

CHAPTER I

INTRODUCTION

1.1 Research Background

Internet has become an essential part of daily life in Indonesia. The rapid advancement of digital technology and mobile communications has significantly transformed human behavior, leading individuals to become increasingly dependent on internet in their daily lives and social activities (Nawaz et al., 2025). People use internet for various purposes, including for schools, works, or entertainment. Indonesia's embrace of a mobile first digital lifestyle has fundamentally reshaped consumer behavior, making mobile connectivity not only common but indispensable for accessing services, social interaction, and information (Ma'ruf et al, 2024).

This transformation is reflected in recent statistics. By January 2025, active mobile connections in Indonesia had reached 356 million, equal to 125% of the population, indicating the use of multi-SIM or multi-device (Data Reportal, 2025). Concurrently, internet users in Indonesia totaled 212 million as the online penetration stood at 74.6 %, an increase of 17 million or 8.7% between January 2024 to January 2025 (Kepios, 2025). These figures underscore the integral role of smartphone-based mobile internet in everyday life.

Consequently, data consumption patterns have shifted markedly. Ericsson (2024) reports a global average of 21.6 GB of smartphone data use per month, driven largely by video streaming and social networking. According to the Digital

2025 Global Overview Report, Indonesians spend an average of 7 hours 22 minutes online each day, well above the global average of 6 hours 38 minutes. This confirms that Indonesians are becoming increasingly reliant on the internet, especially via mobile phones, and this habit is expected to grow as digital technology adoption accelerates across the country (Nadira, 2025). Align with that, over 170 million mobile internet users across the country, Indonesia's telecommunications market is among the largest in Southeast Asia (Siahaan, 2025).

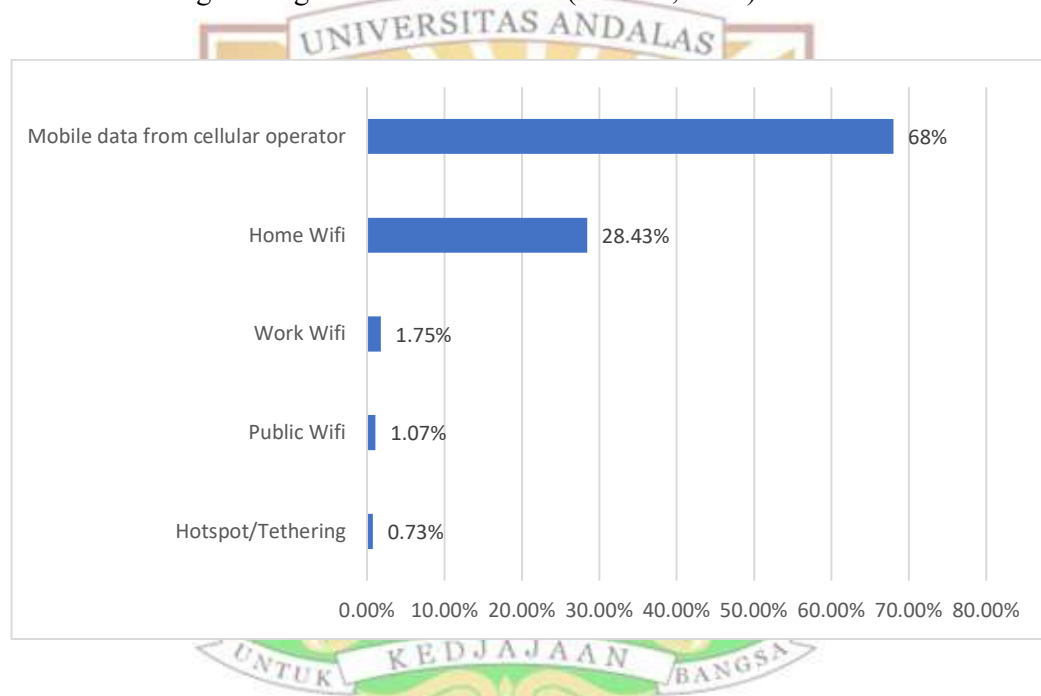


Figure 2.1 Indonesian Public Preference in Internet Access

Source: APJII (2025)

