Examining The Underlying Variables Between Price and Subscription Continuance of Netflix’s Subscribers in Jakarta

Irma Shafika Niha¹, Jesusha Glory Anemone Galingging²*, Nazia Nurfaiza³, Christian Haposan Pangaribuan⁴
¹,²,³,⁴Sampoerna University, Jakarta, Indonesia

Abstract: Understanding the underlying variables that influence willingness to purchase certain products is crucial as it helps businesses to make better decisions to market their products. This study focuses on the Video on Demand industry and aims to explore the relationship between Netflix Subscription Continuance and Price that is mediated by two variables, namely Perceived Quality and Content. This research addresses the reason behind the phenomenon of customers’ decision to keep subscribing to Netflix despite the fact that there is an increasing price on the platform. The data for this paper is obtained from 111 Netflix subscribers in Jakarta who once and/or continue subscribing to Netflix, while the results are analyzed using SmartPLS. The findings of this research reveal that the direct relation between Price and Subscription Continuance is not significant. However, the indirect relationship that is mediated by Perceived Quality and Content both indicate significant relationships. This study discloses that improving Content and Perceived Quality will result in an increase in Subscription Continuance of Netflix.

Key Words: video on demand; price; perceived quality; content; subscription continuance.


Kata Kunci: video on demand; harga; kualitas; konten; keberlanjutan berlangganan.

*Corresponding author: Jesusha Glory Anemone Galingging, jesusha.galingging@my.sampoernauniversity.ac.id, Jakarta, Indonesia
INTRODUCTION

The rapid growth of technology has significantly influenced consumer behavior. Such a phenomenon can be observed through the shifting consumer preference for watching movies from watching at the cinema to utilizing streaming platforms, popularly called Video on Demand (VoD). VoD is an online service that allows users to watch or select various video content, such as movies, films, or TV series, at their convenience (Johny & Alukal, 2018). Rather than enjoying movies directly through the cinema theatre, consumers chose to utilize Video on Demand due to the flexibility, hobby, rerun, lifestyle, and motivation (Pancaningrum, 2022). VoD has been in Indonesia since 2016 and is available with services ranging from freemium-based services, such as Netflix, VIU, and HOOQ, to free services, e.g., Iflix (Putri, 2016). Due to the convenience provided, the number of VoD users in Indonesia has increased and is predicted to reach 17.7% by 2025 (Saputra & Hidayat, 2022).

In line with the increasing market opportunities, the number of VoD platforms in Indonesia also shows tight competition. The VoD industry is performing continuous growth, and the number of providers in the industry is also increasing (Johny & Alukal, 2018). Such a high number of providers increases the power of buyers, and consumers can find a substitute for this service. This allows people to choose any platform they want according to their preferences. Several variables influence the buying decision process involved here. One of the factors that can influence people’s desires and actions in making a purchase decision is the price (Zhao et al., 2021). Price and demand for a product or service have an inverse relationship. As the price of a product or service increases, the demand for its products or services will decrease, and vice versa. However, price alone cannot determine customers’ purchase intention directly. For instance, the most popular platform, Netflix, shows the unusual condition when the company still gains a significant number of users when its subscription price increases. In March 2022, Netflix increased its subscription price from USD1-2, depending on the customer’s chosen service (Fitzgerald, 2022; The Jakarta Post, 2020). After raising its prices, Netflix has become its competitors’ most expensive streaming service (Clark, 2022). The price changes cost Netflix to lose more than one million subscribers globally. However, despite an increase in price, the rate of people who continue to subscribe to Netflix and enjoy it remains higher than any other VoD platforms. A survey stated that Netflix was the most preferred and most widely used VoD, with a percentage of 69% among its competitors or VoD services in Indonesia (Nisriyna, 2022). Moreover, according to Wayne (2022), Netflix still has more than 200 million subscribers in 190 different countries, making it the biggest VoD platform worldwide.

The opposing facts then raise why Netflix is still the biggest VoD platform even after increasing its price. The persistence of Netflix’s supremacy in video streaming services suggests that additional factors must play a significant role in shaping its subscriber base. A study found that consumers must consider price changes when purchasing hedonic products (Wakefield & Inman, 2003). Hedonic products are desirable and create a sense of happiness for the consumers but cannot be termed necessities (Bettiga et al., 2020). Netflix is one of the products that fall into this category, as it entertains consumers. The consumers who indulge in hedonic products like Netflix are characterized by their indifference to price fluctuations, as their primary focus is solely on the pursuit of happiness. Hence, price is not the only factor affecting a person’s purchase continuity. Other factors, such as perceived quality, innovativeness, value, and online brand experience, could also impact customer loyalty or subscription to VoD providers (Cortinhas, 2022). Furthermore, according to Yu et al. (2022), content quality is another factor that positively influences people’s willingness to subscribe. Nagaraj et al. (2021), Auditya and Hidayat (2021), and Palomba (2020) also argue that content has a significant impact on consumers’ tendency to pay for subscriptions to VoD.
Even though numerous research stated that price significantly impacts customer loyalty, it is relevant to conduct further research about why high prices do not prevent people from subscribing to Netflix. Consumers are willing to pay more than the usual price to enjoy the service and content provided by Netflix, which proves that rising prices are not a barrier for Netflix consumers to continue to subscribe. Accordingly, this study will discuss whether perceived quality and content as mediating variables motivate consumers in Jakarta to continue to use Netflix.

