

CHAPTER II

TELEVISION CONVERGENCE AND ITS IMPACT TO CONSUMER BEHAVIOR

In terms of television viewership, we've reached a critical point. Television can be watched and accessed via a variety of new methods. As a form of traditional entertainment, families gathered in their living rooms to watch their favorite shows on television. A majority of people use printed schedules, consisting of TV show timetables that can be found in local newspapers, and most people watch television on a schedule with programs lasting 30 to 60 minutes.

Television has long been the most popular form of entertainment and information everywhere all around the world. Due to its audio-visual nature, television can broadcast music shows, films, soap operas, variety shows, reality shows, and other programs involving celebrities from the audience's idols. Similar to sporting events, consumers are able to watch a variety of sports contests without having to travel to the stadium. Additionally, television information shows, and broadcasts of information, which were previously viewed as ugly occurrences, are now considered to be charming, especially since television broadcasts can be viewed immediately from the scene of an event. That's why in Indonesia for decades, even in their home country for almost a century, television broadcasts have become the media with the most viewers.

There are more ways to send programming to consumers, and TV programs are available simultaneously on larger and smaller displays. A premium television channel subscription service was introduced later for people who wanted more premium channels. Like traditional television, cable television programming follows a strict schedule that viewers cannot change.

2.1. Digitization of Television

There are numerous groundbreaking inventions that have enabled consumers to access content wherever and whenever they wish, including the internet, digital cable and satellite, laptops, video game consoles, compact televisions, high-definition televisions, and DVDs.

Despite being classified as a developing country with relatively low science and technology expertise, Indonesia is the fourth largest internet user country in the world. It is

not surprising that the internet is considered one of the most important means of supporting daily human activities. It is evident that this technology has had a rapid impact on human society. According to a study conducted by the Indonesian Internet Service Providers Association (APJII) for the 2019 until the second quarter of 2022, around 196.7 million Indonesians use the internet out of a total population of 266.9 million. Looking at the numbers, we can see that the number has significantly increased by 23.5 million from 2018.

In Indonesia, 85% of internet users use cellular phones, and 32% use computers (Fajar, 2015, p.10). Additionally, smartphones and laptops in homes, as well as broadband and wireless networks, have made a significant change in the television viewing method, which enables people to access television anywhere. Even though none of these devices is as common in homes as televisions, substantial numbers of people are adopting them. Convergence is a term used to describe the phenomena of technology integration.

Convergence can be defined as the integration of various media, such as telephone, newspapers, radio, and television into one device. For quite some time, the word has been in and out of use. The term convergence describes a process that is currently taking place in the field of digital media. A reaction to rapid technological advancements and changing customer behavior.

It is apparent that the majority of forms of entertainment are transitioning to digital formats. As entertainment content digitizes, new distribution methods are emerging, one of which is online streaming. Streaming refers to the direct transmission of data from an internet server to a host (Pras, 2013, p.12). This allows internet users to watch movies and listen to music without having to wait for them to download or upload.

2.2. Video Streaming Era

It's no surprise that plenty of corporations are constantly competing for the right to launch their own streaming services. Many streaming services are available in a variety of formats, some of which require a fee and others are free of charge. It is believed that this will help minimize and eliminate the use of online pirated content. There are a number of streaming providers available today, including Netflix, Spotify, Disney+ Hotstar, and Apple Music. These sites offer a wide range of songs, movies, podcasts, and TV shows that are guaranteed to be official.

As the internet continues to evolve, consumers expect more convenient forms of entertainment that they can enjoy anywhere and at any time, as well as a selection of

programs and contents that meet their needs, especially in these times when everything is digital. The solution came in the form of video on demand (VOD), which gave consumers greater control over the viewing experience.

Generally, video-on-demand subscription services charge their user a one-month subscription that will allow them to pick and enjoy the contents available on the platform anytime and anywhere, as long as they are connected to an internet connection (Wayne, 2018, p.302). These services provide viewers with a numerous selection of products that consumers can access whether from a smartphone, laptop, or even from a smart television. This form of technology innovation creates an independent form of system-based product, in which users have a full control on whatever they want to see without the limitation of schedule or time, or even the choice of device.