Internet service providers are divided into two, mobile broadband and fixed broadband. Both have fundamental differences, although they are often considered the same. Mobile broadband, as the name implies, is an Internet service that comes from a cellular network via a SIM card that can be used across various locations. Fixed

broadband, on the other hand, is a wired Internet service based on fiber-optic networks which can't be moved, such as WiFi (Fayyadh et al, 2024). According to a survey conducted by the Indonesian Internet Service Providers Association (APJII) in 2023, the majority of the Indonesian population relies on mobile data packages for internet access. Another survey conducted by APJII (2025) also reveals the clear dominance of mobile data internet use where a substantial 68% of respondents chose to use mobile internet on their smartphones, compared to 28.43% who opted for home Wi-Fi. These findings indicate the widespread reliance on mobile internet connectivity.

The surge in mobile internet usage consumption has some serious consequences, and brands will need to address these issues in order to achieve corporate sustainability goals. Rapid growth and development in information technology and mobile devices has made Indonesian mobile operators service market become highly competitive. Telkomsel, Indosat Ooredoo, and XL Axiata are recognized as the top three mobile operators (Indonesia E-sim, 2025). According to Samuel Sekuritas Report (2025), among all the brands, Telkomsel is the market leader in Indonesia by holding 50.9% market share by 2024. According to APJII (2025), Telkomsel remains the most widely used mobile internet operator in Indonesia.

Telkomsel is Indonesia's leading provider of mobile and fixed-broadband services and a key driver of the nation's digital transformation. Established in 1995 as a subsidiary of PT Telekomunikasi Indonesia Tbk (69.9% ownership) and Singapore Telecom Mobile Pte Ltd (30.1%), the company continues to strengthen

its role in expanding inclusive connectivity across the country (Telkomsel, 2025). Currently, Telkomsel serves approximately 159.4 million mobile subscribers and covers around 99% of Indonesia's population through an extensive infrastructure network of more than 271.000 BTS sites, including over 221.000 4G/LTE towers and nearly 1.000 5G installations across 56 cities and regencies.

In terms of its service offerings, Telkomsel provides two main types of mobile internet services: prepaid and postpaid. According to the Indonesian Internet Service Providers Association (APJII, 2025), prepaid users dominate Indonesia's internet mobile market accounted for 93.07%, while postpaid only represent 6.93% of total mobile internet users and it applies equally across age groups, with Generation Z having the highest proportion of prepaid user in 93.53% compared to those used postpaid. The report revealed the main factors why users choose prepaid service primarily because affordable data prices in 23.33% and the ease of purchasing and selecting data packages in 3.13%. In contrast, postpaid users are more common among the older generations and those who are in higher income groups.

In 2024, Telkomsel carried over 20 million terabytes of mobile data, a 13.9% increase year-on-year, reflecting rapidly growing demand for high-speed connectivity and digital services. To reinforce its position as a digital telecommunication industry, Telkomsel has expanded its convergence offerings by integrating fixed-broadband (FBB) and fixed mobile convergence (FMC) into its primary growth strategy. On the fixed broadband front, Telkomsel now serves 9.6

million customers in nearly every city and regency, further solidifying its market leadership and commitment to innovation.

Despite this strong infrastructure, telecommunications industry is particularly competitive and characterized by very high churn rates (Ribeiro et al, 2023), service mobile provider becomes highly competitive with more brands come up to accommodate the needs of smartphone user that quite highly significant, to achieve a competitive advantage is getting intense each day. Therefore, users can choose the mobile service provider accordingly to their needs.

