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## Pirates of the web: The curse of illegal downloading

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## ABSTRACT

Music piracy is the major factor leading to the downturn in paid-for music consumption. This study aims to distinguish between the determinants of a music pirate and a genuine consumer of music (age, gender, income, music preference, music experience). It also investigates attendance at live performances, which previous research suggests, will tend to inhibit the decline of paid-for recorded music. This research is innovative in that it investigates a range of antecedents of music piracy. The method utilises a structured questionnaire survey ( $n=214$ ) and regression analysis to elicit which factors play the most important role affecting our respondents' choices in buying music, illegal downloading music and attending live concerts. Managerial and theoretical implications are presented.

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## 1. Introduction

In today's economic climate digital music piracy has a major detrimental impact on the modern music industry. According to the International Federation of Phonographic Industry (IFPI, 2010), there is a global market decline, which is estimated to be around 30% for the period of 2004–2009 and music piracy is identified as the major factor for this downturn. The IFPI estimates that global music sales have dropped from \$25,576 million in 1998 to \$18,415 million in 2008, a 38% reduction (IFPI, 2009). The music industry believes that the major cause of this decline is the illegal downloading of music files on the Internet. An estimated 95% of downloaded music files is believed to be illegal file-sharing (IFPI, 2009). So far, in order to address this issue, the record companies have opted for taking legal actions against illegal downloaders either by suing customers (Bridis, 2004) or file-sharing websites (Usborne, 2010). Additionally, a new UK law will allow internet providers to completely suspend illegal downloaders from the internet (British Broadcasting Corporation, 2010). However, since the fall in CD sales continues and illegal downloading remains prevalent, strategies suggested to date have evidently failed to reduce this illicit behaviour (d'Astous et al., 2005). We suggest that in order to address the issue, the music industry needs first to identify, together, all the determinants underlying the behaviour of a potential paying customer, compared to a digital pirate.

The music industry has already been forced to face the consequences of the digitalisation, but since most cultural industries use digital technology, the analyses and interpretation of these effects may provide pointers, not only for the music industry,

but also for other cultural industries. The understanding of music consumption behaviour may also help in better management decisions in terms of competition in the new digital environment.

The purpose of the present study is to distinguish and understand the profile of people who download illegally compared to the ones that buy genuine music. Thus, we examine demographic variables like age, gender and income, together with music preferences (music genres) and the way music is experienced while consumed (Lacher and Mizerski, 1994). Additionally, due to the wide common belief that live performances will help to offset this decline (Peitz and Waelbroeck, 2004b), we also investigate attendance at live performances. Hypotheses are tested using data gathered from a structured questionnaire survey ( $n=214$ ) answered by university students. Most studies examining issues of music piracy use students as their research target group, as samples of university and college students tend to provide ready access to illegal downloaders (Cheng et al., 1997). According to Cheng et al. (1997) this is mainly due to the availability of fast and widely available broadband Internet connections in these environments. Although previous research has been conducted, a systematic study has not yet combined these all variables together to create a cohesive understanding of the determinants of music piracy. This study is important in identifying characteristics of consumers who tend to download music illegally. We believe that this study will benefit the music industry by providing information to the marketing departments on how to target their audiences better. The findings may also be found to be beneficial to other industries that are forced to face the issue of music piracy. This study will support practitioners and academics in having a deeper understanding of the piracy phenomenon.

The paper is organised as follows. The literature regarding music consumption is introduced and reviewed, and hypotheses are developed, related to the factors that influence music consumption.

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The methodology is then presented and hypotheses are tested using data from 214 students from a medium-sized UK university. The paper concludes with recommendations and limitations.

## 2. Literature review, conceptual framework and research hypotheses development

Cultural industries are composed of organisations that produce and offer cultural goods (Molteni and Ordanini, 2003). In today's digital world, cultural industries are facing many changes not only in the ways that their products are produced and distributed, but also in the way that are consumed. Digital TV, radio streaming, Internet shops and music downloading are all terms that have emerged from the digital era, which have brought to the consumer new consumption patterns. For example, the Internet enables consumers to search and acquire music, film and books. This has changed the nature of how we consume these cultural products. The analysis of cultural consumption attitude and consumer behaviour is therefore of great importance for management decisions in terms of competition in the new digital environment.

Management and marketing in the music industry is similar in many ways to other cultural goods, such as books, movies and video games. During the last decade, the music industry has been experiencing major changes, especially due to the influence of digitalisation on the production-distribution-consumption model. The creation of software that enables consumers to compress and store music and the wide use of the Internet's potential for free distribution has resulted in changed relationships in the supply and demand chain. These technological advances have raised issues about the role of the record companies, the new digital distribution channels and the "peer to peer" (P2P) phenomenon, which enables free music sharing among Internet users. In particular, the record companies would have preferred to eliminate P2P but as this does not appear to be practical, we propose that what they need to do is to accept and understand the new situation that digital consumption has brought by conducting an analysis of their audiences and their musical consumption preferences.