The Rational Choice Theory

The rational choice theory states that individuals make their decision by considering rational calculations. When making decisions, people tend to justify rationally by examining the costs and benefits of the choice (Vlaev, 2018). In this theory, the perceived costs and benefits depend on the individual’s preferences, beliefs, and constraints (Hoff & Stiglitz, 2016). It is in line with the fact that people may consider all options and features in making decisions (Willman-Iivarinen, 2017). According to Ongkowijoyo (2022), the theory explains the rational decision-making process of purchasing a product, in which consumers will consider what is more profitable based on a given price and benefits, and the individual gets the maximum reward for the commensurate cost. Therefore, the theory helps study or determine why individuals or groups place themselves in a choice based on specific costs and rewards (Ogu, 2013).

Uses and Gratification Theory

The theory of users and gratification helps explain the effect of media, which offers various choices to people and allows audiences to choose their favorite one according to their needs (Auditya & Hidayat, 2021). This theory states that audiences have active characteristics to choose a specific media and content for their absolute satisfaction (Egede & Chuks-Nwosu, 2013). The theory focuses on the media and content by addressing the issue of why people choose certain types of media based on the needs and satisfaction they get when utilizing the media (Whiting & Williams, 2013). Gratifications refer to the satisfaction that every audience experiences with a particular medium, including television and the Internet (Karimi, 2014).

Information System Continuance

Bhattacherjee (2001) developed the information system continuance theory that examines factors that influence customers loyalty to continue utilizing an information system. The theory states that consumers intention to IS continuance is determined by their satisfaction of previous use (Wang et al., 2021). The theory was developed from the Oliver’s (1980) expectation confirmation model which predicted repurchase intention. Bhattacherjee (2001) believed that the user’s intention to continue using IT was similar with consumer’s repurchase behavior (Ashfaq et al., 2019).

Price

The price of a product is one of the elements that affect the customer’s purchasing decision (Yulisetiarini et al., 2017). A price is a monetary unit or another measure that functions as an exchange component required to acquire the right to receive a certain benefit, such as a product or service (Tjiptono, 2012). Septiani and Chaerudin (2020) state that customers tend to perceive price according to their subjective perceptions, which they define as more or less affordable. As a result, consumers have a rational response to assess what benefits they will get from the product or service they buy or pay for (Al-Mamun et al., 2014). Therefore, the price has an important role in customers’ purchasing decisions, particularly for frequently purchased goods,
because it can affect the choice of which stores and brands the customers will patronize (Faith & Agwu, 2014). Price changes can also cause price sensitivity, which influences how consumers interpret and react to the price differences of a product or service (Uslu & Huseynli, 2018). When a consumer thinks of a product as being less affordable and having a good reputation, they will raise their expectations about the product’s quality and believe that this will explain why it is so in demand (Pangaribuan & Wijaya, 2020).

Perceived Quality

According to Nilforushan and Haeri (2015), perceived quality is the customer’s perception of the overall superiority of a company’s products. Vo and Nguyen (2015) state that perceived quality refers to a customer’s evaluation of a product or brand that meets one’s expectations. Customers will judge based on their subjective perception. They use their feelings and experiences to evaluate and assess product quality, functionality, and benefits when purchasing a product (Lomboan, 2017). As an online streaming platform, Netflix must consider consumers’ perceptions of quality. This perception of quality is crucial as it provides added value for consumers for a brand or company product. This is because perceived quality is an important subjective characteristic, as well as information and behavioral clues realized in purchasing (Ansari & Riasi, 2016). In short, perceived quality is a consumer’s subjective assessment of product quality, and he or she will evaluate product quality to meet the expectations of their previous experience.

Content

For online streaming platforms, content is a crucial variable in capturing more subscribers (Kübler et al., 2021). In online streaming platforms such as Netflix, content refers to videos or programs such as movies or TV shows delivered to consumers through the VoD platforms. There are several indicators that determine the quality of content being delivered, namely variety or availability of the content, streaming quality, speed of menu selection or loading content, availability across different devices, the resolution provided, and menu recommendation (Kim et al., 2017). Those indicators mentioned previously are critical and directly influence consumers’ viewing experience since they control the quality level of content provided (Palomba, 2020). Thus, VoD platforms must ensure consumers experience qualified content as content plays such a crucial role in the streaming market.

