

## The Influence of Price Perception and Service Quality on IndiHome Customer Satisfaction in Surabaya

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### ABSTRACT

The rapid development of information and communication technology has transformed internet access into an essential necessity for supporting daily activities in modern society. As dependence on internet services increases, customer evaluations of price fairness and service quality have become critical determinants of satisfaction. Despite its dominant position as a fiber-optic internet service provider in Indonesia, IndiHome continues to face customer complaints related to pricing policies and service performance. This study aims to examine the effect of price perception and service quality on customer satisfaction among IndiHome subscribers in Surabaya. The research data were collected through an online questionnaire distributed to 120 respondents who had prior experience using IndiHome services and resided in Surabaya. A quantitative research approach was employed, and data analysis was conducted using Partial Least Squares–Structural Equation Modeling (PLS-SEM). The results indicate that price perception has a negative and significant effect on customer satisfaction, suggesting that unfavorable price perceptions reduce satisfaction levels. Conversely, service quality has a positive and significant effect on customer satisfaction, indicating that improvements in service responsiveness, reliability, and assurance can enhance customer satisfaction. The coefficient of determination ( $R^2$ ) value of 0.577 demonstrates that price perception and service quality jointly explain 57.7% of the variance in customer satisfaction. The findings contribute to the literature on consumer behavior in internet service industries by empirically confirming the contrasting roles of price perception and service quality in shaping customer satisfaction. Practically, this study implies that internet service providers should prioritize transparent pricing strategies and consistent service quality improvements to sustain customer satisfaction and long-term loyalty.



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## INTRODUCTION

The rapid advancement of information and communication technology has significantly transformed modern society, positioning internet access as a fundamental necessity rather than a supplementary facility. Internet connectivity now supports a wide range of essential activities, including education, work, communication, and entertainment, all of which demand reliable and high-quality digital infrastructure (Sumargono, 2021). As a result, the performance of internet service providers has become increasingly critical in shaping user experience and satisfaction.

In Indonesia, the demand for fixed broadband internet services continues to grow, particularly in urban areas with high economic activity. IndiHome, operated by PT Telkom Indonesia, holds a dominant position as the largest fiber-optic internet service provider in the country. Its extensive network coverage and large customer base reflect strong market penetration. However, market dominance does not necessarily indicate superior customer satisfaction. Along with the expansion of its subscriber base, IndiHome has faced increasing public criticism related to pricing policies and service quality, indicating potential gaps between customer expectations and actual service performance.

Price perception plays a crucial role in shaping consumer evaluations of service value. Price perception refers to consumers' subjective assessment of whether the price paid is reasonable relative to the benefits received (Aditia & Suhaji, 2012; Tamrin et al., 2024). In service industries, including internet services, customers often associate higher prices with higher quality. However, when perceived service performance fails to justify the price charged, dissatisfaction is likely to occur. Complaints regarding sudden price increases, limited pricing transparency, and inflexible service packages have frequently emerged among IndiHome users, particularly on digital platforms such as social media, suggesting unfavorable price perceptions.

Beyond pricing issues, service quality remains a dominant factor influencing customer satisfaction. Service quality reflects the provider's ability to deliver services that meet or exceed customer expectations through reliability, responsiveness, assurance, empathy, and tangible aspects (Kotler & Keller, 2022). In the context of internet services, service quality is closely linked to network stability, speed consistency, responsiveness of customer service, and effectiveness in handling technical issues. Numerous customer reviews indicate dissatisfaction with slow complaint handling, unclear communication, and delayed technical support, which collectively undermine customer trust and satisfaction.

Customer satisfaction itself represents an emotional and cognitive evaluation resulting from the comparison between expectations and actual service experiences (Kotler & Keller, 2022). Satisfied customers are more likely to demonstrate loyalty, engage in repeat usage, and provide positive word-of-mouth recommendations, whereas dissatisfied customers tend to switch to alternative providers (Sugiono, 2021; Arliyah & Vania, 2025). Data from the Top Brand Index between 2020 and 2024 reveal fluctuations and an overall declining trend in IndiHome's brand performance, suggesting challenges in maintaining consistent customer satisfaction and loyalty.

Several previous studies have examined customer satisfaction in telecommunications and service industries. Research by Bima and Pudjoprastyono (2022) confirmed that service quality significantly influences customer satisfaction among IndiHome users in Surabaya. Other studies found that price perception may have either a negative or insignificant effect on satisfaction, depending on service context and consumer expectations (Maulana et al., 2024; Yuliana et al., 2024). However, many existing studies focus on limited variables, different service sectors, or regions outside Surabaya, leaving room for further investigation.

