



The Effect of Brand Image and Price Perception on Netflix Video on Demand Subscription Decision

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ABSTRACT

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Along with technological advances, it has led to a shift in lifestyle, one of which is in the way of watching movies, which in the past could only be enjoyed through theaters, TV, and DVDs / VCDs, now it can also be enjoyed through streaming video service platforms, one of which is the Netflix application. This study's goal was to ascertain how brand impression and pricing perception affected consumers' decisions to subscribe to Netflix video on demand. This research is quantitative in nature with primary data obtained from distributing questionnaires. The research sample used a convenience sampling technique of 100 respondents who are Netflix customers and live in Surabaya. Data analysis for this research is supported by SmartPLS 4.0. The findings of this study show that price perceptions and brand perceptions both significantly affect subscription decisions for Netflix video on demand in Surabaya.

KEYWORDS:

Brand Image, Price Perception, Subscription Decision

1. INTRODUCTION

The dynamics of changes in human lifestyles around the world have grown since the internet, especially during the COVID-19 pandemic which forced humanity to carry out activities with minimum physical contact. Changes in human lifestyle also have an impact on behavior in accessing entertainment facilities. Along with the development of technology, films can also not only be enjoyed through cinemas, television media or played through storage media such as video home systems and digital video disks (DVDs), but can now watch movies directly via the internet using televisions, computers, laptops, smartphones, and other media 2 connected to the internet. Feature films or domestic and foreign television series can also be accessed through devices that are connected to an internet connection. Video on demand services allow people to access movies and series anywhere, all they need to do is subscribe to a service package every month and users will get full access to streaming containing hundreds of legal movies from various genres from children to adults. In Indonesia alone, there are a number

of subscription video streaming services such as Disney+, Viu, Bioskop Online, Iflix, HOOQ, WeTV, and Netflix, as well as each of which has its own advantages.

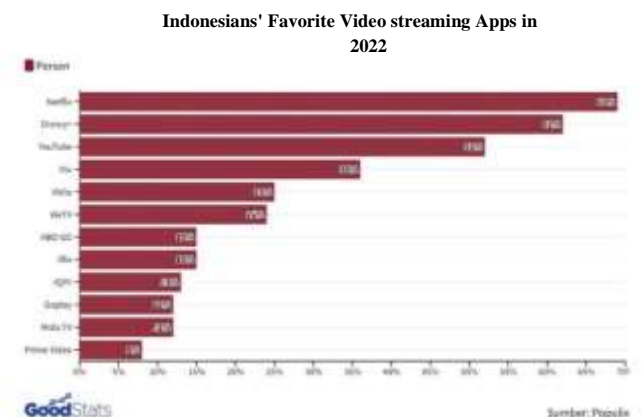


Fig 1. Indonesians' Favorite Video streaming Apps in 2022

Source : Goodstats.id

Reporting from Goodstats.id Netflix managed to rank first with 69 percent of respondents, followed by Disney + Hotstar in 2nd place with 62 percent in 2022. The 3rd position was achieved by YouTube with a total of 52 percent of respondents using the application. The 4th and 5th positions were respectively achieved by Viu with a total of 36 percent and Vidio with 25 percent of respondents. In addition, there

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are other platforms on the list including WeTV, HBO GO, Ifflix, iQIYI, Goplay, Mola TV, and Prime Video.

Since 2021, Netflix shares have continued to decline, where in mid-November 2021, Netflix shares had dropped by more than 40% (Maulida, 2022). Followed in January 2022, Netflix shares also plummeted by 20% as Netflix only targeted 2.5 million subscriber additions in the first quarter (January - March) of 2022. This was lower than analysts' projections of 5.9 million new subscribers (Octaviano, 2022). This situation is exacerbated because the first quarter of 2022 did not increase by 2.5 million, but actually shrank by 200,000 subscribers. The above explains that the number of capital market investors and investors in stocks and other securities has increased every year from 2019 to 2022.