Regardless its presence in being market leader in the telecommunication industry, between 2021 to 2023, Telkomsel experienced a significant falls down in its market presence, with its market share decreasing by 7.3% points, from 56.2% in 2021 to 48.9% in 2023. This decline was further accompanied by a continuous downward trend in Telkomsel's mobile revenue share (Wakik, 2025). Nevertheless, report from APJII (2025), shows that Telkomsel prepaid remains the most widely used although its user share declined from 47.71% in 2024 to 45.79% in 2025. In contrast, other providers recorded growth or only slight decreases during the same period. The decrease of Telkomsel also can be seen from its Mobile Customer Based counted of 159.3 million users in 2023, gained as per 1.6% YoY with the numbers reaching 159.4 million in 2024 (Telkomsel, 2025). Despite the growth, the growing number of users still not progressive referring to growth of number of Internet user in Indonesia recent year. It indicates that market leadership does not necessarily ensure user retention, making switching intention a critical issue for Telkomsel.

This situation reflects the fierce competition within the industry, it also has caused brand consciousness among users, so they switch from one brand to another to have better quality at less cost, it is also often indicated once customers have been obtained and linked to specific operator, the long-term continuance decision with the current providers are significance to the success of the company (Manzoor et al, 2020). Consequently, users switching intention to another service provider has become a crucial concern for the providers. As market across the world shows there is a high competition due to new entrants and competitiveness, internet service providers should be competitive in all areas of service performance. If the actual service performance falls below compared to the expected performance, a service gap arises which leads to dissatisfaction, prompting users to seek alternatives and develop intention to switch from the existing brand that will lead into actual switching (Bulumulle, 2022).

A 2023 survey conducted revealed that approximately 45.87% of respondents might have plans to subscribe to another mobile internet network operator in Indonesia (Statista, 2024). Similarly, study conducted by Yacob et al, (2023) also found 22% of Indonesian mobile customers intended to change their mobile operators within next 12 months, this indicates the high switching intention in Indonesia. Among ASEAN nations, Indonesia and Thailand had the highest number of respondents who were more likely to switch (Future CIO editors, 2024). According to Neraca.co.id (2025), the churn rate in Indonesia's mobile internet telecommunication market range is in 12% to 20%, this further clarify the switching behavior among the mobile internet services. Hence, telecommunication industry,

particularly mobile internet services, should understand the determinants of switching intention among providers.

In the presence, modern users are also increasingly discerning and well-informed related to products and brands knowledge due to easily accessible information, as a result, this trend has led to a reduction in consumer loyalty as people become more readily switch between brands for various reasons. In choosing their internet mobile service providers, users consider a broader spectrum of factors when evaluating choices (Patel, 2023). Align in this era, easy access of information about services and its attributes of different brands, customers bargaining power together with switching behavior has increased. It is clear that brand switching becomes a major challenge for companies, which can affect their sustainability in the market as it may lead to a significant decline in profits and lead to churn (Guo et al, 2021). Therefore, understanding switching intention is essential, as it precedes and serves as important predictor of actual brand switching.

Given this crucial role of the intention, it is essential to gain insights into the predictors or the drivers that shapes it. Of all the most common and immediate factors, especially in increasingly saturated telecommunication market, is price, even small differences in mobile internet price can tempted users to switch their providers. Manzoor et al (2020) observed mobile users in Pakistan actively switched when the competing options offered lower price, giving a lower quota per-GB rates. Bulumulle et al (2022) also states that better pricing was one of the frequently cited factors of switching among internet service provider, as the users sought plans the delivered greater volume by lower cost.

Table 1. 3 Price Comparison from each Provider

Provider	Cheapest Monthly Packages	15-20 GB Packages	Most Expensive Monthly Packages
Axis	6 GB / 28 day = Rp29.000	21 GB / 28 day = Rp66.900	36 GB / 28 day: Rp91.500
Indosat IM3	7 GB / 30 day = Rp30.000	18 GB / 28 day = Rp60.000	200 GB / 30 day: Rp200.000
3 (Tri)	7 GB / 30 day = Rp30.000	20 GB / 30 day = Rp60.000	500 GB / 30 day: Rp500.000
Telkomsel	6 GB / 30 day = Rp55.000	15 GB / 30 day = Rp110.000	115 GB / 30 day: Rp235.000
XL Axiata	10 GB + 3 GB / 30 day = Rp73.000	20 GB + 3 GB / 30 day = Rp100.000	52 GB + 14 GB / 30 day: Rp195.000

