

# Analysis of Telco Operators in Attracting Netflix Subscribers in Indonesia Using Porter's 5 Forces.

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**Abstract:-** The coronavirus (COVID-19) pandemic began to infect several countries in the world, one of them Indonesia. The government of Indonesia implements on physical distancing to prevent coronavirus (COVID-19) and implementation health protocols. Refer to the policy has impact of activities outside such as prohibited gatherings and cause a crowd. Activities that are usually carried out outside are shifted to work from home. During work from home some people prefer to spend that time watching a Netflix streaming services, when their rest the time. During the coronavirus (COVID-19) pandemic, that Netflix streaming services is often used by the public so it becomes an opportunity to collaborate with Telco Operators in Indonesia such are PT. Telkomsel, PT. XL-Axiata and Indosat Ooredoo. Each of these operators trying to attracting subscribers Netflix with special attention, such as providing various internet quota packages for Netflix streaming services. As time goes on in 2021, activities that are required work from home are slowly not being implemented and some activities are allowed to be carried out outside from home. What is the strategy in dealing with these conditions and how to attract Netflix Subscribers, especially in Indonesia, through Telco Operators such are PT. Telkomsel, PT. XL-Axiata, and Indosat Ooredoo. Therefore, this study uses the Porter's 5 Forces method by analyzing Telco Operators in attracting Netflix subscribers in Indonesia. By mapping similar competition, suppliers bargaining power and opportunities for Telco Operators to attract Netflix subscribers. The results of this study use Porter's 5 Forces Telco Operators to attracting Netflix subscribers with a competitive advantage from the pressure of threats of new entrants and similar competitors, as an indicator of the strategy in the form of a product differentiation approach, and as well as collaboration between Netflix and Telco Operators in Indonesia.

**Keywords:-** Video Streaming Services; Netflix, Porter's 5 Forces.

## I. INTRODUCTION

Starting from the emergence of a pandemic outbreak, namely the coronavirus pandemic (COVID-19) which has infected several countries in the world with limited space for people to carry out physical activities outside the home such as working from the office, playing, and gathering [1]. One of the activities to fill these limitations while at home or on the sidelines of rest, people today tend to choose

internet service access to use video streaming services. especially in Indonesia, there is an increase in Video on Demand service providers who use the internet by providing streaming websites such as Hooq from Singapore, Netflix from America, Viu from Hong Kong, Catchplay from Taiwan, Iflix from Malaysia, and Genflix from Indonesia [2]. The Indonesian people like to choose Netflix because Netflix has special features with the latest and most popular films. Netflix is able to support the Indonesian economic market through local shows and promoting national cinema.

Netflix's growth from 2017 to 2020 has 203.66 million paying subscribers worldwide [3]. In the Asia Pacific region, especially Indonesia, Netflix's position is at the top, identical to streaming content, based on Nakono.com data, Netflix subscribers reached 907,000 in 2020 [4]. Netflix Indonesia's revenue in 2020 is reported to have increased to around US\$76.6 million [4]. Netflix Chief Content Officer Ted Sarandos said that while Netflix could survive the next few months, and projected gaining 7.2 million subscribers by the end of 2021. However, with Netflix's very rapid growth, it is predicted that it will not last long if the coronavirus (COVID-19) pandemic ends then work from home switch to the office.

In early 2021, Netflix's stock began to decline according to Bloomberg as much as 13 percent. in Indonesia Q1-Q2 Netflix revenue was 883,000 subscribers [5]. in the situation of the coronavirus (COVID-19) pandemic, remaining at the end of 2021 in Q3-Q4 whether Netflix can increase or decrease from the previous year. Netflix as one of the largest streaming services in Indonesia with the largest number of subscribers so that it is able to cooperate with Indonesian Telco Operators such as PT. Telkomsel, PT. XL-Axiata and Indosat Ooredoo. One form of cooperation product offered by each Telco Operator is various, such as internet quota packages, bundling packages, and streaming service packages. On the other hand, with the offer of the cooperation product, it creates competition among Telco Operators in attracting Netflix subscribers.

Based on this, the author uses a method that is the solution to this problem, namely by using Porter's 5 Forces [6]. The author can describe using the Porter's 5 Forces Method to project the strategies, threats, opportunities of each Telco operator company in attracting Netflix subscribers. And it is hoped that there will be mutual

cooperation between Telko Operators in Indonesia and Netflix.

**II. METHODS**

➤ *Porter's 5 Forces Model*

Porter's 5 Forces was first developed by Michael Porter [7]. This theory uses five tools in the analysis of the competitive environment that affects the Bargaining power of buyers, Threat of new entrants, Bargaining the power of suppliers, Threat of substitute products and Rivalry Among Existing Competitors. By using this method, each Telko Operator can attract Netflix subscribers and be able to work together.

➤ *Data Preparation*

The result sof senior expertinte rviews from Telco Operator companies in Indonesia, especially PT. Xl Axiata, PT. Telkomsel and Indosat Ooredoo [8-10]. The interview was conducted online through a zoom meeting because it is still in a state of the coronavirus (COVID-19) pandemic, the interview process was conducted in August to September 2021 for 2 months in a tentative. Here the detail of data that will be analyzed

- Bargaining the power of buyers : in this analysis buyer contribution, product differentiation, switching cost, price purchase product and Information about the porduct.
- Threat of new entrans : in this analysis switching cost, product differentiation, investment cost, customer loyalty, access to distribution channels and the

abomination of the government.