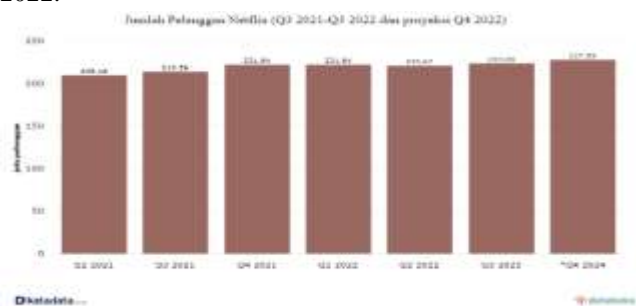


Fig 2. Number of Netflix Subscribers Q3 2021-Q3 2022
 Source : www.databoks.katadata.co.id

As a global leader in SVoD services, Netflix has grown in recognition and reputation as a premium brand. Everything that makes up a brand is known as its brand image., such as color selection, letter design, symbols that represent the brand, and also includes consumer perceptions of the products or services offered by the brand, which are recognized but cannot be spoken. Brand image can also be interpreted as a subjectively created concept that involves consumers' personal emotions. Netflix has been introduced as an exclusive brand because it is not uncommon for its series and films to win awards at international film festivals. However, with the emergence of competing video streaming platforms such as Amazon Prime, Disney Hotstar, Apple Tv, which have their own original series or movie content, it all depends on the consumer to subscribe to which platform. Unfortunately, Netflix sometimes presents series that are less attractive to subscribers, so many have moved to the next platform. This is also due to the decline in the quality of Netflix's original series or movie content, which is less about quality and more about quantity, which has caused Netflix to get a lot of criticism from its subscribers.

II. LITERATURE REVIEW

Brand Image

Kotler and Keller (2012) in Anwari and Djawoto (2019) state that brand image is the way people actually perceive

brands. In order for the image to be embedded in the minds of consumers, marketers must show brand identity, through existing means of communication and brand contact. Brand image is a set of memories that exist in the minds of consumers about a brand, both positive and negative. With this, consumers can find out a product based on the brand that has been attached and make choices for consumers in determining and choosing products that have a good brand image. According to Sulikah (2021) brand image indicators that influence purchasing decisions are uniqueness, strength, and favorability.

Price Perception

Price perception refers to how people interpret and give meaning to price information. pricing perception, according to Tjiptono (2008) in Anggraeni and Soliha (2020), is influenced by how well customers understand and interpret pricing information. According to Tjiptono (2008) in Anggraeni and Soliha (2020), there are three indicators that make up price perceptions, namely price compatibility with quality, price compatibility with benefits, and competitive prices.

Subscription Decision

According to research by Manemba (2019), who uses the idea of subscription decisions as purchasing decisions, the dependent variable employed in this study is a subscription decision, which has the same equation as a purchase decision. According to Swasta and Handoko (2008) in Anggraeni and Sholiha (2020), subscription decision is a problem-solving strategy in activities to purchase goods and services in order to satisfy wants and needs. It entails identifying needs and wants, seeking information about alternative purchases, making a decision about what to buy, and acting once the purchase has been made. There are 4 markers of subscription decisions, according to Kotler (2009). These indicators include buying habits and recommending products to others. consistency with regard to a product, and possess a desire to buy again.

Brand Image and Subscription Decision

Variables In Anggraeni and Soliha (2020), Kotler and Lane state that brand image is the consumers' perception and beliefs as a reflection of the relationships they have with the business. Brand image, according to Farikhin and Prabowo (2019), is a collection of perceptions of a specific brand. Consumers will experience less confusion when making product choices if they have greater consumer confidence in the brand image of a particular product. If potential consumers or consumers are convinced, then consumers will buy the product they want without the need to consider many more things. Therefore, brand image can influence consumer purchasing decisions..

According to Muhani and Sabillah's research (2022), the brand image variable significantly influences consumers' purchase decisions. Brand image has a positive and

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considerable influence on purchasing decisions, according to research by Kambey (2022).

H1 : Positive brand perception affects Netflix. Choosing a membership to Video on Demand

Price Perception and Subscription Decision

Pricing perception, according to Tjiptono (2008) in Anggraeni and Soliha (2020), is influenced by how well customers understand and interpret pricing information. Price perception refers to how people interpret and give meaning to price information. The way that producers and consumers view the price that has been set is known as price perception. At a price with a certain nominal can have different perceptions. There is a group of consumers who say it is very expensive, expensive, cheap, and even said to be very cheap. This price perception influences consumers to decide to buy or not buy. In other words, price perceptions influence purchasing decisions (Farikhin and Prabowo 2019).

According to research done by Darmansah and Yosepha (2020), the price perception variable has a strong beneficial impact on buying decisions. According to research by Damayanti (2022), the price perception variable influences purchases made on the Traveloka web platform in Denpasar city favorably.