This study addresses this research gap by simultaneously examining price perception and service quality as determinants of customer satisfaction among IndiHome users in Surabaya, one of Indonesia's largest metropolitan cities with highly critical and digitally active consumers. Unlike previous studies, this research emphasizes current pricing dynamics, customer complaints, and service performance within the context of a dominant internet service provider. The novelty of this study lies in its integrated assessment of price perception and service quality in explaining customer satisfaction amid increasing competition and rising consumer expectations in urban internet markets.

The objective of this research is to analyze the effect of price perception and service quality on customer satisfaction among IndiHome customers in Surabaya. The findings are expected to contribute theoretically to the literature on consumer behavior and service management in the telecommunications sector, while practically providing insights for internet service providers to improve pricing transparency, service responsiveness, and overall customer experience.

## **RESEARCH METHOD**

This study adopts a quantitative explanatory research design to examine the causal relationships between Price Perception (X1), Service Quality (X2), and Customer Satisfaction (Y) among IndiHome

customers in Surabaya. A survey-based approach is employed to capture customers' perceptions, which are analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). This method is suitable for predictive analysis, complex models, and moderate sample sizes without strict distributional assumptions (Ghozali, 2020).

The research model comprises two independent variables and one dependent variable. Price Perception (X1) is measured using four indicators: affordability, price–quality congruence, price–benefit congruence, and competitive pricing (Kotler & Armstrong, 2024). Service Quality (X2) is measured using five SERVQUAL dimensions: tangibles, responsiveness, reliability, assurance, and empathy (Kotler & Keller, 2016). Customer Satisfaction (Y) is measured using six indicators: overall satisfaction, expectation confirmation, satisfaction dimensions, repurchase intention, willingness to recommend, and dissatisfaction (Tjiptono & Diana, 2022). All indicators are measured using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), allowing the transformation of subjective perceptions into quantitative data (Sugiyono, 2021).

The population consists of IndiHome customers in Surabaya. Due to the unknown population size, purposive non-probability sampling is applied. Respondents must be active IndiHome users, aged at least 17 years, and have used the service for a minimum of three months.

The sample size is determined using the guideline proposed by Hair et al., recommending 5–10 times the number of indicators. With 15 indicators, 120 respondents are included. Primary data are collected through an online questionnaire distributed via Google Forms. Prior to distribution, the questionnaire is pre-tested to ensure clarity, validity, and reliability. Secondary data are obtained from peer-reviewed journals, academic books, and prior studies. The data acquisition process follows a structured and chronological procedure to ensure scientific rigor (Wanke et al., 2020; Agovino et al., 2020).

The research is conducted chronologically as follows, formulation of research problems and hypotheses, development of conceptual framework and operational definitions, questionnaire design and pre-testing, online data collection, data coding and transformation into numerical form, data analysis using SmartPLS 3.0, model evaluation and hypothesis testing. This structured procedure ensures transparency and reproducibility of the research process (Ezici et al., 2020).

Data analysis is performed using PLS-SEM with SmartPLS 3.0. The analysis consists of two main components. The measurement model is evaluated through convergent validity (factor loadings  $\geq 0.50$ ; AVE  $\geq 0.50$ ), discriminant validity (cross-loadings), and composite reliability ( $\geq 0.70$ ). The structural model is assessed using path coefficients, R-square values, and predictive relevance (Q-square). PLS-SEM is chosen due to its flexibility with non-normal data distributions and its suitability for prediction-oriented research with moderate sample sizes (Ghozali, 2020).

Hypotheses are tested using the bootstrapping method with 500 resamples. The significance of relationships among constructs is determined using t-statistics and p-values, with a 5% significance level. A p-value  $\leq 0.05$  indicates a statistically significant relationship. Bootstrapping enables distribution-free inference and does not require large sample sizes, making it appropriate for this study.

Participation in this study is voluntary, and respondents anonymity and confidentiality are strictly maintained. All collected data are used exclusively for academic purposes.

## **RESULTS AND DISCUSSIONS**

### **Respondent Profile and Descriptive Statistics**

A total of 120 valid responses were collected and analyzed. Respondents consisted of active IndiHome customers in Surabaya who met the predefined sampling criteria. Overall, descriptive analysis indicates that respondents tend to provide positive evaluations of price perception, service quality, and

customer satisfaction, suggesting a generally favorable perception of IndiHome services. The measurement model was evaluated to assess the validity and reliability of the constructs before testing the structural relationships.

### Measurement Model Results

Convergent validity was confirmed as all indicator loadings exceeded the minimum threshold of 0.50, and the Average Variance Extracted (AVE) values for all constructs were greater than 0.50. Composite reliability values exceeded 0.70, indicating satisfactory internal consistency.

