

The Effect of Trust and Expected Outcome on Willingness to Pay on Netflix Services that will Help Your Business

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Abstract

During the last few years, video streaming has accounted for the majority of traffic delivered over the Internet, and it has grown at a steady rate each year. Netflix is one of the most popular video-on-demand streaming services in Indonesia. The goal of this study is to identify and analyze the impact of trust and expected outcome in affecting the willingness to pay for Netflix customers in Indonesia, as well as their perceptions of those factors. The quantitative sample was selected using convenience sampling for the purposes of this study. The data collection will be conducted with the support of Netflix customers in Indonesia, ensuring that respondents have had an opportunity to experience Netflix. A survey was conducted to test the stated hypothesis, and data were collected via an online questionnaire survey. In this study, the Likert scale is used, with responses to each construct indicator ranging from strongly disagree to strongly agree on a 1 to 5 scale. We analyze the data and test the hypothesis using the PLS technique with SmartPLS v3.3.3 software. Both constructs appear to have a positive effect on Willingness to Pay.

Keywords

Trust, Expected Outcome, Willingness to Pay, Consumer Behavior.

1. Introduction

In recent years, as the Internet has become more widely used, individuals have developed a habit of viewing movies on the internet. These activities are frequently selected as a substitute for providing entertainment in a convenient and timely manner. Users can access video content such as movies, television shows, user-generated videos, music videos, and live streaming via online video on demand (VOD) services. Video streaming has accounted for the majority of traffic delivered over the Internet during the last few years, and it has continued to grow at a steady rate each year. This statement supported in the report stated in Cisco (2020), smartphones market share will be expected to increase at a 7% compound annual growth rate (increasing by a factor of 1.4). Connected TVs (which include flat-panel televisions, set-top boxes, digital media adapters [DMAs], Blu-ray disc players, and gaming consoles) will be expected to increase at the next fastest rate (at slightly less than a 6% compound annual growth rate) to 3.2 billion by 2023. Over the projection period, personal computers will continue to drop (2.3%). Throughout the predicted period, and by the end of 2023, there will be more PCs than tablets (1.2 billion PCs vs. 840 million tablets). According to this, video traffic's domination over all other Internet traffic would soon be making it the primary online service for the ordinary user.

The majority of business models used in VOD can be classified as one of three types: subscription-based video on demand, transactional-based video on demand, or advertisement-based video on demand (Naik 2020). Subscription-based video-on-demand refers to a service in which a customer signs up for a contract and pays a recurring charge (weekly, monthly, or annually) in exchange for unlimited access to the service (Naik 2020). The user pays a one-time price based on the content watched or resources consumed in a transactional-based video on demand or pay-per-view. Despite better revenue prospects for fresh and on-demand programming, acquiring and retaining users can be tough (Naik, 020). Advertisement-based video on demand is free for users, but marketers pay. Users can log in and watch videos for free in exchange for watching adverts. This model is excellent as a complement to the other two. A huge audience is required to achieve significant advertisement impressions (Naik 2020). There are services that run on mixed or hybrid models, which are designed to optimize content monetization opportunities while also providing the consumer with a more personalized experience (Naik 2020).

Most Indonesians' daily lives are now centered around their use of the internet. Netflix is one of the most popular video-on-demand streaming services in Indonesia. A considerable portion of the 8 hours and 50 minutes of daily internet time spent in Indonesia in the third quarter of 2020 was spent on social media and streaming (Statista, 2021). According to Statista (2021), around 48% of Indonesian respondents said that they subscribed to the service in May 2021. Meanwhile, 52% of them reported not subscribing to any SvoD services. Around 72% of Indonesian respondents named Netflix as their preferred streaming video-on-demand service. The fact that so many individuals have put their trust in Netflix's service is one factor in its success. Because they know they can trust a well-known brand, people feel more confident in a circumstance when they feel vulnerable (Chaudhuri and Holbrook, 2001). As long as a channel meets the expectations of its customers, particularly when the channel's content or information is different, the customer will subscribe to the channel's products and services (Auditya and Hidayat, 2021).

The goal of this study is to identify and analyze the impact of trust and expected outcome in affecting the willingness to pay for Netflix customers in Indonesia, as well as their perceptions of those factors. As researchers, we are interested in examining this issue by doing brand research on the Netflix service to determine the importance of trust and expected outcomes in determining whether consumers favor Netflix services as a platform for meeting their entertainment demands. To compete in the video-on-demand streaming sector in Indonesia on occasion, we assume that their trust in these services and their ability to match customer expectations has impacted their sales as competitors.

