



THE INFLUENCE OF BRAND IMAGE, PRODUCT QUALITY, AND PRICE PERCEPTION ON INTENTION TO RESUBSCRIBE TO NETFLIX VIDEO ON DEMAND (VOD) SERVICE IN SURABAYA

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Abstract

In recent decades, technology has undergone rapid advancements, especially with the growth of the internet and telecommunications technology. One of the activities that people engage in for entertainment using the Internet is watching videos. The Internet as an entertainment medium, particularly in video streaming, has influenced changes in the communication industry, giving rise to the concept of subscription-based Video on Demand (VOD) services. This research investigates the impact of Brand Image, Price Perception, and Product Quality on the intention to resubscribe to Netflix's VOD service in Surabaya. The study was conducted with 120 respondents who met the criteria of having previously subscribed to Netflix and residing in Surabaya. The non-probability and purposive sampling methods were employed for participant selection. The analytical technique used in this research was Partial Least Square analysis. Primary data was collected through a questionnaire, with a Likert scale used to measure the variables in the study. This research indicates that Brand Image, Price Perception, and Product Quality positively and significantly influence the intention to resubscribe to Netflix's VOD service in Surabaya.

Keywords: Netflix, Brand Image, Price Perception, Product Quality, Intention to Resubscribe

INTRODUCTION

The Internet, especially video streaming, has transformed the communication industry by giving rise to subscription-based Video on Demand (VOD) services. With these services, the competition has shifted away from traditional cable television. Subscription-based Video on Demand is a service where users pay a subscription fee (usually monthly) to select and enjoy the content provided by the VOD service provider at their convenience, anytime and anywhere, if they have an internet connection, without specific broadcast schedules (Wayne, 2018).

Netflix is one of the most globally recognized and widely used video-on-demand (VoD) platforms. Netflix first entered the Indonesian market in 2016 and has since become a popular entertainment option for Indonesians, connecting with the local market and attracting a growing number of subscribers. According to a survey by the international research firm Nakono (2019), Netflix streaming subscribers in Indonesia have experienced steady growth. In 2017, Netflix's total subscriber count in Indonesia reached 95 thousand. In 2018, Netflix subscribers in Indonesia grew to 237 thousand. In 2019, the number of paying Netflix subscribers reached 482 thousand, approximately doubling compared to 2018. As of January 2021,

the subscriber count increased to 850 thousand. This significant surge occurred before the COVID-19 pandemic, aligning with the global trend of physical distancing and staying at home.

However, despite its successes, Netflix has faced several challenges in recent years. According to CNBC Indonesia (2019), the company encountered a situation where the local telecommunications operator in Indonesia, PT Telkom Indonesia (Persero), blocked access to Netflix services in January 2016 due to regulatory and content-related issues. The impact of this restriction was that Netflix services could not be accessed through Telkom's network and its subsidiaries, such as Telkomsel, Indihome, and Wifi. They resulted in an adverse reaction from most Netflix users in Indonesia. After a four-year hiatus, Telkom Group and Netflix eventually found common ground and reopened access to Netflix. An article by Bill Clinton via Kompas.com (2020) mentioned that Netflix agreed to adhere to the Self-Regulatory Code for the Subscription Video on Demand Industry in ASEAN, introducing various features to restrict content unsuitable for underage viewers, including improved parental controls.

Since the unblocking of access by PT Telkom Indonesia in 2020, as reported by Databoks (2022), Netflix experienced a global decline of 1.2 million subscribers in the first two quarters of 2022. Some contributing factors to this decrease include the diminishing quality of original films released by Netflix, which needed to be commensurate with the higher subscription costs compared to other Video on Demand services.

The decline in the number of Netflix subscribers may be attributed to the perceived quality of the content offered by the platform. This phenomenon is believed to be one of the factors influencing the drop in subscribers. Perceptions of increased subscription package prices in 2022 also support negative sentiments. As seen on Netflix's official website, the Basic package, previously priced at USD 9 (approximately Rp. 136,000), increased to USD 10 (approximately Rp. 151,000). The Standard package also increased from USD 14 (approximately Rp. 211,500) to USD 15.50 (approximately Rp. 234,000). Meanwhile, the Premium package increased from USD 18 (approximately Rp. 271,000) to USD 20 (approximately Rp. 302,200). These prices are noticeably higher compared to several other Video on Demand services.