Subscription Continuance

According to Amoroso and Lim (2017), continuance intention is the strength of an individual’s intention to make repeated purchases through financial mobile applications. Bhattacherjee (2001) asserted that continuance intention is the persistent use of an information system by the adopter, where the decision to continue follows the decision of initial acceptance. Lu (2014) also explained that continuance intention is a mental state representing personal choices made in repeating the action displayed when repurchasing. It can be concluded that the likelihood that customers keep or continue to use a certain product is the definition of the continuation of intention to use.

HYPOTHESIS DEVELOPMENT

Price and Subscription Continuance

A study argues that price has a significant correlation with consumer’s purchasing behavior (Zhao et al., 2021). A product’s price is argued to be a sacrifice value customers
must give up in exchange for a certain product or service (Levrini & Santos, 2021). Consequently, higher prices are often associated with a decline in product sales. This is in accordance with the theory of demand which stipulates the inverse relationship between price and quantity demanded (Mazurek et al., 2019). On the other hand, price is also perceived to be an indicating factor that determines the product’s quality and status (Levrini & Santos, 2021), which is in line with the premium pricing strategy in marketing (Ashraf, 2017). However, despite whether price positively or negatively influences consumers’ willingness to continue a subscription, price has become a complex and crucial variable in its relationship with purchase decision. Thus, we propose the following hypothesis:

**H1**: Price positively influences subscription continuance.

**Price and Perceived Quality**

Studies argue that price might have a positive influence on customer perception of quality (Hansen, 2015; Shintaputri & Wuisan, 2017). Price is one of the extrinsic factors that can be used by consumers. Therefore, many consumers use price to judge the quality of a product (Hansen, 2015; Verma & Gupta, 2004). Goods with low price are often considered have inferior quality, while goods with superior quality are described expensive. The assumption that price can affect the perceived quality is based on the term that higher quality can only be produced at a higher cost (Shintaputri & Wuisan, 2017). That indicates that quality products must indeed have a higher price. That perception makes people think that the higher the price, the better the quality is. Thus, we propose the following hypothesis:

**H2**: Price positively influences perceived quality.

**Perceived Quality and Subscription Continuance**

Consumers’ propensity to purchase a product is influenced by their perceptions of the quality of the product. Lestari and Soesanto (2020) argue that perceived quality is one of the important things since it has an influence towards customers’ purchasing behavior. They mentioned that consumers have an intention to buy if the quality is in line with their expectations. The better the quality of a product or service, the bigger the intention consumers have to continue buying a product. Auditya and Hidayat (2021) also argued that many consumers are willing to subscribe due to the quality of services and content provided by Netflix that they feel. Based on the explanation, we propose the following hypothesis:

**H3**: Perceived quality positively influences subscription continuance.

**Price and Content**

Value-based pricing strategy is one of the methods that a company uses to determine its pricing strategy. It is developed based on what customers think a product or service is worth rather than its actual costs (Dholakia, 2016). For instance, customers will pay more if the price has the greatest value, such as giving high expectations of benefits, quality, and exclusive value. Previous research by Ardhia and Mayangsari (2020) also states that higher prices receive higher perceived quality and, hence, a bigger customer intention to purchase. Content variety is one of the benefits offered by a streaming platform company to give such value to customers. For instance, Netflix offers a variety of content as its benefit, customized based on region and subject to change over time. Therefore, we propose the following hypothesis:

**H4**: Price positively influences content.
Content and Subscription Continuance

Nagaraj et al. (2021) argue that content is one of the significant variables that determine consumers’ willingness to subscribe to an online streaming platform. It is found that the consumers of online streaming platforms such as Netflix tend to continuously upgrade their user experience in which varied content becomes a determining factor that influences consumers’ viewing experience. Moreover, content would positively impact consumers’ engagement which increases engagement toward online streaming platforms, and that streaming content with higher quality will generate more emotional engagement (Palomba, 2020). In other words, the quality of experience offered by streaming platforms influences individuals’ perception of the platform which eventually will determine consumers’ purchasing behavior. Therefore, we propose the following hypothesis:

H5: Content positively influences subscription continuance.

Figure 1. Proposed Framework Model

METHOD

Participants

To test the proposed model, we choose a population of Netflix subscribers in DKI Jakarta who are most likely to continue their subscription to that platform. The sample size was determined by a method where a range of 5-10 subjects per variable was needed (Hair et al., 2010). Hence, the suitable sample size for this study would be at least 110 (22 x 5) and the authors managed to exceed this number by gaining a total of 147 respondents. From that 147 respondents, 36 participants are excluded from further analysis. These 36 participants were removed since they did not meet the criteria of respondents as they are not subscribing to Netflix.

