMS advertising received by consumers everyday also affect how their attitude toward SMS advertising. In general, consumers will feel uncomfortable when they have to receive pretty much SMS advertisement every day. The quantity of promotional message rises, the attitude of the individual towards the promotional vehicle also worsens and leads to tedium from the consumers' point of view (Ha,1996; Tellis,1997). This statement was supported by research Haghirian & Malberger (2005) found that frequency of exposure SMS advertising was negatively associated with advertising value and consumer attitude.

One of the industries that intensively use SMS advertising as their mean of advertising and promotion activities in Indonesia is the SIM card service providers industry. Telkomsel is the large companies engaged in this industry. In 2014, the number of this mobile operator reached 139.2 million (Wijaya, 2014).

Entering the era of Information and Communication Technology (ICT), Telkomsel has optimized the development of services in Indonesia. Telkomsel currently owned by PT Telekomunikasi Indonesia (Persero) Tbk with 65% stake and Singapore Telecom Mobile Pte Ltd with 35% stake (Telkomsel, 2014). Until the end of December 2013, Telkomsel has served more than 130 million subscribers, Telkomsel create a market leader in the mobile telecommunications industry in Indonesia with a market share around 45%. As the market leader, Telkomsel provides the widest coverage, covering more than 95% of the population of Indonesia with 54,000 Base Transceiver Stations (BTS),where 15,000 of them are 3G BTS.Telkomsel provides many products with the customer needs oriented, each of product has the advantages.The following explanation explain each of Telkomsel product:

1. KartuHALO

kartuHALO is brand of postpaid mobile in Indonesia. With a market share of more than 50% by the end of 2012, reaching more than 2.1 million subscribers, 42% of which are corporate customers. Targeting the high-value customers, kartuHALO aims to provide the best experience and care for every customer by Customer Touch Point (CTP).

2. simPATI

Targeting the mid-market segment and teenagers, simPATI is prepaid card which is an awardee of Telkomsel award. In 2012, simPATI offers a variety of interesting dynamic packages and campaigns to increase demand among the growing number of mobile data users in digital lifestyle, including students and young executives.

3. Kartu As

Kartu As, Telkomsel prepaid brands for price segment, strengthened in the market by offering innovative and value-focused price for dial, SMS and data

Currently, Telkomsel has 128 million users. Telkomsel expects to reach 130 million users throughout Indonesia. The largest customer was contributed from prepaid services. Sales Director of Telkomsel Mas'ud Khamid said, the customers of simPATI users has 55 million to 60 million, while kartu AS has 60 million to 70 million customers. ("Telkomsel Ingin Punya 130 Juta Pengguna", 2013).

Telkomsel launched new services for business owners who want to develop its business in order to advertise their products and services in cooperation with Telkomsel. Since Telkomsel launched the service in 2010, the network operator has handle 7,000 brand (Grazella, 2013). Adrian Suherman, Head of Digital Advertising Group Telkomsel declare the customer get maximum 10 SMS advertisements in a week to avoid spamming (Telkomsel, 2010).There is four types of digital advertising services from Telkomsel (Telkomsel, 2010) as follows:

1. Reward, consist of M Coupon, Scratch & Win, Bonus.

2. Messaging, consist of bulk, interactive, Location Based Advertising (LBA) and targeted.

3. Display, consist of banner ads (off deck banner, interstitial banner, on deck banner, internet filtering) and application ads.

4. Channels, consist of e-billing statement, GraPARI video ads, voice ads with IVR.

Channel messaging is still the biggest consumer around 60-70% because of the channels longest since 2010 (U-Ad, 2013). In 2011, the largest revenue generated on that messaging through bulk package followed by bulk excess, screen pop, mobile newspaper, interactive service, Biz Ring and WAP banners (Telkomsel, 2010). Regarding the contribution to earnings Telkomsel mobile advertising, it is still relatively small at less than 5% from the total fifty trillion rupiah of Telkomsel's revenues in 2012 (U-Ad, 2013). In recent years, this company always sent their information about their products or promotions through SMS advertising. Based on the description of the background that have been explained above, researcher interested to investigate **"The Impact of Content of SMS Advertising by Service Providers Telkomsel on Consumers' Attitudes, Study of: Students of Faculty of Economics Andalas University".**

1.2 Problem Identification

One of the forms of marketing communication is advertising. Advertising is used in order to make a product can be known by public. When the marketers deliver the message, news, or any promotion, they tend to provide proper information and lead customer to aware and read the advertisement itself. Therefore, the marketers is committed to offer the proper information as good and as interested as possible about their goods or services. Generally, Advertisement is delivered using printed and digital media.