Referring to the price perception indicator, which assesses price suitability relative to benefits, it is evident that Netflix charges higher prices than its competitors, even though the offered products are relatively similar. This situation can negatively affect the competitiveness of Netflix's Video on Demand products, making it less attractive to potential consumers.

Despite the challenges Netflix has faced in recent years, as reported by Tempo (2022), Netflix announced in their Q3 2022 earnings report that they once again recorded growth in the number of paying subscribers. According to Netflix, revenue and subscriber count in Q3 2022 slightly exceeded the company's expectations. Several factors are believed to have contributed to this success, including the

release of several leading films and television series in 2022, such as "The Jeffrey Dahmer Story," "Stranger Things S4," "Extraordinary Attorney Woo," "The Gray Man," and "Purple Hearts." Netflix has also introduced an additional scheme, an advertising option on the streaming platform, which has been running since November 2022. Through this advertising feature, an alternative subscription with a more affordable price is offered to customers.

Previous researchers have studied Subscription renewal interest extensively, albeit with different variables. For example, Komang Virginia Ananta (2023) found that variables like Brand Image, Product Quality, and Price Perception influence renewal interest. Robby Simanjuntak (2022) researched subscription renewal interest with variables like Brand Image and Product Quality. Meanwhile, in a study by Arini Nur Safitri (2020), subscription renewal interest was examined using variables such as Brand Image, Price Perception, and Service Quality. Based on the information above, the researcher aims to investigate the factors influencing subscription renewal interest using different variables. Specifically, the researcher uses the variables of Brand Image, Price Perception, and Product Quality.

LITERATURE REVIEW

Marketing Management

According to Sofjan Assauri (Adabi, 2020), the definition of marketing management is the activity of analyzing, planning, implementing, and controlling programs formulated in the creation, development, and maintenance of profits from exchanges or transactions through target markets with the hope of achieving the long-term goals of the organization (company).

Repurchase Intention

According to Margaretha (Samuel & Wiwik, 2017), repurchase intention refers to the willingness of customers to make repeat purchases. According to (Hidayat Resticha, 2019), "minat beli ulang" is the intention to make a purchase based on the past purchasing experiences of consumers.

Brand Image

According to Schiffman and Kanuk (Liana & Onsardi, 2021), "Citra merek" (Brand Image) is a set of associations about a brand that is stored in the consumer's mind or memory. According to Kotler and Keller (Aisya & Ali, 2022), "Citra merek" (Brand Image) is the perception and beliefs held by consumers, as reflected in associations embedded in the customer's memory, which are always remembered first when hearing a slogan and are ingrained in the consumer's mind. It is supported by research (Arini Nur Safitri, 2020) stating that Brand Image positively influences repurchase intention.

Price Perception

According to Suparyanto and Road (Ivan & Krismi, 2020), price is the amount of something generally represented in money that must be sacrificed to acquire a product. Consumers often use price to assess the suitability of a product's quality and benefits. In marketing, price perception is essential in creating customer satisfaction, so satisfied customers are interested in repurchasing the service or product. In previous research conducted by (Monita et al., 2021), the price perception variable had a positive and significant impact on repurchase intention.

Product Quality

According to Tjiptono (Chinvia et al., 2021), quality is the effort to fulfill customer needs and desires and the accuracy of its delivery to meet customer expectations. According to Kotler (Dini & Sugeng, 2022), product quality can be defined as all the characteristics and capabilities of a product/service to satisfy consumer needs. This research aligns with the findings of (Ellysa Akhmad, 2021), which state that product quality positively influences repurchase intention.