Method of Data Obtainment

The questionnaire used is designed as an online survey which is developed from literature and discussions from previous studies. This survey consists of 5 sections and 18 items. The first section collects information regarding participant demographic including gender and occupation, also the filtering question. The second section assesses customers’ perception towards the independent variable of Price which consists of 4 items. The third and fourth part evaluate the mediating variables of Perceived Quality and Content which have 5 and 4 items, respectively. Finally, the last part measures the factors that influence the dependent variable of Subscription Continuance which has 4 and 5 items, respectively.
Scale Measurement

This research uses the Likert Scale as a measurement in the questionnaire shared to the respondents. The scale allows respondents to choose between 1 to 5 where 5 being strongly agree to the statement of the questionnaire and 1 being strongly disagree. The proposed framework model can be seen in Figure 1. There are 18 items in the survey assessing 4 different variables being studied in the research. Price is seen as a variable with relative effect in which some customers consider price when deciding to purchase certain products whereas some are not sensitive to price (Auditya & Hidayat, 2021). Meanwhile, Perceive Quality and Content as mediating variables are studied to see how these two factors influence the relationship between Price and Subscription Continuance. For instance, the quality of Netflix is assessed to see its viewing experience and uniqueness which might be strongly influential towards customers’ willingness to continue a subscription (Nagaraj et al., 2021; Zahara et al., 2022; Shintaputri & Wuisan, 2017). On the other hand, Content is evaluated to assess how the content selection of Netflix meets customers’ expectations which positively impact customers’ intention to continue the subscription (Auditya & Hidayat, 2021; Zahara et al., 2022; Nagaraj et al., 2021). Lastly, Subscription Continuance is studied to understand the underlying factors which influence customers to keep subscribing on Netflix whether it comes from the price, quality, or content offered by Netflix (Lestari & Soesanto, 2020; Auditya & Hidayat, 2021).

Reliability

Reliability is a statistical model which analyzes a consistency of a measure across time (Süürçü & Maslakci, 2020). It is utilized by researchers in order to evaluate the research’s quality. If the reliability test produces a consistent response under the same methods and circumstances, it can be considered reliable (Kennedy, 2022). The reliability test is essential in order to ensure that the outcome is stable after repeated measurements and determine which problem items need to be excluded. If the test measures a variable in a consistent manner but is utilized the wrong construct, the measure can be stated not valid (Taherdoost, 2017). Therefore, this paper will conduct a reliability test to examine whether the variables of this research are constant and ensure the results and quality of measurement are accurate.

Validity

Validity is a test conducted to evaluate the accuracy of a measure by reviewing how well the results are in accordance with the theory or measure applied (Hidayat et al., 2022). This test instrument is needed to evaluate the extent that the study produces a valid result. Good reliability can also indicate that the measurement is valid. However, the result of the validity test can be reliable but not valid (Schmidt et al., 2006). If the test result shows invalidity, then the research can be stated does not demonstrate that the measure works. Hence, it is necessary to conduct the validity test in order to ensure that the scores are accurate and represent what they are supposed to.

RESULT

Demographic Analysis

We managed to obtain data from 147 respondents from the questionnaire that we distributed. Out of the 147 respondents, 60.5% were women, and 39.5% were men. Based on the occupation demographic, 71.4% of the respondents are students, 16.3% are private sector employees, 4.1% are government employees, and 8.2% said other job backgrounds. Based on...
the filtering questions that asked whether the respondents have ever subscribed to Netflix or not, 75.5% stated “Yes,” and 24.5% of the participants responded “Not yet.”

Table 1. Indicator Loading

<table>
<thead>
<tr>
<th></th>
<th>Price</th>
<th>Quality</th>
<th>Content</th>
<th>Subscription</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRC1</td>
<td>0.791</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRC2</td>
<td>0.794</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRC3</td>
<td>0.807</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>PRC4</td>
<td>0.798</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PCQ5</td>
<td></td>
<td>0.639</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PCQ6</td>
<td></td>
<td>0.825</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PCQ7</td>
<td></td>
<td>0.765</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PCQ8</td>
<td></td>
<td>0.814</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PCQ9</td>
<td></td>
<td>0.888</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CON10</td>
<td></td>
<td></td>
<td>0.586</td>
<td></td>
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<tr>
<td>CON11</td>
<td></td>
<td></td>
<td>0.844</td>
<td></td>
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<tr>
<td>CON12</td>
<td></td>
<td></td>
<td>0.895</td>
<td></td>
</tr>
<tr>
<td>CON13</td>
<td></td>
<td></td>
<td>0.879</td>
<td></td>
</tr>
<tr>
<td>SUB14</td>
<td></td>
<td></td>
<td></td>
<td>0.816</td>
</tr>
<tr>
<td>SUB15</td>
<td></td>
<td></td>
<td></td>
<td>0.849</td>
</tr>
<tr>
<td>SUB16</td>
<td></td>
<td></td>
<td></td>
<td>0.857</td>
</tr>
<tr>
<td>SUB17</td>
<td></td>
<td></td>
<td></td>
<td>0.858</td>
</tr>
<tr>
<td>SUB18</td>
<td></td>
<td></td>
<td></td>
<td>0.83</td>
</tr>
</tbody>
</table>