Source: Salugiasih in Tuwaga, 2025

Table 1.1 illustrates a comparison of monthly mobile internet data package prices among major providers in Indonesia. The table shows that Telkomsel consistently offers higher-priced packages across various data categories compared to its competitors, including in commonly used ranges such as 15–20 GB. While Telkomsel positions its pricing as part of a premium service strategy supported by extensive network coverage, the presence of more affordable alternatives with comparable data volumes may influence users' perceptions of value and price fairness. In a highly competitive market where price information is easily accessible, such differences can encourage users to reassess their current provider and consider switching to alternatives.

Meanwhile the economic calculations as the money in exchange of value are pivotal, the decision to switch is not come merely because of price. The service itself is the fundamental factors in shaping intention to switch. Dissatisfaction has always been identified as one of the key predictors of switching intention, especially for long-term relationship with particular brand as the user will feel confidence in decided due to familiarity (Lu and Ahn, 2025). Consumer dissatisfaction that often includes network unreliability, technical problem, or the poor quality of customer service, has long been identified as a fundamental factor in switching behavior within service industries, particularly in the telecommunications sector. Research by Zeng et al. (2021) also found that dissatisfaction encourage its users to explore another alternative option and furthermore develop switching intention. These findings showing that dissatisfaction could possibly accelerates developing users switching intention of mobile internet providers.

Accordingly, price and dissatisfaction prompt users to explore the market for other options. In doing so, their intention to switch is further influenced by the perceived attractiveness of a competing brand. The perceived better option of the alternative attractiveness of another brand is one of a powerful pull factor in triggering user switching intention. In the context of mobile internet brand, alternative providers could offer more deals, better packages, or improved the users digital experiences, to make its offering seems more attractive. Users are often drawn toward the alternative brands not merely because of dissatisfaction of the current brand, but quite much influenced by alternatives that provide better value propositions that suits them more (Monoarfa et al, 2023). This suggests the role of

alternative attractiveness of other providers can increase the user intention to switch as people could proactively move to another brand that suits their current needs better.

However, due to the switching cost, once users choose a provider, they will not quickly change the internet provider within a short period (Xu et al, 2021). Therefore, switching cost becomes another issue that needs to be considered as the factor that hinders switching intention. It influences consumer switching behavior as it is a barrier that makes it difficult for consumers to go to competitors (Kim, 2020).

This complex interplay between factors such as price, dissatisfaction, alternative of attractiveness, and switching cost creates a highly dynamic market and particularly relevant to examine within specific demographic of Generation Z in Indonesia as it has high number of internet penetration, approximately 285 million people with annual growth rate at 0.79%, therefore fit market for mobile internet provider (Population Today, 2025). According to Badan Pusat Statistik (BPS), Z Generation is a generation that born between 1997-2012. Among this population, Generation Z represents the largest demographic group, comprising 27.94% of the total population or around 74.93 million individuals (BPS, 2025).

Generation Z is the most dominant media consuming generation of this century, driving widespread interest in topics related to their behavior, values, and influence (McKinsey Health Institute in BPS, 2025). Generation Z was taken for several reasons, including it is the generation with the largest population in Indonesia and its behavior pattern that tend to be more explorer related the brands.

Generation Z also generation that most influenced by technology specifically Internet since they grew up in that era. They become most contributed in connecting to the internet rather than another generation, sums of 34.4% of total users surpassing Millennials of 30.62% and Generation X of 18.98% (APJII, 2024). The research conducted by Morning Consult (2023), reveals 77% of Generation Z adults is actively trying on a new brand which suggest explorer characteristics and high variety seeking behavior, making them become less price sensitive in evaluating the decisions. This makes Generation Z as ideal subject of switching intention topic in this research.