- Bargaining the power of suppliers : analysis supplier market, switching cost, replacment product and dominant suppliers
- Rivalry among existing competitors : in this analysis number of competitors , competitors products, competitor product differentiation.
- Threat of subtitute products : in this analysis product easy can be found and product can compete.

➤ *Variables and Indicator*

In this study, the variables and indicators refer to Porter's 5 Forces Model. further analysis of the variables that have been determined by the author. For the weighting of each parameter of the indicator based on the assumption of points, it is done by assigning a value of 1 as relevant according to the conditions. To calculate the percentage value of each Porter's 5 Forces model variable, use the formula below.

$$Prosentage = \frac{IndicatorValue}{NumberofIndicators} \times 100\%.....(1)$$

- LOW : if 0 – 33,33%
- MEDIUM : if 33,34- 66,66%
- HIGH : if 66,67-100%

**III. RESULTS**

This study resulted in data that has been through Porter's 5 Forces model. We can see that table 1 of below.

*Table 1. Prosentage Parameters with Variables and Indicators.*

Parameters	Variables	Indicators	Value
<b>Threat of new entrans</b>	switching cost.	Low switching cost.	0
	product differentiation.	New entrans has not differentiation product.	1
	investment cost.	New entrans has not large invest to begun.	0
	customer loyalty.	Disloyal customer for porduct.	0
	access to distribution channels.	Easily get channels to customers.	0
	the abomination of thegovernment.	Easy entry to suppliers.	1
<b>Prosentage</b>		<b>Level's Medium</b>	<b>42%</b>
<b>Threat of substitute products</b>	product easy can be found.	Customers get easily product of substitute.	1
	product can compete.	The product get can be competetion.	0
		The product has cheap a price.	0
<b>Prosentage</b>		<b>Level's Low</b>	<b>33%</b>
<b>Bargaining the power of buyers</b>	buyer contribution.	Customers not contribute to Telco Operators.	0
	product differentiation.	The product not different with others.	0
	switching cost.	Customer easy change seller without thinking a price and quality consequences.	1
	price purchase product.	Price changes affect buyers.	1
	Information about the porduct.	Customers not interested in bundling prices.	0
		Buyers do not always have complete information about the product offered by the operator.	0
<b>Prosentage</b>		<b>Level's Low</b>	<b>28%</b>
<b>Bargaining the power of suppliers</b>	supplier market.	The power suppliers important for Netflix.	1
		Netflix a potential market for supplier.	0
	switching cost.	Suppliers free to replace Netflix.	0
		Suppliers free to choose Netflix.	1

Parameters	Variables	Indicators	Value
	replacment product. dominant suppliers.	Free to replace product substitute. Netflix not dominated by Telco Operators.	0 0
<b>Prosentage</b>		<b>Level's Low</b>	<b>33%</b>
<b>Rivalry among existing competitors</b>	number of competitors.	Large competitors not balance.	1
		Various Competitors.	1
	Growth industry.	Decrease competitors.	0
	competitor product differentiation.	The standard of Product.	0
		Product competitors as same with others.	0
<b>Prosentage</b>		<b>Level's Medium</b>	<b>40%</b>

From the analysis of this research, competitive pressure is formed from the threat of New Entrants and Rivalry among existing Competitors. The medium competitive level means that the profit potential of the Netflix video streaming service industry is not optimal for the operator partnerships in Telkomsel, Indosat and XL Axiata. then re-analyzed to identify the opportunities and strengths of Netflix against Telco Operators in Indonesia.

**IV. DISCUSSION**

➤ *Potential Competitive Advantages of Telco Operators in Attracting Netflix Streaming Video Services.*

From that table 1, This study has been re-analyzed with Porter's 5 Forces in order to see the improvement of Netflix's positioning towards Telco Operators in Indonesia.Can be analyzed of below :

- The interview that the author has conducted regarding the threat of new entrants is in accordance with the opportunities and strengths that Netflix has compared to competitors but has advantages from several aspects of Telco Operators, namely their products are very different from new entrants. And prosentage level's Medium to be Level's low with 28%.
- Based on discussions from senior experts from Telco Operators in Indonesia on the parameters of rivalry of existing competitors, the number of competitors varies greatly depending on the type of company competing. And prosentage level's Medium to be level's low with 20%.

We can see that table 2 on positioning, this study has been analyzed with Porter's 5 Porter.

Table 2. Final Positioning Prosentage Porter's 5 Forces

Porter's 5 Forces	Value
Threat of new entrans	28 %
Bargaining the power of buyers	28 %
Threat of substitute products	33 %
Bargaining the power of suppliers	33 %
Rivalry among existing competitors	20 %
<b>Level's Low</b>	

**V. CONCLUSIONS**

Based on the above analysis, that Netflix has a high potential competitive advantage in the Service industry with improvements from the pressures of Threat of new entrans and Rivalry among Existing industry competitors.Telco Operator in attracting netflix customers focused on the bargaining power of buyers and Rivalry among existing competitors.

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