Indicator Loadings

Indicator loadings indicate how effectively an item represents the underlying construct and describe the relationship between the item and the latent variable (Pardiman & Khoirul, 2020). Indicator loading shows whether the item in the questionnaire can explain the variable being assessed or not. If the item obtains a value equal to or above 0.7, that item is believed to be able to represent the variable well and can be a reliable indicator to be studied and evaluated. Thus, a value greater than 0.7 is recommended (Vinzi et al., 2010). However, if the value of indicator loadings is below 0.7, the item should be removed because it cannot represent the variable being discussed (Astuti, 2017). Table 1 shows that most of the items on the questionnaire represent the underlying variables well enough since their values are more than 0.7. However, there are two values that are less than 0.7, which are 0.586 for CON10 and 0.639 for PCQ5. As mentioned above, Astuti (2017) stated that these items should actually be deleted. However, it is claimed that social science studies often obtain values below 0.7; hence, any values less than 0.7 should not be removed (Vinzi et al., 2010; Hair et al., 2010). Moreover, those values are close to 0.7 and not too far below the recommended value. Therefore, even though the items of CON10 and PCQ5 are below 0.7, they are included in the study and not being removed.

Reliability and Validity Test

The researchers used Cronbach’s Alpha test and Average Variance Extracted (AVE) to evaluate the validity and reliability of the data. Cronbach’s alpha is utilized to measure the reliability or internal consistency of test items, in which the interpretation of the result is shown...
on the alpha coefficient. In making decisions for reliability testing, a construct or variable is said to be reliable if it gives Cronbach’s Alpha value > 0.7 and generally unreliable if Alpha < 0.7 (Pangaribuan et al., 2019). The higher the alpha coefficient, the higher covariance that the variables uphold which shows that the variables are highly correlated with each other. Meanwhile, the Average Variance Extracted (AVE) is used to test the validity of the data. The AVE test results will reflect each latent factor in the reflective model. The reflective model is considered valid if the AVE value is greater than 0.5 and if the AVE value is below 0.5, it is considered to have a high error (Hamid et al., 2017).

Table 2. Reliability and Validity Tests

<table>
<thead>
<tr>
<th></th>
<th>Cronbach’s Alpha</th>
<th>rho_α</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>0.811</td>
<td>0.816</td>
<td>0.875</td>
<td>0.636</td>
</tr>
<tr>
<td>Perceived Quality</td>
<td>0.847</td>
<td>0.868</td>
<td>0.896</td>
<td>0.625</td>
</tr>
<tr>
<td>Content</td>
<td>0.822</td>
<td>0.869</td>
<td>0.882</td>
<td>0.657</td>
</tr>
<tr>
<td>Subscription</td>
<td>0.897</td>
<td>0.898</td>
<td>0.924</td>
<td>0.709</td>
</tr>
</tbody>
</table>

Table 2 described the result of Cronbach’s Alpha test. This test is performed to assess the reliability of the variables with their items. As shown in Table 2, the coefficient of variable items Price, Perceived Quality, Content, and Subscription Continuance are 0.811, 0.847, 0.822, and 0.897, respectively. Those coefficients are greater than the threshold of 0.7, which designates the reliability of each measurement item. Essentially, the variables and their measurement items are reliable for use in this study. At the same time, the result of the Average Variance Extracted (AVE) is also shown in Table 2. The results of the test show that the value of the variables Price, Perceived Quality, Content, and Subscription Continuance are 0.636, 0.625, 0.657, and 0.709, respectively. It means that they have a greater value than the minimum value of AVE to show the validity of the model. As they have a value of more than 0.5, it indicates that the data’s validity is high.

Multicollinearity Test

Two or more predictor variables may be associated with one another in multiple regression. Collinearity is the term used to describe this circumstance. There is an excessive situation, known as multicollinearity, which test was conducted to find out whether there is a correlation between independent variables in the regression model. The multicollinearity test was carried out with the aim of knowing whether in a regression model, there was a correlation between variables (Ghozali, 2016). The variance inflation factor (VIF) is a value that quantifies of how strongly the variance of a regression coefficient is inflated in the model due to multicollinearity. The least possible value of VIF is one, indicating that multicollinearity does not exist (Kim, 2019). They also stated that the value of VIF should not exceed 5 or 10. If the value is more than 5 or 10, it implies a high level of collinearity.