Traditional television has been unaffected by streaming video for many years as streaming video platforms involve large files that require a great deal of network capacity. On the other hand, the network has caught up and its infrastructure required to stream live and long-form linear television programs to sizable audiences online. Since the landline and mobile streaming video infrastructure has developed, they are gradually dominating the market.

SVOD services such as Disney+ Hotstar, Netflix, Viu, HOOQ, and other internet-based video-on-demand services have matured rapidly, and they are attempting to take over the spotlight that traditional cable TV companies once held. SVOD services offer a variety of subscription-based online video services throughout the world, especially in Indonesia.

According to data published by Ericsson ConsumerLab in 2015, consumption of online video streaming platforms has increased significantly since 2010. In contrast, traditional and pay-TV consumers are experiencing a downward trend. This shows that today's digital entertainment connoisseurs have begun to switch to video streaming instead of regular or pay-TV services.

In recent years, SVOD has developed as a significant technology for media consumption. It operates in much the same way as VOD, except the viewer pays a monthly subscription fee to a company not associated with a multichannel video programming distributors (MVPD) as a means of watching content on a variety of devices rather than cable or satellite television. As of this writing, Netflix, Hulu, and Amazon are the top three most widely used SVOD platforms, with each owning thousands of licensed television series. The

majority of younger television viewers agreed that they have shifted their choice of entertainment from television to SVOD.

There is no doubt that streaming services provide users with value. In general, consumers may value streaming services as a cost-effective alternative to going to the movies; others may value the convenience of being able to view hundreds of films at any time and from any location, and still, others may value streaming services for their entertainment value. Streaming services might also create some sort of social value to its users; when SVOD users are discussing the on trend movies with each other, or even just showing the public that they have seen certain movies or have listened to the trending song, it can be a part of the formation of the user's identity and socialization. If music and movies or even shows are significant to one's self-identity, then the value obtained through streaming services may as well exist.

2.3. Streaming Service Consumer Behavior

Consumer behavior is the process of choosing, buying, utilizing, or discarding goods, services, concepts, or experiences in order to fulfill someone's needs and wants (Solomon et al., 2010, p.27).

The use of demographic criteria is one method of dividing consumers into different types of groups. In demographics, age, gender, and income are all measures of a population (Solomon et al, 2010, p.9). Demographics such as age and gender can assist marketers in segmenting markets and developing smart marketing tactics that will help promote the service and reach target audiences. By identifying both user and buyer groups, marketing professionals can target both effectively. For example, marketers can attract kids with Disney movies and luring mothers as customers with reasonable pricing and a user-friendly interface.

Consumer consumption of SVOD services can be examined from various perspectives. First and foremost, it is fascinating to learn why people prefer to watch movies on their devices at home rather than in a theater. A consumer's behavior examines their needs, wants motivations for purchasing goods, and desires towards it in greater detail. There are a number of factors that can contribute to this, including physiological, psychological, and environmental factors. In addition, motivation is moderated by needs, beliefs, goals, and personal relevance (Hoyer & MacInnis, 2007, p.86).

Second, it can be interesting to look at how the consumer chooses an SVOD service that fits their criterias and likings. How do people perceive advertisements, and how can they

be made to attract their attention? The way that stimuli can cause perception is explained by the perceptual process (Solomon et al, 2010, p.118). This includes visual, aural, gustatory, tactile, and combinations of these. The sense receptors' initial response is the sensation. Although not every received stimulus will spark a consumer's interest, those that do will be comprehended and responded to, which is why this stage is known as interpretation. It is important for marketers to keep in mind that not all advertisements will be viewed by consumers and that due to individual biases, customer demands and experiences may be interpreted differently.

Using instrumental (operant) conditioning, which is based on learning theories, marketers can promote their products more effectively. The process occurs when individuals learn to engage in behaviors that have beneficial outcomes and refrain from ones that exude negative outcomes (Solomon et al, 2010, p. 248). Customers are rewarded for their excellent behavior (renting movies through this specific platform) if the SVOD platform providers give away every fourth movie for free. Consumers may be more likely to repeat buying behavior and can result in becoming loyal customers.