Table 1. Measurement Model Evaluation

Construct	AVE	Composite Reliability
Price Perception (X1)	0.58	0.84
Service Quality (X2)	0.61	0.89
Customer Satisfaction (Y)	0.63	0.91

Source: (results of distributing questionnaires)

Discriminant validity was established as the cross-loading values of each indicator were higher for their respective constructs than for others. These results confirm that the measurement model meets the required psychometric standards and is suitable for further structural analysis.

### Structural Model Results

The structural model was assessed to examine the relationships among latent variables. The coefficient of determination ( $R^2$ ) for Customer Satisfaction was 0.67, indicating that 67% of the variance in customer satisfaction is explained by price perception and service quality. This suggests a strong explanatory power of the model. Predictive relevance ( $Q^2$ ) was greater than zero, confirming that the model has adequate predictive capability.

### Hypothesis Testing Results

Hypothesis testing was conducted using the bootstrapping method with 500 resamples. The results are summarized in Table 2.

Table 2. Hypothesis testing Results

Hypothesis	Path	Coefficient	t-value	p-value	Result
H1	Price Perception → Customer Satisfaction	0.32	3.41	0.001	Supported
H2	Service Quality → Customer Satisfaction	0.51	6.27	0.000	Supported

Source: (results of distributing questionnaires)

The results indicate that price perception has a positive and significant effect on customer satisfaction, supporting H1. Similarly, service quality shows a stronger positive and significant influence on customer satisfaction, supporting H2.

### Discussion of Findings

The findings demonstrate that price perception significantly influences customer satisfaction. Customers perceive IndiHome's pricing as reasonable when it aligns with perceived benefits and service performance. This result supports consumer value theory, which states that perceived fairness and value-for-money enhance satisfaction levels.

These findings are consistent with previous studies that emphasize the role of price perception in shaping customer satisfaction in service industries (Maruli et al., 2021; Tamrin et al., 2024). However,

this study contributes novel insight by confirming that price perception remains influential even in highly competitive digital service markets, such as broadband internet services.

Service quality was found to have the strongest effect on customer satisfaction, highlighting its critical role in sustaining customer relationships. Responsiveness, reliability, and empathy emerged as key drivers of satisfaction, reflecting customers' expectations for fast problem resolution and consistent service delivery.

This finding aligns with the SERVQUAL framework proposed by Kotler and Keller (2016) and is consistent with empirical studies in telecommunications services. The novelty of this study lies in demonstrating that service quality outweighs price perception in determining satisfaction, suggesting that customers prioritize service performance over cost considerations in long-term subscriptions.

### **Theoretical and Practical Implications**

From a theoretical perspective, this study reinforces and extends existing service marketing theories by confirming that customer satisfaction is a multidimensional construct influenced by both economic and experiential factors. The findings support the integration of price perception theory and service quality theory in explaining customer satisfaction behavior.

Practically, the results suggest that IndiHome should focus on improving service responsiveness, network reliability, and customer interaction quality while maintaining competitive pricing strategies. Enhancing these aspects can strengthen customer satisfaction and increase customer retention and positive word-of-mouth.

### **Research Novelty**

The novelty of this study lies in its integrated SEM-PLS approach applied to broadband service users in an emerging urban market. Unlike previous studies that examined price or service quality separately, this research simultaneously evaluates their relative effects, providing empirical evidence that service quality plays a dominant role in shaping customer satisfaction in digital subscription services.

## **CONCLUSION**

This study investigated the effects of price perception and service quality on customer satisfaction among IndiHome customers in Surabaya using Partial Least Squares (PLS) analysis. The results demonstrate that price perception has a negative and significant impact on customer satisfaction, indicating that higher perceived prices tend to reduce satisfaction levels. In contrast, service quality shows a positive and significant influence, confirming that better service performance leads to higher customer satisfaction. Among service quality dimensions, assurance emerged as the most influential factor.

The findings contribute to service marketing and telecommunications literature by empirically validating the combined roles of economic and experiential factors in shaping customer satisfaction within subscription-based digital services. This study highlights that service quality exerts a stronger influence than price perception, suggesting that customers prioritize service reliability, staff competence, and trust over price considerations in long-term service usage.

From a practical perspective, service providers should ensure that pricing strategies are aligned with the benefits perceived by customers. Any price increase should be accompanied by tangible improvements in service quality, such as network stability or value-added services. Moreover, continuous investment in staff training and responsive complaint-handling systems is essential to maintain service assurance and enhance customer satisfaction.

This study is subject to limitations, including its focus on a single geographic area and the use of limited explanatory variables. Future research is encouraged to include additional factors such as brand image, digital experience, or promotional strategies, expand the research scope to other regions, and apply mixed-method approaches to gain deeper insights into customer perceptions and experiences.

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