The existence of SMS advertising causes varied responses from Indonesian Citizen. Good and Bad responses are written eventually in public through free forums. Kaskus Online Forum is one of them (Sandiya, 2012). Kaskus has ever conduct voting election about the comforting of receiving SMS Advertisement. The results showed 98% respondent felt annoyed and the rest felt un-annoyed with total respondents 90 citizens. SMS advertising in Indonesia is reputed too often delivered. Almost of respondents who felt annoyed said the SMS advertisements they received are not important and irritating. Even though, some of participant said that SMS advertisement is sometimes contained beneficial information about discounts and other benefits and it doesn't disturb their mobility.

In Indonesia, Most of provider companies use SMS as a media to deliver the promotion and advertisement. Not only provide effectiveness in offering their goods

and services, but also help the interaction between customers and marketers which can lead to improve customer loyalty.

1.3 Question of Research

Based on the research background that has explained above, this research will address several question, as follows:

1. How the impact of entertainment content of SMS advertising on Telkomsel consumers' attitude?

2. How the impact of informativeness content of SMS advertising on Telkomsel consumers' attitude?

3. How the impact of irritation content of SMS advertising on Telkomsel consumers' attitude?

4. How the impact of credibility content of SMS advertising on Telkomsel consumers' attitude?

1.4 Objectives of Research

Based on the problem statement above, the goal of this study is to obtain data and information that is appropriate for analyzing the data. Specifically, the objectives of this research are:

1. To investigated the impact of entertainment content of SMS advertising on Telkomsel consumers' attitude.

2. To investigated the impact of informativeness content of SMS advertising on Telkomsel consumers' attitude.

3. To investigated the impact of irritation content of SMS advertising on Telkomsel consumers' attitude.

4. To investigated the impact of credibility content of SMS advertising Telkomsel on consumers' attitude.

1.5 Benefits of Research

This research is expected to give any contribution as well as several benefits, such as:

a. Theoretical

This research can contribute to add students' knowledge and insights related to the implementation of theory about marketing strategy that they already learned in learning process, especially theory about mobile marketing, attitudes and costumer repurchases intention.

Besides, this research can add the collection of university library which discuss about the impact of content characteristic of SMS advertising and can be used as reference for subsequent study to other students in Andalas University.

b. Practical

This research can give information to the company how the content characteristics of SMS advertising and influence the consumer attitude, so they can use this information to design an effective advertisement. Then, this research also

gives opportunity to apply current concept in bussiness practice increase the knowledge about what factors that can influence consumer attitude toward SMS advertising. Therefore, the researcher can implement this research in any kind of situations or conditions at the workplace.

1.6 Scope of Research

The topic by researching the impact of content characteristic of SMS advertising (entertainment, informativeness, irritation and credibility) by provider Telkomsel on attitude of students in Economics Faculty Andalas University.

1.7 Outline of Research

In order to make it easier and make moderate the forwarding of content, this research is divided into five chapter, they are:

CHAPTER I   : INTRODUCTION

That is containing about background of the research, problem statement, and objective of the research, contribution of the research, and scope of research.

CHAPTER II   : LITERATURE REVIEW

This chapter contains descriptions of theoretical variables that include the theories that support and underlie the variables used in the research and framework.

CHAPTER III : RESEARCH METHODOLOGY

Present about research method which discussing about research design, population and sample, data collecting method, operational of variables, data processing, data analysis method and data analysis.

CHAPTER IV   : RESULT AND DISCUSSION

Explain about validity and reliability test, analyzing The Impact of Content Characteristic of SMS of Advertising SIM Card Service Providers Telkomsel on Consumers' Attitudes Case Study: Students of Faculty of Economy Andalas University.

CHAPTER V: CONCLUSION, LIMITATION, AND RECOMMENDATION

On this chapter, researcher will explain about conclusion of research, suggestion of research, limitation of the research, and recommendation for further research.