RESEARCH METHODS

The population used in this study consists of Netflix Video on Demand service buyers in Surabaya city. The participants in this research are individuals who have purchased a Netflix account and reside in Surabaya. The analysis technique employed is Partial Least Square analysis. Participants were selected using a non-probability and purposive sampling method. The data obtained is primary data collected through the distribution of questionnaires, with a total of 120 respondents participating. The variables were measured using a Likert scale.

The intention to Resubscribe variable is measured using four indicators: Transactional Interest, Referential Interest, Preferential Interest, and Exploratory Interest, according to Ali Hasan (Sudarijati et al., 2020). The brand Image variable is measured using three indicators: Company Image, User Image, and Product Image. Product Quality variable is measured using five indicators: Performance, Features, Conformance to Specifications, Perceived Quality, and Serviceability, following David Garvin as mentioned in Tjiptono's book (2016). The price Perception variable is measured using three indicators: Price-Quality Suitability, Price-Benefit Suitability, and Competitive Pricing, according to Tjiptono, as cited in Alvina et al. (2020).

RESULTS AND DISCUSSION

Statistical Analysis

The figure below illustrates the relationships between independent and dependent variables. The independent variables consist of Brand Image, denoted as X₁; Price Perception, denoted as X₂; and Product Quality, denoted as X₃. The dependent variable is Intention to Resubscribe, denoted as Y. The influence of these variables is depicted in the following diagram.

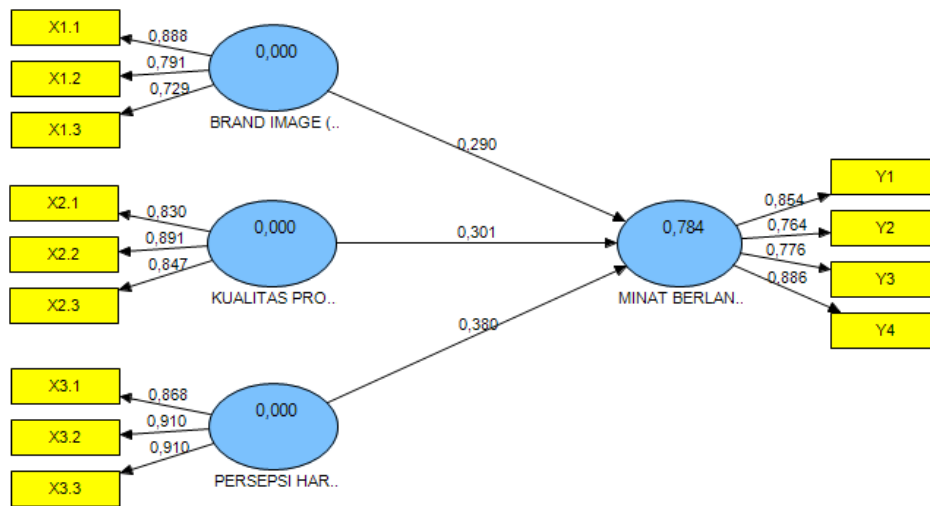


Figure 1 SmartPLS Output

Source: Data processing, 2023

Cross Loading

From the results of the cross-loading analysis, all loading factor values for each indicator of the variables Brand Image (X₁), Price Perception (X₂), Product Quality (X₃), and Intention to Resubscribe (Y) were obtained. The results of the cross-loading data analysis can be seen in the following table:

Table 1 Cross Loading Data

Indicator	Brand Image (X ₁)	Product Quality (X ₂)	Intention To Re-Subscribe (Y)	Price Perception (X ₃)
X1.1	0,888484	0,736556	0,764009	0,684188
X1.2	0,790567	0,562788	0,492185	0,468890
X1.3	0,728868	0,544632	0,594010	0,472790
X2.1	0,688639	0,829516	0,624134	0,564907
X2.2	0,601943	0,890908	0,675470	0,672491
X2.3	0,696328	0,847164	0,787180	0,732814
X3.1	0,552871	0,588233	0,650960	0,868394
X3.2	0,628673	0,745848	0,770642	0,910496