Table 3. Multicollinearity Test

<table>
<thead>
<tr>
<th></th>
<th>PRC1</th>
<th>PRC2</th>
<th>PRC3</th>
<th>PRC4</th>
<th>PCQ5</th>
<th>PCQ6</th>
<th>PCQ7</th>
<th>PCQ8</th>
<th>PCQ9</th>
</tr>
</thead>
<tbody>
<tr>
<td>VIF</td>
<td>1.503</td>
<td>1.967</td>
<td>1.938</td>
<td>1.576</td>
<td>1.66</td>
<td>2.304</td>
<td>1.771</td>
<td>2.209</td>
<td>2.777</td>
</tr>
<tr>
<td></td>
<td>CON10</td>
<td>CON11</td>
<td>CON12</td>
<td>CON13</td>
<td>SUB14</td>
<td>SUB15</td>
<td>SUB16</td>
<td>SUB17</td>
<td>SUB18</td>
</tr>
<tr>
<td>VIF</td>
<td>1.262</td>
<td>2.017</td>
<td>2.633</td>
<td>2.343</td>
<td>2.129</td>
<td>2.45</td>
<td>2.529</td>
<td>2.671</td>
<td>2.341</td>
</tr>
</tbody>
</table>
The result of the multicollinearity test can be found in Table 3. The VIF value of the tested items is in the range of 1.262 to 2.777. As can be seen from Table 3, the VIF value of measurement items exceeds 1, but they are below 5 or 10. That range implies that there is no indication of multicollinearity in the model in this study.

**Model Summary ($R^2$)**

Used as a statistical measure of how much of the dependent variable’s proportion is determined by the independent variable, $R^2$ explains the strength or causation relationship between the two variance variables or how well the data can fit the model. It is also one of the structural model’s evaluations, which indicates an analysis of the predictive of the model’s capabilities and the relation between variables in the study (Reyes-Menendez et al., 2018). We evaluated the $R^2$ values (explained variance) by using bootstrapping, and the results were compared in Table 4. In Table 4, the squared values vary from one dependent variable to another. The test performed illustrates that the $R^2$ of Subscription Continuance, Perceived Quality, and Content is 66.5%, 47.0%, and 40.3%, respectively. A previous study by Reyes-Menendez et al. (2018) also mentioned that the levels of $R^2$ is determined as relevant, moderate, and weak at the point of 75%, 50%, and 25%, respectively.

As suggested in the result, the $R^2$ score of 66.5% explains that the main dependent construct (Subscription Continuance) is moderately applicable and can be explained by price, perceived quality, and content, while the remaining percentage is determined by other variables beyond the scope of the model within the context of this research. Furthermore, the $R^2$ score of 47% means that the change in the perceived quality variable is moderately applicable to be explained by price; besides, the remaining can be described by other variables outside of the model measured in this study. Finally, the variable with the lowest $R^2$ score among the dependent variables is content with an $R^2$ of 40.3%. It is also moderately applicable, which indicates that the change in content can be explained by price, and the remaining can be described by other variables outside of the model measured in this study.

<table>
<thead>
<tr>
<th></th>
<th>R Square</th>
<th>R Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content</td>
<td>0.408</td>
<td>0.403</td>
</tr>
<tr>
<td>Quality</td>
<td>0.475</td>
<td>0.470</td>
</tr>
<tr>
<td>Subscription</td>
<td>0.674</td>
<td>0.665</td>
</tr>
</tbody>
</table>

**Hypothesis Testing**

To assess the significance of each hypothesis being proposed, we conducted hypothesis testing by utilizing bootstrapping analysis with Smart PLS version 3.0. The hypothesis testing uses a T-test, which is evaluated by the P-value vs alpha 5%. The outcome of the T-test is described in Table 5.

In the hypothesis 1 test result ($\beta = 0.181$, $t$-value = 1.950, $p = 0.052$), the variable price has a P-value of more than alpha 0.05. Hence, price does not have an impact on the subscription continuance. Therefore, the change in price, especially the increase in the price of Netflix, does not influence consumers’ decision to continue their subscription. This explains the reason why the number of people who enjoy Netflix and continue to subscribe to it remains high even though the price has increased.
Table 5. The Direct effects to Subscription Continuance