2. Literature Review

2.1 Expected Outcome

The expected outcome is described as an individual's estimate of the utility of a product, including its associated qualities and physical components (Lin et al. 2013). At the very least, each customer should get what they want and need from each service event (Susskind 2000). During the pre-purchase stage, expectations regarding the quality product are considered as a conviction in the likelihood of a characteristic occurring, and these expectations collectively form an attitude (Hsu et al. 2016). Following the purchase of products or services, early expectations regarding the product's performance have an effect on the post-buy appraisal (Hsu et al. 2016). To make a comparison, people use their initial expectations as a benchmark. According to expectancy theories, the extent to which performance fulfils expectations is a significant driver of satisfaction, implying that customers are satisfied if the expectations are met (Hsu et al. 2016). So when a service can meet customer expectations, customers will form an attitude that will lead to the selection of services that can meet their expectations. Customers are more willing to subscribe to VOD services if they have a limited selection of films to watch. Customers will feel satisfied as a result of this action if it fits their needs (Prabjit et al. 2021).

2.2 Trust

Without trust in manufacturers or service providers, users will feel a lack of control and will not expect a positive experience from the products or services (Yang and Lee 2018). In the long run, users feel more in control and less worried about how streaming media device manufacturers act when building trust. Consequently, users can spend their time using streaming media devices in an entertaining and useful way (Yang and Lee 2018). A lack of trust would make them unwilling to use the service provider (Chang, Liu, and Shen, 2017). Trust is the acceptance of a vulnerable position based on positive expectations of others' behavior (Chang et al. 2017). Social activities (e.g., information sharing, advice-seeking, word-of-mouth propagation, use/purchase behavior) are influenced by trust (Chang et al. 2016). It's important for people in virtual environments to have trust, because it helps reduce social uncertainty and risk and because people can learn from social interaction (Chang et al. 2016). It takes more time and effort to complete a transaction if consumers lack trust in the company they are dealing with (Chiu, Huang, and Yen, 2010). To maintain a positive brand image based on trust, SVOD providers must enhance service quality and offer a reasonable subscription price (Prabjit et al., 2021).

2.3 The Relationship Between Expected Outcome and Trust on Willingness To Pay

WTP is an economic unit-based indicator of the value a consumer or user places on a product or service (Homburg, Koschate and Hoyer, 2005). The premise for developing a pricing strategy is to base the prices of the items on the amount that buyers are willing to pay for every one of the products (Braidert, 2007). It is critical for marketers to forecast how many of the supplied products will be purchased at various prices (Braidert, 2007). To forecast demand for various products at various prices, the marketer must thoroughly understand how their customers react to various pricing plans (Braidert, 2007). When customers are satisfied, they think that an exchange will result in a high

outcome and are willing to pay more so that this still results in a fair outcome/input ratio for them (Homburg, Koschate, and Hoyer, 2005).

One thing that causes consumers to want to pay for a number of goods or services is satisfaction with meeting consumer expectations and the company's ability to set the appropriate price. Trust minimizes the need for users to verify the safety of a service, making transactions easier and more convenient (Chiu et al., 2010). Based on some of the statements that have been mentioned that the easier it is for transactions to purchase, it is possible to increase the willingness to pay for a service, especially online transactions. Based on this statement, this research will formulate the following hypothesis:

- H1: Expected outcome has a positive effect on willingness to pay.
- H2: Trust has a positive effect on willingness to pay.

We construct the following conceptual model based on the above-described study hypothesis (Figure 1):

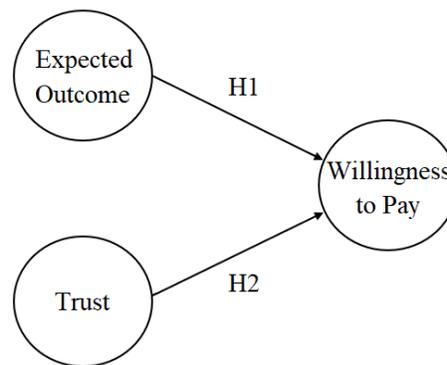


Figure 1. Conceptual Framework

3. Research Methods

For the purposes of this study, convenience sampling was the method of choice for the quantitative sample. A non-probability sampling technique, convenience sampling, selects participants who meet specified practical requirements, such as ease of access, locality, availability at a specific time, or the desire to participate (Etikan, Musa, and Alkassim 2016). Data collection will be done using Netflix customers in Indonesia so that the respondents have had a chance to experience Netflix. We decided to utilize Netflix because Netflix is a very intriguing streaming service to research and also one of the most popular streaming services, the author wants to examine the factors that contribute to the service's success. To test the stated hypothesis, a survey was conducted, and data were collected via an online questionnaire survey. Because this research is aimed at both subscribers and those interested in the Netflix service, an online survey was used. This study used a Google form to conduct an online survey. The Likert scale is used in this study, with responses to each construct indicator ranging from strongly disagree to strongly agree on a range of 1 to 5. We employ the PLS technique and the SmartPLS v3.3.3 software to analyze the data and test the hypothesis under study.