Indicator	Brand Image (X ₁)	Product Quality (X ₂)	Intention To Re-Subscribe (Y)	Price Perception (X ₃)
X3.3	0,665163	0,736130	0,756982	0,910034
Y1	0,637646	0,687125	0,854144	0,672029
Y2	0,490825	0,527481	0,763954	0,531285
Y3	0,702309	0,653431	0,776132	0,603686
Y4	0,719870	0,790520	0,886329	0,822612

Source: Processed Data, 2023

From the results of the cross-loading data analysis, all loading factor values (highlighted) for each indicator in the variables Brand Image (X₁), Product Quality (X₂), Price Perception (X₃), and Intention to Resubscribe (Y) are above 0.6 and higher than the loading factor values of indicators from other variables. Indicates that all indicators in this study meet their validity criteria or have good validity. Another way to measure Discriminant Validity is by using the Average Variance Extracted (AVE) values. It is considered a good model if the AVE value for each construct is more significant than 0.5. The AVE values are shown in the following table:

Construct Reliability and Validity

Table 2 Average Extracted (AVE)

	AVE
Brand Image (X ₁)	0,648550
Product Quality (X ₂)	0,733167
Intention To Resubscribe (Y)	0,675287
Price Perception (X ₃)	0,803757

Source: Processed Data, 2023

Based on Figure 1, the AVE test results for the Brand Image variable (X₁) are 0.648550, for the Product Quality variable (X₂) are 0.733167, for Price Perception variable (X₃) are 0.803757, and for the Intention to Resubscribe (Y) are 0.675287. All four variables have values exceeding 0.5, indicating that overall, the variables in this study can be considered. Table 2 provides the results of the Composite Reliability test, which is used to measure internal consistency. The values obtained are all greater than 0.7. The Composite Reliability test results indicate that the Brand Image variable (X₁) has a value of 0.846135, the Product Quality variable (X₂) has a value of 0.891722, the Price Perception variable (X₃) has a value of 0.924706, and the Intention to Resubscribe (Y) has a value of 0.892309. All four variables show Composite Reliability values above 0.70, indicating that all variables in this study are reliable.

Coefficient of Determination (R²)

The next step is determining how much influence the independent variables can have on the latent dependent variable, consumer behavior. The results of the R-squared (R²) test to assess this are presented in Table 3.

Table 3 R Square

	R Square
Intention To Resubscribe (Y)	0,783998

Source: Processed Data, 2023

According to Table 6, the R-squared value is 0.783998. It can be interpreted as the model's ability to explain the phenomenon of Intention to Resubscribe, which is influenced by independent variables such as Brand Image, Product Quality, and Price Perception, with a variance of 78.4%. The remaining 21.6% is explained by other variables outside the scope of this study (aside from Brand Image, Product Quality, and Price Perception).

Hypothesis Testing

Hypothesis testing can be assessed based on the coefficient, T-statistic, and P-values. The research's significance level is set at 5% or 0.05.

Figure 2 Hypothesis Testing Results

	Path Coefficients (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STERR)	P Values
Brand Image (X ₁) -> Intention To Resubscribe (Y)	0,290075	0,282424	0,066150	4,385092	0,000
Product Quality (X ₂) -> Intention To Resubscribe (Y)	0,301019	0,304055	0,076341	3,943101	0,000
Price Perception (X ₃) -> Intention To Resubscribe (Y)	0,380219	0,385763	0,075104	5,062563	0,000

Source: Processed Data, 2023

Represents the results of the hypothesis testing. Brand Image (X₁) shows a positive and significant influence on the intention to resubscribe to Netflix's Video on Demand service in Surabaya, which is accepted. The path coefficient is 0.290075, and the T-statistic value is 4.385092 > 1.96 (critical T-value for $\alpha = 0.05$), with a P-value of 0.000 < 0.05, indicating significance (positive). Product Quality positively and significantly influences the intention to resubscribe to Netflix's Video on Demand service in Surabaya, which is accepted. The path coefficient is 0.301019, and the T-statistic value is 3.943101 > 1.96 (critical T-value for $\alpha = 0.05$), with a P-value of 0.000 < 0.05, indicating significance (positive). Price Perception positively and significantly influences the intention to resubscribe to Netflix's Video on Demand service in

Surabaya, which is accepted. The path coefficient is 0.380219, and the T-statistic value is $5.062563 > 1.96$ (critical T-value for $\alpha = 0.05$), with a P-value of $0.000 < 0.05$, indicating significance (positive).