Table 1. 4 Pre-Survey Data of Generation Z's Telkomsel Prepaid User

No	Question	Answer	Respondent	%
1	Are you using Telkomsel prepaid as the main mobile internet provider?	Yes	20	100%
2	Do you have any intention to switch your mobile internet provider to another provider?	Yes	14	70%
		No	6	30%
3	What factors that make you want to switch your current mobil internet provider? <i>Note: Percentages reflect response frequency, as respondents could report more than one reason.</i>	Those answer yes: - Telkomsel's high price (50%) - Dissatisfied with Telkomsel (57. 1%) - There is another alternatives that provides better deals and seems appealing (42.9%)	14	100%
		Those answer no -No reason to switch (currently satisfied	6	

No	Question	Answer	Respondent	%
		using Telkomsel) (66.7%) - Hassle (50%)		

*Source: Researcher's Pre-Survey Data of Generation Z's Telkomsel
Prepaid User*

A pre-survey was conducted in this research on 20 respondent involving Generation Z who have switching intention from Telkomsel, there is a total of 14 respondents (65%) who have the intention to switch while the 6 respondents (35%) does not. The result found that high price, dissatisfaction, and alternative attractiveness of the brand drive users in developing their intention to switch, whereas switching cost act as barrier that discourages users to develop switching intention from Telkomsel. According to the background above, the researcher wants to carry out research with the title of: *Analysis of Factors Influencing Switching Intention Among Generation Z Users of Telkomsel Mobile Internet Services*.

1.2 Problem Statement

Based on the background above, the research questions stated as follows:

5. Does Price influence the Generation Z's Switching Intention of Telkomsel Prepaid Mobile Internet?
6. Does Dissatisfaction influence the Generation Z's Switching Intention of Telkomsel Prepaid Mobile Internet?
7. Does Alternative Attractiveness influence the Generation Z's Switching Intention of Telkomsel Prepaid Mobile Internet?
8. Does Switching Cost influence the Generation Z's Switching Intention of Telkomsel Prepaid Mobile Internet?

1.3 Objectives of Research

Along with the problem statement, the research objectives are as follows:

5. To examine the effect of Price on Generation Z's Switching Intention of Telkomsel Prepaid Mobile Internet
6. To examine the effect of Dissatisfaction on Generation Z's Switching Intention of Telkomsel Prepaid Mobile Internet
7. To examine the effect of Alternative Attractiveness on Generation Z's Switching Intention of Telkomsel Prepaid Mobile Internet
8. To examine the effect of Switching Cost on Generation Z's Switching Intention of Telkomsel Prepaid Mobile Internet

1.4 Contribution of Research

3. The theoretical contribution of this research is to help increasing insight and knowledge regarding the problems studied, particularly in the context of Brand Switching Intention in Telecommunication Industry as Telkomsel, as well as the antecedents of brand switching intention especially price, dissatisfaction, alternative attractiveness, and switching cost.
4. The practical contribution of this research aimed to give insight for Telecommunication Industry, particularly in the context of mobile internet services, such as Telkomsel, Marketers who wants to promote their products specifically to Generation Z.

1.5 Scope of the Research

The scopes are divided into 2 in this research as follows:

3. Theoretical Scope

This research is limited on 4 variables; Price, Dissatisfaction, Alternative Attractiveness, and Switching Cost

4. Conceptual Scope

This research focuses on Generation Z in Indonesia who intend to switch from Telkomsel prepaid mobile internet services.

1.6 Systematic of the Research

CHAPTER I: INTRODUCTION

This first chapter of thesis include the context as the background of the research, problem definition, research objectives, limits, and the systematic writing of the research.

CHAPTER II: LITERATURE REVIEW

This second chapter explains the conceptual theory used and structured explanation of the variables including the hypotheses and research framework.

CHAPTER III: RESEARCH METHOD

This chapter describes the methodology used for the research, includes research design, population, sample, object of research, types of data, measurement, data collection methods, operational variable, and data analysis.

CHAPTER IV: DATA ANALYSIS AND CHAPTER DISCUSSION

This chapter explains the results of the analysis used to support the hypothesis through data testing. This chapter also includes respondent characteristics, descriptions of research variables, and results from the questionnaire distribution process.

CHAPTER V: CLOSING

This final chapter provides conclusion the research study includes implications, and suggestions that can be concluded from this research.