In November 2021, data for the research were collected from a valid and reliable sample of 80 persons. Several of the researchers' social media accounts, including Instagram, Whatsapp, Line, and Telegram, were used to distribute a message for three weeks. The letter contains a link to a Google form in which participants are prompted to complete a questionnaire identifying whether they have or are presently using a Netflix subscription service. Based on Table 1, the sample included 35 males (43.8%) and 45 women (56.3%), the majority of whom were in their twenties or thirties (90%). The majority of these persons (82.5 %) are still students, and the majority of their monthly income is less than IDR 1,000,000 (30.8%) or between IDR 1,000,000 and IDR 3,000,000 (30.8%) (42.5%). Most people (70%) spent over six hours on the internet, while others spent between five and six hours (17.5%).

Table 1. Demographic Information

Items	#	%
Gender		
Male	35	43,75%
Female	45	56,25%
Age		
<20 (less than 20)	6	7,50%
20 – 30	72	90,00%
>30 (more than 30)	2	2,50%
Job		
Student	66	82,50%
Employee	10	12,50%
Entrepreneur	3	3,75%
Etc.	1	1,25%
Revenue (monthly)		
< IDR 1,000,000	31	38,75%
IDR 1,000,000 – IDR 3,000,000	34	42,50%
IDR 3,000,000 – IDR 5,000,000	9	11,25%
> Rp5.000.000	6	7,50%
Internet usage (per day)		
< 1 hour	1	1,25%
1-2 hours	2	2,50%
3-4 hours	7	8,75%
5-6 hours	14	17,50%
> 6 hours	56	70,00%

Three variables were employed to test the study’s hypothesis. In this study, the major variable is a willingness to pay. Expected outcomes and trust are determining variables. The variable willingness to pay was quantified using three indicators previously employed by Augusto et al. (2020) to explore willingness to pay in the same setting, specifically Netflix. The expected outcome variable was quantified using five indicators adapted from earlier research in Lin et al. (2013). Each indication demonstrated a high level of dependability. The trust variable is quantified using four indicators adapted from Augusto et al. (2020); Bongomin and Ntayi (2020), which are also valid and reliable for use in research using the construct of trust.

4. Result and Discussion

In this research, we analyzed data using a partial least squares (PLS) approach. The PLS path model is composed of two components: the measurement model (also referred to as the outer model), which depicts the relationship between both the construct and the indicator variables; and the structural model (also referred to as the inner model), which represents and illustrates the relationships (paths) between the constructs (Hair et al. 2021) (Table 2).

Table 2. Indicators used in the questionnaire

Description	Mean	Standard Deviation	Loadings
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Expected Outcome				
EXO1	I can access many movies on Netflix at an affordable price.	3.950	0.879	0.821
EXO2	I can access the movies I like on Netflix more conveniently and faster.	4.450	0.687	0.665
EXO3	I can find any movie on Netflix.	3.788	1.009	0.697
EXO4	I can get a lot of information about movies on Netflix (like newly released movies, synopsis, etc.).	4.138	0.862	0.791
EXO5	I feel that Netflix can provide a free viewing service	4.475	0.689	0.655
Trust				
TRT1	I believe in the Netflix service	4.050	0.850	0.927
TRT2	I can rely on the Netflix service	4.088	0.883	0.925
TRT3	I feel that the Netflix service can provide many benefits	4.050	0.805	0.884
TRT4	I'm not worried about using the Netflix service	4.138	0.833	0.890
Willingness to Pay				
WTP1	I am willing to pay more for Netflix service compared to other similar services	3.487	1.107	0.861
WTP2	The price paid for Netflix service is appropriate	3.750	0.873	0.874
WTP3	If the price of the Netflix service goes up, I'll keep subscribing	3.163	1.078	0.805

4.1 Measurement Model

Internal consistency is examined initially in this investigation by examining composite reliability, which must have a value of more than 0.60 to be regarded as appropriate in the study (Hair Jr, Hult, Ringle, and Sarstedt, 2021). According to Table 3 each construct has a composite reliability value of 0.849 to 0.949, indicating that the data has a reasonable level of internal consistency reliability. By comparing the Cronbach's alpha value of all constructs ≥ 0.7 , we may determine the reliability of the following construct. As shown in Table 3, each construct has a Cronbach's Alpha ≥ 0.7 , which ranges between 0.781 to 0.928, indicating that each indicator assesses the construct consistently.