H2 : A favorable impact of price perception on Netflix Choosing a membership to Video on Demand

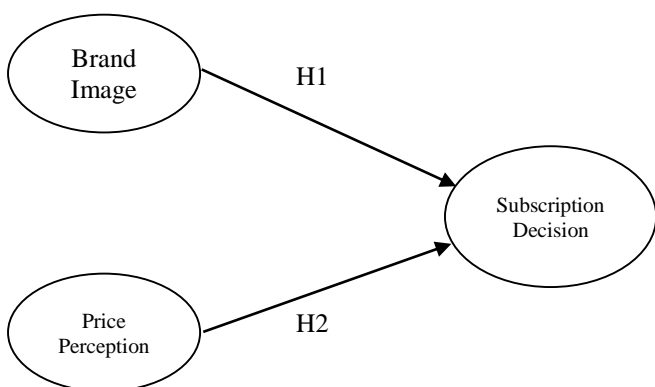


Fig 3. Conceptual Framework

III. RESEARCH METHODS

This study's primary data were gathered through the distribution of questionnaires to participants via links to Google forms. with a population that lives in Surabaya and has a Netflix subscription. The convenience sampling methodology is employed in this study's non-probability sampling method, which measures the sample while taking convenience into account, someone is taken as a sample because it happens that the person is in place or happens to know the person. By chance, or anyone who happens to meet with researchers who are considered suitable for the characteristics of the sample to be determined sample.

Due to the unknown population size, the number of samples utilized was determined using Ghozali (2015)'s

sample measurement guidelines, which state that the number of samples equals the number of indicators times 5–10 estimated parameters. There were 10 indications and 10 factors in this investigation. So, $10 \times 10 = 100$ was the sample size. The Partial Least Square technique was used to process the data for this investigation, with help from the SmartPLS 4.0 application.

IV. RESULTS AND DISCUSSION

Of the total 100 respondents who answered this research questionnaire, it can be seen that the age of the most respondents was 21-25 years, namely 65 respondents or 65% and the respondents' occupations were students as many as 45 respondents or 45%.

Validity and Reliability Test

The Avarage variation Extracted (AVE) value, which represents the amount of indicator variation that the latent variable contains, is the following measurement model. Good validity sufficiency for latent variables is shown by convergent AVE values larger than 0.5. The average variance extracted (AVE) value for each construct (variable) in reflective indicator variables reveals this. If the AVE of any construct is more than 0.5, a good model is necessary.

The composite reliability value is used to quantify construct reliability. A construct is considered trustworthy if the composite reliability value is greater than 0.70, in which case the indicator is referred to as consistent in measuring the hidden variable.

Table 1. Average Extracted (AVE) and Composite Reliability

	AVE	Composite Reliability
Brand Image (X1)	0684	0.866
Subscription Decision (Y)	0.626	0.870
Price Perception (X2)	0.745	0.893

Source : Data Processed 2023

In general, the variables in this study can be deemed to have good validity because the AVE test results for the Brand Image variable (X1) were 0.684, the Price Perception variable (X2) was 0.745, and the Subscription Decision variable (Y) was 0.626. All of the variables in this study are reliable, according to the results of the Composite Reliability test, which show that the Brand Image variable (X1) is 0.866, the Price Perception variable (X2) is 0.898, and the Subscription Decision (Y) is 0.870.

Inner Model (Structural Model Testing)

In the inner model test, the magnitude of the R-Square value is considered. The R-Square value is useful for seeing the ability of the independent variables in this study to explain the dependent variable.

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Table 2. R-Square

	R-Square
Brand Image (X1)	
Price Perception (X2)	
Subscription Decision (Y)	0.580

Source : Data Processed 2023

The value of $R^2 = 0.580$ is evident from the table above. According to this interpretation, the model may account for 58% of the phenomenon of subscription decisions that are influenced by separate factors like brand image (X1) and price perception (X2) variant. Other factors outside of this study (other than Brand Image (X1) and Price Perception (X2)) account for the remaining 42% of the explanation.