DISCUSSION

Based on the research findings, it can be concluded that Brand Image (X_1) has a positive and significant impact on the intention to resubscribe (Y) to Netflix's Video on Demand service, and this result is acceptable with a positive significance. Indicates that a better positive image of a product, which is associated with its credibility, popularity, and the company's network, can lead to an increased intention to re-subscribe. In this context, a positive brand image for Netflix's Video on Demand service significantly impacts customers' willingness to resubscribe due to the company's high credibility and popularity.

The analysis of the Brand Image variable reveals that the indicator with the most significant influence on the intention to resubscribe is Corporate Image, which can be understood as the association customers perceive towards a product or service, encompassing aspects like popularity, credibility, and the company's network. It suggests that customers are attracted to brands with high credibility, popularity, and a well-established reputation. In this case, Netflix's brand image for its Video on Demand service is perceived positively, which leads to a higher intention to re-subscribe.

These findings align with previous research by Ekawati & Dewi (2019) and Prabowo & Respati (2020), which found a positive and significant impact of brand image on repurchase intention. Therefore, a positive brand image significantly influences customers' intention to re-subscribe. Similarly, the research results show that Product Quality (X_2) positively and significantly impacts the intention to resubscribe (Y) to Netflix's Video on Demand service. It means that better product quality leads to an increased intention to re-subscribe. Among the Product Quality indicators, Features significantly impact re-subscription intention, indicating that customers are more attracted to products with appealing and distinctive features. In the context of Netflix's Video on Demand service, customers are more inclined to resubscribe because of the service's attractive and standout features.

These findings align with research conducted by Ellysa Akhmad (2021) and Rini and Nanik (2019), which found that product quality positively and significantly impacts repurchase intention. Therefore, higher product quality leads to a higher likelihood of re-subscription. Lastly, the research results indicate that Price Perception (X_3) positively and significantly impacts the intention to resubscribe (Y) to Netflix's Video on Demand service. A favorable price perception leads to an increased choice to resubscribe. Among the Price Perception indicators, Competitive Pricing has the most significant impact on re-subscription intention. It suggests that customers compare prices before making a purchase decision and are more likely to resubscribe if the price is competitive. In this context, Netflix offers competitive pricing, which attracts customers to resubscribe.

These findings align with research conducted by Monita et al. (2021), which found that price perception has a positive and significant impact on repurchase intention. It implies that products must have an appropriate price perception to attract customers, especially in a competitive business environment where competitors may offer lower prices for similar or better-quality products. The research findings demonstrate that Brand Image, Product Quality, and Price Perception positively and significantly influence the intention to resubscribe to Netflix's Video on Demand service in Surabaya. These results are consistent with prior research and highlight the importance of these factors in influencing customer re-subscription intentions.

CONCLUSION

Based on the results of the analysis using PLS to examine the influence of several variables on the intention to resubscribe to Netflix's Video on Demand service, the researcher can draw several conclusions: Brand Image contributes significantly to the purpose of resubscribe to the Video on Demand service provided by Netflix. A positive and strong brand image has a direct impact on increasing the re-subscription intention among customers. Product Quality also significantly influences the intention to resubscribe to Netflix's Video on Demand service. High product quality with appealing features positively affects customers' willingness to re-subscribe. Price Perception is another critical factor influencing the intention to re-subscribe. A favorable price perception, particularly competitive pricing, increases customers' re-subscription intention.

In summary, a positive Brand Image, good Product Quality, and favorable Price Perception all substantially impact customers' intention to resubscribe to Netflix's Video on Demand service. These findings emphasize the importance of these factors in shaping customer re-subscription behavior and highlight areas that companies like Netflix should focus on to enhance customer loyalty and encourage re-subscription.

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