Then, analyze convergent validity in terms of outer loadings and AVE. According to Table 3, the EXO5 indicator has the lowest indicator reliability with a value of 0.655, while the TRT1 indication has the highest indicator reliability with a value of 0.927. All indications for the three variables are within an acceptable range for further research in this circumstance. The construct reliability test that follows is based on convergent validity, which may be determined by examining the AVE value ≥ 0.5 . A value of 0.50 or more implies that the construct mean explains more than half of the variation in the indicator (Hair Jr, Hult, Ringle, and Sarstedt, 2021). As seen in Table 3, each build has an AVE ≥ 0.5 . (0.531 to 0.822). As a result, each concept tested has a high degree of convergent validity.

Table 3. Construct Reliability

Construct	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted
Expected Outcome	0.781	0.828	0.849	0.531
Trust	0.928	0.931	0.949	0.822
Willingness To Pay	0.803	0.806	0.884	0.718

Additionally, discriminant validity is tested using cross-loadings by comparing loading indicators on a construct. As shown in Table 4, each indicator has a larger loading than the others; for example, the EXO1 indicator has the highest loading (0.821), while all other indicators have a lower loading (0.574 and 0.578). As a result, the data obtained demonstrate the discriminant construct's validity.

Table 4. Cross Loadings

Code	Expected Outcome	Trust	Willingness to Pay
EXO1	0.821	0.573	0.578
EXO2	0.665	0.431	0.314
EXO3	0.697	0.298	0.361
EXO4	0.791	0.447	0.407
EXO5	0.655	0.567	0.296
TRT1	0.592	0.927	0.548
TRT2	0.654	0.925	0.588
TRT3	0.550	0.884	0.498
TRT4	0.510	0.890	0.577
WTP1	0.503	0.541	0.861
WTP2	0.473	0.520	0.874
WTP3	0.452	0.493	0.805

4.2 Structural Model

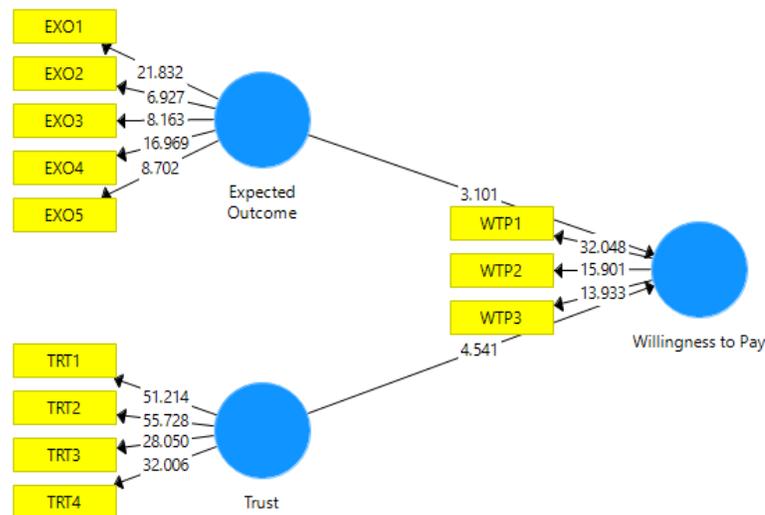


Figure 2. Inner Model

According to the inner model image represented in Figure 2 the highest path coefficient value is indicated by the influence of trust on willingness to pay, which has a value of 4.541. Then the expected outcome has an influence on willingness to pay is 3.101. According to the description of these results (Table 5), all variables in the inner model

have a positive path coefficient. If the greater the value of the path coefficient on one independent variable on the dependent variable, the stronger the influence between the independent variables on the dependent variable.