Hypothesis Testing

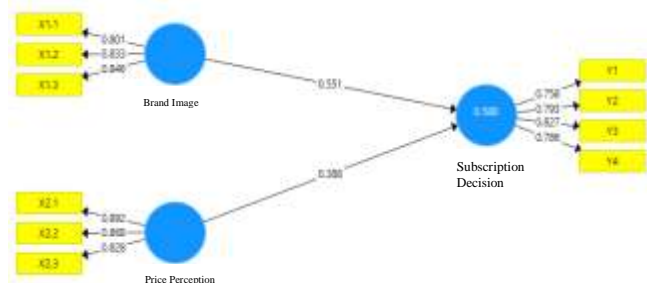


Fig 4. T-Statistic Bootstrapping
Source : Dara Processed 2023

The factor loading value for each indication is displayed in Figure 4. All of the indicators investigated in this study have factor loading values above 0.7, indicating strong validity and the ability to be utilized as measuring tools for the variables under investigation.

Table 3. Path Coefficients (Mean, STDEV, T-Values, PValues)

	Path Coefficients (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STERR))	P Values
BRAND IMAGE (X1) ->SUBSCRIPTION DECISION (Y)	0.551	0.559	0.065	8.522	0.000
PRICE PERCEPTION (X1) -> SUBSCRIPTION DECISION (Y)	0.388	0.382	0.076	5.118	0.000

Source : Data Processed 2023

IV. DISCUSSION

The Effect of Brand Image (X1) on Subscription Decisions (Y) Netflix Video on demand

The findings demonstrated that brand image has a significant impact on people's decisions to subscribe to Netflix video on demand in Surabaya. This indicates that people are more likely to choose to subscribe to Netflix video

on demand if the brand's reputation is stronger. The findings of this study also demonstrate that they have a statistically significant impact, demonstrating their validity and applicability.

Favorability, which has the highest Factor Loading value, is the most influential indication for brand image, according to the findings of the Outer Loading research.. This indicates that Netflix is a brand that is easily remembered and liked by customers, and has a strong image in the minds of customers. This is in line with the responses of respondents who said that the Netflix service was made by a company that has a high reputation and is easy to remember because it has a distinctive logo and font combination, namely red on a white background so that it is easily recognizable and embedded in the minds of customers. So in making a Netflix Video on Demand subscription decision, customers are encouraged to subscribe to netflix services because it has a strong identity, the stronger the brand image, the more Netflix subscription decisions will increase.

The findings of this study are consistent with those of Muhani and Sabillah's (2022) investigation. It was discovered that the brand image variable significantly influences consumers' purchasing decisions. Rahmah and Supriyono's research from 2022 demonstrates that brand image has a positive and significant impact on purchase choices.

Effect of Price Perception (X2) on Subscription Decision (Y) Netflix Video on demand

The findings demonstrated that pricing perception had a significant impact on Surabaya city residents' decisions to sign up for Netflix video on demand. This means that the greater the perception of users that the price of Netflix is appropriate, the higher their decision to subscribe to Netflix video on demand. The findings of this study also demonstrate that they have a statistically significant impact, demonstrating their validity and applicability.

The price-quality match, which has the highest Factor Loading value, is believed to be the most significant signal for price perception based on the findings of the Outer Loading research. This indicates that Netflix has a price match with the quality of impressions, audio, and subtitles. This is in line with the responses of respondents who said that Netflix has a price match with the quality of the resolution of clear video shows ranging from 720 pixels in the standard package to touching 4K resolution in the premium package set at Rp. 188,000, the audio produced is also very clear and provides a variety of subtitles. So in making a Netflix Video on Demand subscription decision, customers are encouraged to subscribe to netflix services because it has a price match with quality, the stronger the customer's price perception of Netflix, the more subscription decisions will increase.

The findings of this study are consistent with those of Darmansah's and Yosepha's (2020) studies, which found that the price perception variable significantly influences

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consumers' purchase choices. According to research by Damayanti (2022), the price perception variable influences purchases made on the Traveloka web platform in Denpasar city favorably.

V. CONCLUSION

Following is a conclusion that can be drawn from test findings using PLS analysis to examine the impact of Brand Image and Price Perception on Netflix Video On Demand Subscription Decisions in Surabaya City:

1. Brand Image influences Netflix subscription decisions in Surabaya City, with the favorability variable having the greatest factor loading value. This indicates that the more positively a brand is perceived, the more likely a customer is to subscribe to Netflix video on demand in Surabaya.
2. Price Perception has a contribution to Netflix subscription decisions in Surabaya City with the variable price compatibility with quality having the highest factor loading value, this shows that positive customer price perceptions will lead to high Netflix video on demand subscription decisions in Surabaya.

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