<table>
<thead>
<tr>
<th></th>
<th>$\beta$</th>
<th>Sample Mean</th>
<th>Standard Deviation</th>
<th>T-Statistics</th>
<th>P-Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price $\rightarrow$ Subscription</td>
<td>0.181</td>
<td>0.184</td>
<td>0.093</td>
<td>1.950</td>
<td>0.052</td>
</tr>
<tr>
<td>Price $\rightarrow$ Quality</td>
<td>0.689</td>
<td>0.694</td>
<td>0.052</td>
<td>13.316</td>
<td>0.000</td>
</tr>
<tr>
<td>Quality $\rightarrow$ Subscription</td>
<td>0.343</td>
<td>0.346</td>
<td>0.112</td>
<td>3.060</td>
<td>0.002</td>
</tr>
<tr>
<td>Price $\rightarrow$ Content</td>
<td>0.639</td>
<td>0.638</td>
<td>0.066</td>
<td>9.696</td>
<td>0.000</td>
</tr>
<tr>
<td>Content $\rightarrow$ Subscription</td>
<td>0.391</td>
<td>0.386</td>
<td>0.108</td>
<td>3.619</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Moreover, in the hypothesis 2 test ($\beta = 0.689$, $t$-value = 13.316, $p = 0.000$), the price has a positive impact on the perceived quality because the $P$-value is less than alpha 0.05, and the coefficient of beta shows a positive direction. The result shows that price has a significant influence on perceived quality which means that the rate of price impacts consumers’ perception of Netflix’s quality. In other words, consumers believe that higher prices indicate higher product quality. Thus, consumers believe that Netflix offers high-quality products due to its high price.

Hypothesis 3 test also produces the same outcome ($\beta = 0.343$, $t$-value = 3.060, $p = 0.002$), in which the mediating variable named perceived quality has a $P$-value that is more than alpha 0.05 and a positive 0.689 original sample. Hence, the perceived quality positively impacts the subscription continuance. This result indicates that the perceived quality of Netflix’s products significantly influences consumers’ intention to repurchase. The higher the perceived quality is, the higher consumers’ willingness to continue their subscription. Therefore, another reason why the intention to repurchase a Netflix subscription remains high even though the price increase is due to its high perceived quality.

Furthermore, the hypothesis 4 test result ($\beta = 0.639$, $t$-value = 9.696, $p = 0.000$) also illustrates that price is positively significant to the content. In other words, consumers believe that Netflix’s high price is related to the quality of content being provided. Alternatively saying, the higher price of Netflix indicates more variety of content being offered. Therefore, similar to the relationship between price and quality, consumers believe that a higher price will allow them to enjoy more variety of content.

Finally, in hypothesis 5 ($\beta = 0.391$, $t$-value = 3.619, $p = 0.000$), the variable of content has a positive impact on the subscription continuance. This result proves that content significantly influences consumers’ intention to repurchase, in which the content provided contributes to a higher quality of consumer engagement that eventually increases customers’ intention to continue subscribing. Thus, content as the mediating variable contributes to the high intention of customers to continue subscribing even though the subscription price is high.

Therefore, based on the research findings above, we can accept H2, H3, H4, and H5. However, the study needs to reject H1 due to its insignificance impact on subscription continuance.
Table 6. The Indirect effects of Price to Subscription Continuance

<table>
<thead>
<tr>
<th>Specific Indirect Effects</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Price → Content → Subscription</td>
<td>0.250</td>
</tr>
<tr>
<td>Price → Quality → Subscription</td>
<td>0.236</td>
</tr>
</tbody>
</table>

Since the direct relationship between price and subscription continuance is not significant, an indirect effect test analysis was conducted to observe the mediating variables. As proven in Table 5, both content and perceived quality are significant in determining customers’ behavior to continue subscribing to Netflix, given the platform’s price change. However, Table 6 illustrates that based on the indirect effect test analysis, content is the mediating variable with the slightly highest value (0.250) to impact the relationship between the price and the customer’s subscription continuance.

**DISCUSSION**

This study examines the impact of Price, Perceived Quality, and Content as mediating variables on Netflix consumers’ Subscription Continuance to see the influencing factors in the form of willingness to repurchase on subscribers in DKI Jakarta. Following the hypothesis testing results in Table 5, four out of five proposed hypotheses were accepted. The findings indicate that all of the accepted hypotheses are significant and have a positive effect on Subscription Continuance. The most significant construct influencing Netflix consumers’ Subscription Continuance is Content, with a t-score of 3.619. Meanwhile, the item of “The selection of content that Netflix offers is according to what I need so that it influences me to continue subscribing to the platform” in the questionnaire has the most significant influence on subscription continuance with a score of 0.895 in the indicator loading. It is then confirmed that price does not significantly impact Subscription Continuance without the presence of mediating variables, which are perceived quality and content. It is aligned with the previous research that suggests price does not directly impact customer’s repurchase intention (Kevin & Tjokrosaputro, 2021). This result signifies that Netflix consumers think the platform prices did not drive them to repurchase the packages.