Table 5. Hypothesis Test

Path	Standard Deviation	T Statistics	P Values
Expected Outcome -> Willingness To Pay	0.094	3.101	0.002
Trust -> Willingness to Pay	0.094	4.541	0.000

The proposed hypothesis test will be validated by comparing t statistics to the t table (1.96) and path coefficients to 0.05. Based on Table 5 the results of hypothesis testing have been carried out show that the expected outcome ($3.101 \geq 1.96$; $0.002 \leq 0.05$) and trust ($4.541 \geq 1.96$; $0.021 \leq 0.05$) have a positive and significant effect on willingness to pay. The results obtained support previous research on Augusto, Santos, and Santo (2020), where trust has a direct positive effect on willingness to pay, and in expected outcome research in Lin, Hsu, and Chen (2013) it has a positive effect on willingness to pay through perceived benefits. Based on these results, it can be stated that H1 and H2 are accepted.

4.3 Discussion

The purpose of this study is to ascertain and investigate the effect of Expected Outcome and Trust on Willingness to Pay on Netflix in order to ascertain the elements that influence interaction with Netflix customers in Indonesia. With the data in Table 4, it is possible to infer that all submitted hypotheses can be accepted based on the findings of hypothesis testing. The findings indicate that both constructs have a positive effect on Willingness to Pay. With a t-statistic of 4.541, the construct that has the greatest effect on Willingness to Pay Netflix is Trust. In addition, the indicator of willingness to pay construct that has the most influence on the construct is "The price paid for Netflix service is appropriate" with an outer loadings value of 0.874. Based on these findings, the willingness of Indonesians to pay for Netflix services is influenced by the price Netflix charges for their subscriptions. If the price is not suitable, the user will reject it and allow to switch to another platform at a lower cost or the user will start unsubscribing to the service.

In table 4 above, the research significance value is obtained, namely t-statistics of $3.101 > 1.96$ with a significance level of 0.000 which is less than 0.05 which indicates that the direction of the relationship between expected outcomes and willingness to pay is positive and significant. Thus, this study states that the expected outcome that affects willingness to pay is acceptable. The indicator "I can access many movies on Netflix at an affordable price" in the expected outcome construct has the most significant influence on willingness to pay with an outer loadings value of 0.821. With this positive relationship, it shows that the higher the expected outcome, it will be followed by an increase in willingness to pay. Meanwhile, the significant expected outcome related to willingness to pay means that it can be generalized to the entire population where the sample in this study is the population of Netflix service users. The service can meet the expectations of its customers if the price of providing content is in line with what they should receive. For this reason, it is important for companies to pay attention to the extent to which services can realize the expectations that consumers want.

Based on the results of hypothesis testing in table 4, the effect of trust on willingness to pay on Netflix users obtained a t-statistic value of $4,541 > 1.96$ and a P-values level of $0.000 < 0.05$, the results of this calculation show that this hypothesis is accepted so that the trust construct has an influence on the willingness to pay to construct which indicates an individual's trust in a service performed when choosing the service they will pay for so that the conditions for actions taken by Netflix users are influenced by a good level of trust. The indicator has the most significant outer loading value "I believe in the Netflix service" of 0.927 and also "I can rely on the Netflix service" of 0.925. The results of this hypothesis indicate that Netflix users' willingness to pay is influenced by the trust.

5. Conclusion

A growing number of people are watching movies online as the Internet has become more freely available in recent years. When it comes to quick and easy entertainment, these options are typically chosen above others. Online video viewing is increasing in popularity, and this trend is expected to continue in the near future. An increasing number

of Indonesians are turning to Netflix as a source of video-on-demand entertainment. Service providers can benefit from this research by learning more about what makes customers willing to pay for their products or services. Findings show that both trust and expectations have a positive effect on willingness to pay. Indonesians' willingness to pay for Netflix services is influenced by the price of Netflix's subscriptions. If the price is unsuitable, the user will either reject it and allow them to switch to a more affordable platform, or they will begin unsubscribing to the service. If the price of supplying content is reasonable in comparison to the value of what they should receive, the service will be able to meet its consumers' expectations. Consequently, it is important for organizations to consider how well they can meet their customers' expectations when developing services. When a service earns its customers' trust, the customer has no reason to be concerned, and the service can be relied upon to provide benefits to its customers.

5.1 Limitation

The study collected samples throughout a three-week period, ensuring that the samples investigated were less variable due to the time constraint. Meanwhile, we have a restricted budget for this study and cannot afford to recruit additional participants to complete this research questionnaire. Additionally, because the majority of the sample consists of young adults with a median income, this research focuses mostly on middle-class perceptions. As a result, we recommend more research to diversity the sample and investigate additional variables that may influence willingness to pay for similar or dissimilar services.

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