

Chapter 20

Modelling Factors Influencing Early Adopters' Purchase Intention Towards Online Music

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ABSTRACT

The Internet is an incredible technology, offering users a vast choice of new songs and catalogue that can be browsed, streamed or bought online. This paper aims to provide an explanation of factors influencing purchase intention of early adopters towards online music. An empirical survey was used to test the hypotheses. Data were collected from a total of 200 questionnaires distributed to early adopters of online music and were analysed using Structural Equation Modeling (SEM) via the Analysis of Moment Structure (AMOS 16) computer program. Results enumerate that perceived ease of use emerges as the important factor which affects perceived value among the respondents followed by perceived playfulness. Perceived value has the only significant impact on the purchase intentions towards online music. The paper rounds off with conclusions and an agenda for future research in this area.

INTRODUCTION

The advent of powerful, widely, accessible and financially viable personal computers with network connections on the World Wide Web has led to exciting possibilities for creating online music. Consumers are getting online to take advantage of the unprecedented convenience of accessing goods and services. In 2009, more than a quarter of the recorded music industry's global revenues (27%) came from digital channels (IFPI, 2010). In the

US, the world's largest music market, online and mobile revenues in 2010 account for around 40% of music sales (IFPI, 2010). Consumer choice has been transformed as companies have licensed more than 11 million tracks to around 400 legal music services worldwide. In 2010, iTunes is the biggest music retailer in the US, accounting for 28% of the overall music market, followed by Walmart, Best Buy and Amazon (NPD Group, 2010). Fans can access and pay for music in diverse ways – from buying tracks or albums from download stores,

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and using subscription services, to using music services that are bundled with devices, buying mobile apps for music, and listening to music through streaming services for free.

In 2010, illegal music downloading continues to rise in the UK. According to Harris Interactive (2010), there were 1.2m single music tracks illegally downloaded from unauthorised sources with 28.8% of the downloader aged 16-54 years old and 23% using peer-to-peer (P2P) sites and software to obtain unauthorised music (as cited in BPI, 2010). £984,000,000 retail value of single tracks downloaded in 2010 from unauthorised sources (BPI, 2010) which has an implication in some lost of revenues to the musicians and songwriters or music companies who invest in them. The total number of people in the UK illegally downloading music on a regular basis is 7.7m across all sources such as e-mail, instant messaging and newsgroups (BPI, 2010). UKOM/Nielsen (2010) (as cited in BPI, 2010) states that visitors to the five most popular hosting sites (Megaupload, Filestube, Rapidshare, Mediafire and Hotfile) have increased by 45% from 1.6m in September 2009 to 2.3m in September 2010.

IFPI (International Federation of the Phonographic Industry) Digital Music Report 2010 stated that in Asia, around a quarter of the music business is now composed of digital revenues, set against a backdrop of sharply falling physical sales (IFPI, 2010). Digital sales in China, Indonesia, South Korea and Thailand now account for more than half of all music sales. South Korea has seen the benefits of a stronger copyright environment and there has been strong growth in MP3 subscription services. Japan, the biggest market in the region, was hit by mobile piracy and economic downturn, seeing CD sales fall by more than 20% in the first half of 2009, while digital sales were flat. According to Technology Adoption Life Cycle (Moore, 1991), the early adopters consist of technology enthusiasts and visionaries. The enthusiast refers to whom feels a great interest in brand-new technologies and hopes to take the

lead in obtaining them, and the visionaries refer to whom have inclinations of easily visualizing, understanding and accepting interests of new technologies and whom tend to buy the products in order to realize their dreams. Suki, Ahmand, and Thyagarajan (2007) found that the support and encouragement by friends to purchase the products through the Internet is the most important attribute in discriminating among five categories of online shoppers (Innovators, Early Adopters, Early Majority, Late Majority, and Laggards).

The main reasons for adopters using the online stores were the lower prices compared to traditional stores, the easiness of online buying procedures and the wide variety of available products. Computer hardware/software and travel tickets were the most commonly purchased categories of products, followed by consumer electronics, CDs/DVDs and books (Saprikis, Chouliara, & Vlachopoulou, 2010). Moreover, who buys online and why, are crucial questions for e-commerce managers and consumer researchers if online sales are to continue to grow through increased purchases by current buyers and by converting those who have not yet purchased online (Suki et al., 2007).

Chu and Lu (2007) conducted a study among 302 online Taiwanese early adopters of online music. Data was analysed via LISREL 8.51. The results confirm that Perceived Value of online music is a significant factor in predicting the purchaser intention of buying online music in Taiwan. However, the current study moves toward a broader view of the relationship between Perceived Usefulness, Perceived Playfulness, Perceived Price, and Perceived Ease of Use towards Perceived Value. Next relationship tests between Perceived Value and Purchase Intention in online music. This research tests a more comprehensive model by examining the integrative system of the relationships using Structural Equation Modeling (SEM) technique via the Analysis of Moment Structure (AMOS 16) computer program. Furthermore, the study incorporates marketing perspec-

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