On the other hand, Price has a positive effect on Perceived Quality. This result was proven by the T-score of 13.316. This result supports the theory proposed by Hansen (2015) and Shintaputri & Wuisan (2017) that price is used by consumers to determine the quality of the product. Not only that, but this result also supports the study by Levriini & Santos (2021) and Yulisetiarini et al. (2017) that the product with the highest price is perceived as the one with the highest quality, while the lowest price does not guarantee good product quality. Thus, the result suggests that the premium price of Netflix packages indicates its high product quality. Meanwhile, prior research findings also supported the significance of Perceived Quality to the Subscription Continuance that better product quality would contribute to the increasing customer repurchase intention (Ongkowijoyo, 2022). It implies that Netflix consumers will repurchase the Netflix package due to the perceived quality, which is supported by unique experiences with the best audio-visual quality.

Moreover, it is also found that price positively impacts content. It is proven by the T-score of 9.696. This result is in line with a study by Ardhia and Mayangsari (2020), which stated that higher prices resulted in a higher consumer perception of quality and, as a result, a greater desire for customers to buy. Price is believed to represent a product’s quality (Hansen, 2015; Verma & Gupta, 2004), and various content by Netflix is one of the product’s quality.
determinants (Palomba, 2020). In other words, consumers of Netflix assume that the price of the package offered by Netflix is in accordance with the content offered. They believe their price is worth the personalized and exclusive content.

Furthermore, the value of the content’s exclusivity that supports customers’ willingness to subscribe to an online streaming platform is aligned with previous studies by Palomba (2020) and Nagaraj et al. (2021), stating that content is a significant variable that contributes to higher engagement toward online streaming platforms. Most of this study’s respondents also stated they are committed to paying such a high price since the content’s variety matches their entertainment needs. Hence, when the platform’s content variation and exclusivity are high, the rate of customer repeat purchases will also increase.

Accordingly, from the theoretical standpoint, the research of this study implicates that price does not directly impact subscription continuance. Instead, it is influenced by perceived quality and content. It further explains the reason behind the phenomenon and questions why customers subscribe to Netflix despite the high price. Customers are more interested in the exclusivity of content and quality than the platform’s price. From the practical perspective, this study contributes to helping VOD providers such as Netflix better understand the content’s importance and perceived quality since they are significant factors that influence customers to keep subscribing to the VOD platform despite a price increase. Companies that care about and prioritize quality will likely be long-term and competitive market participants. Customers continue their subscription when the performance of the application meets their expectations. Thus, the company must improve the features and system to obtain customers’ positive experiences. Netflix, for instance, can improve its features by enhancing the ‘Previously Watched’ category and putting an expiration date on when certain films or TV shows are leaving to make the customer stay updated.

Furthermore, customers are willing to pay more to subscribe to the Netflix package, especially because the movies and TV series are offered to meet their entertainment needs. Therefore, in the current market, when there are numerous VOD platforms available that can offer the same great quality, the company should be able to continuously improve its diverse and exclusive content offerings since it highly impacts buyers’ behavior to continue subscribing to those platforms. The advancement of internet technology has altered the landscape of the movie industry, allowing movie flows and deliveries to be sent worldwide via streaming service providers. In contrast, internet access alters consumers’ behavior regarding watching and enjoying content, including movies. As a result, it is critical for company actors in this field to fully understand consumer intentions and the factors that influence them to design market-winning strategies.

CONCLUSION

The objective of this study is to examine whether two variables, namely perceived quality and content, as mediating variables motivate consumers in Jakarta to continue to subscribe to Netflix despite the change in the platforms’ price. This study concluded that both perceived quality and content are important antecedents in mediating customers’ behavior to continue subscribing to Netflix when the price changes. Meanwhile, although the price seems to be the most important direct predictor of customer purchasing intention, the price is not significant to directly impact the subscription continuance of Netflix’s customers. It indicates that given the condition that the price increases, customers do not necessarily discontinue subscribing to the platform, but they are more likely to consider other determinant variables, such as the platform’s quality and variety of content, to keep subscribing to the platform. Therefore, this paper summarized that content and quality offered are significant factors; in which if the content and
quality offered by the VOD platform are matched with these customers’ expectations and preferences, the customer will continue their subscription.

The limitation of this study is that it only assesses two mediating variables between price as the independent variable and Subscription Continuance as the dependent variable. Other variables might influence the relationship between those two, such as exclusivity. Moreover, this paper studies the buying behavior of only Netflix subscribers in DKI Jakarta, in which there might be different findings if a bigger sample can be obtained. Furthermore, the biggest demographic of the sample are students who might not represent the buying behavior of Netflix subscriber.

Therefore, several developments can be taken for future research. Future research can approach a different mediating variable that can observe the relationship between price and subscription continuance. For instance, studies in the future should examine exclusivity as another mediating variable that can impact customers’ repurchase intention. Furthermore, future research can also target more respondents with different backgrounds to validate the significance of price to the subscription continuance.

REFERENCES