According to Holbrook and Anand (1990) music consumption can be defined as the act of listening to a piece of music. Prior to the 20th century music was consumed solely through live performances. The emergence of technology, of recording high quality music and the production of equipment such as radios and CD players, brought music consumption to a different level and made it an everyday activity in many people's lives. The Compact Disc (CD) became the most popular means to enjoy music. More recently, with the creation of the MP3 in 1992, a new form of music consumption has appeared. This is digital consumption, via downloading (either legally or illegally) and listening to digital music files. This third type of music consumption in conjunction with high-speed broadband connections has led to the problem of digital music piracy, which has led to great losses to the music industry, as mentioned in the 'Introduction'.

Factors contributing to the creation of piracy in the music industry have been attracting the attention of researchers and music business managers. Specifically, researchers have been studying whether the creation of P2P networks is responsible for the decline of sales in the industry (Peitz and Waelbroeck, 2004a; Zentner, 2006; Liebowitz, 2006; Oberholzer-Gee and Strumpf, 2007). Notwithstanding that most studies agree that music sales have decreased due to the illegal downloading, a minority takes a contrary view (Oberholzer-Gee and Strumpf, 2007).

Other studies have investigated the individual determinants of intention to download music. Most focus on psychological, ethical and demographical factors (Kwong and Lee, 2002; Bhattacharjee et al., 2003; Gopal et al., 2004; Chiou et al., 2005a, 2005b; d'Astous

et al., 2005; LaRose and Kim, 2007; Plowman and Goode, 2009; Coyle et al., 2009). Major determinants include age (Bhattacharjee et al., 2003; d'Astous et al., 2005), gender (Bhattacharjee et al., 2003; Kwong and Lee, 2002; Chiang and Assane, 2008) and Internet bandwidth (Kwong and Lee, 2002). This study intends to test these variables in one cohesive piece of research at the height of illegal downloading to enable a deeper understanding of the modern pirate. This study proposes the following two hypotheses concerning the role of demographic factors on music consumption. First, people who buy recorded music tend to be older than 30 (i.e. people who have jobs and therefore income to buy music) whilst those who download music tend to be young people. This may be because younger people usually have lower incomes and are less likely to be able to pay for recorded music (Bhattacharjee et al., 2003; d'Astous et al., 2005). Additionally, younger people tend to be more innovative and familiar with the Internet and new technologies (Korgaonkar and Wolin, 1999). This leads to:

**H1.** *Age affects an individual's behaviour to buy recorded music/illegally download music/attend live performances; specifically younger people will have a tendency to download music whereas older consumers will buy more recorded music.*

Furthermore, previous research has indicated that male consumers are more likely to undertake piracy than female (Kwong and Lee, 2002) and in general the archetypal music pirate is categorised as a young male consumer (Bhattacharjee et al., 2003). To the best of our knowledge the relationship among gender and live performances has not been tested before. Therefore our second hypothesis is as follows:

**H2.** *Gender affects an individual's behaviour to buy recorded music/illegally download music/attend live performances; specifically male consumers will have a tendency to illegal download music.*

Like most products, consumption of music is affected by economic factors such as price and income. Studies attempt to estimate consumers' willingness to pay for different scenarios (Sinha and Mandel, 2008; Chiang and Assane, 2009). Others focus on the role of income (Bhattacharjee et al., 2003) and income inequality (Ki et al., 2006) on music piracy, specifically that people on lower incomes and are less likely to be able to pay for recorded music. In our study we consider income as a possible determinant of music consumption, which leads to our third hypothesis:

**H3.** *Income affects an individual's behaviour to buy recorded music/illegally download music/attend live performances; specifically we expect consumers with lower income to spend less on recorded music.*

Gopal et al. (2004) reported that there is a higher tendency for digital music piracy among people who listen to hip-hop/rap music, attributing this to demographic differences. Furthermore, Prieto-Rodriguez and Fernandez-Blanco (2000) investigate the characteristics of Spanish music consumers categorising them into popular and classical music consumers. Similarly, Favaro and Frateschi (2007) conduct an empirical analysis for the musical tastes of Italian consumers again differentiating between music genres. This paper investigates whether people with different music tastes might have a different attitude towards music consumption. For example, jazz listeners have a tendency to acquire music for collecting purposes, which increase the likelihood of buying legal products. Therefore:

**H4.** *A person's music preference affects the decision to buy recorded music/illegally download music/attend live performances.*

According to Lacher (1989), there are four general categories (sensorial, imaginal, emotional and analytical) of responses that music evokes to the listener. 'Imaginal' refers to the listeners'

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