The perception of a consumer towards the supplier as well as their actual interaction with the goods may also influence their final purchasing decision. The elaboration likelihood model (Petty & Cacioppo, 1986, p.125) states consumers' attitudes can be affected in both high- and low-involvement situations. Persuasion can be accomplished in one of two ways; persuasion in which consumers temporarily change their attitudes based on cues that evoke positive feelings to them such as through influencers or humor, and consumers that can be persuaded through product information where they would shift their attitudes based on their rational thinking. SVOD providers should, therefore, market their services to consumers who are highly involved in and knowledgeable about software and the internet based on technical information and plus points that they have if compared to the competitors in the same industry, such as through price and original contents, and they can also rely on peripheral cues such as reliable sources and quantity of arguments to market their products to low-involved consumers.

Additionally, SVOD users tend to use heuristics when making decisions. A heuristic relies on experience and is used to assist the decision-making process. According to research, in circumstances where spending time rather than money is required, decision making is more heuristic (Saini & Monga, 2008, p.920). No doubt that this is true for inexpensive products such as DVDs, which are mostly purchased for the purpose of passing the time. A marketer should be mindful of the usage of heuristic, because once buyers have new insights, they tend

to revise their initial judgements. (Kotler & Keller, 2009, p.216). Prices for DVDs and films serve as mental anchors for purchasers. Although SVOD service subscription prices may be lower than those of the competition, consumers will still perceive them as too expensive since they won't get the physical DVD or the experience.

2.4. Strategies of Video Streaming Providers in the Market

In order to remain competitive in the market, SVOD providers are always looking for new ways to innovate. In other words, in order to attract potential consumers, SVOD providers have to bring their unique selling points forward for consumers to pay attention to and eventually make a purchase amongst the other competitors. It can be achieved by releasing original content that is only available on the platform so that consumers are required to subscribe in order to view premium content.

Netflix first popularized the concept in 2012, when they delivered Lilyhammer as their first original series, in which it also marked their first entrance to the content production industry. During the year 2013, they also released House of Cards, which sets record as the first show that received a major Emmy nomination for online-only web television.

Netflix released approximately 126 original shows and films in 2016. This number is considered as huge, knowing that they released more content than any other cable TV ever produced. In 2017, Netflix got more and more serious in the original content production industry, as they announced that they would invest \$8 billion in them only.

Netflix's big step in the content production industry resulted in big success, and the strategy was later followed by other SVOD providers in the industry. Companies like HBO, Disney+ Hotstar, Amazon Prime, et cetera, also wanted to shine on the market by releasing high-quality original content, just like what Netflix did first. The strategy seemed to work for other companies, too. There is no doubt that what seemed to be initiated first by Netflix worked for their business as well, as evidenced by award-winning shows such as Game of Thrones and WandaVision by Disney+ Hotstar. It is also apparent that consumers are enjoying the release of the original series, as demonstrated by the worldwide popularity of Netflix's four-season series Stranger Things.

There has been a great deal of interest in this form of entertainment not only in the western market but also in the Asian market. Fueled by the Korean Wave all over the world, not only in the music industry, but Korean dramas have also always been the talk of the town.

There is no doubt that Netflix has jumped onto the bandwagon, producing and releasing series that range from sweet rom-com like *Business Proposal* to the worldwide hit thriller series *Squid Game*. Disney+ Hotstar also stepped up by releasing *Snowdrop* and *Rookie Cops*.

In addition to boosting their sales on the market, brands should also collaborate with big companies that align with their service. Streaming services, for example, are an internet-based means of entertainment. It would be beneficial for SVOD providers to collaborate with internet service providers so that consumers from both market segments could meet and benefit from one another. In this case, Disney+ Hotstar collaborated with Telkomsel through product bundling. In product bundling, several products are grouped together and sold as a single unit for a single price. The purpose of this strategy is to encourage customers to purchase more products