

**FACTORS AFFECTING PURCHASE OF ONLINE  
MUSIC IN AUSTRALIA**

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**2010026**

**Editor:**

**Professor Ian Phau**  
**School of Marketing**

**MARKETING  
INSIGHTS**  
**Working Paper Series**  
**School of Marketing**

**ISSN 1448 – 9716**

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## **FACTORS AFFECTING PURCHASE OF ONLINE MUSIC IN AUSTRALIA**

### **ABSTRACT**

Digital Music is purchased online by an increasing number of consumers and looks set to grow. The purpose of this research is to provide an explanation of factors influencing purchase intention of the Australian consumer of online music. Such a study will help practitioners and marketing managers of online music to better develop market strategies.

This research will draw upon the theoretical underpinnings of the *Value Intention Framework* adapted by Chu and Lu (2007) to examine the willingness of consumers purchasing online music. This model has been previously used to identify consumers in other geographic locations, for example Taiwan, but has not been tested in the Australian context.

This research will be undertaken to fulfil the gap identified through previous researchers by examining a model of online music purchase behaviour in the Australian context. The findings will identify whether the perceived value of online music is a significant factor in predicting the purchaser intention of buying online music in Australia. It will also identify whether perceived benefit and perceived sacrifice effects consumers perceived value.

The results of this study will facilitate understanding of what encourages and impedes the purchase intention of consumers of online music in Australia. It will afford each player within the Digital Music Value Chain a greater understanding of how to improve the purchase intentions of online music customers in Australia.

## **INTRODUCTION**

### ***Online purchasing***

Van der Heijden, Verhagen and Creemers (2003) state that online consumer behaviour can be studied using frameworks from 'offline' or traditional consumer behaviour. These studies do not consider the medium through which the consumer buys; hence the stages can be applied to online consumer behaviour (O'Keefe and McEachern, 1998). Chiang and Li (2010) state that for information products such as books or compact discs, the top three most important factors affecting consumers' channel preference are price, convenience, and product variety and the online channel is perceived to perform overwhelmingly better than traditional channel.

Van der Heijden, Verhagen and Creemers (2003) identify two types of issues that differentiate online consumers from off-line consumers. First, online consumers have to interact with technology to purchase the goods and services they need, the physical shop environment is replaced by an information system (O'Keefe et al., 2000). Second, a greater degree of trust is required in an online shopping environment than in a physical shop. (Keen et al. 1999). Trust mitigates the feelings of uncertainty that arise when the shop is unknown and the quality of the product is unknown (Tan and Thoen, 2001). These conditions are likely to arise in an electronic commerce environment.

Online consumers take advantage of convenience, unique wider selection, comprehensive information about the products and prices, time saving and freedom from sales people (Ahuja, Gupta and Raman 2003, Wolfingbarger and Gilly 2001). Along with those goal-oriented or instrumental motivations, experiential or hedonic motivations are also considered as strong reasons for online consumer behavior (Childers et al. 2001, Wolfingbarger and Gilly 2001) and can strongly impact on consumers of online music.

### ***Purchasing Music Online***

People consume music for reasons of enjoying playfulness, collecting music, killing time, relieving feelings, gaining recognition and interacting with peers (Conner and

Rumelt 1991). Canavan, Henchion and O'Reilly (2007) suggest that products with search attributes, such as music, are ideal for online transaction.

Consumers have embraced online music warmly, with digital sales of music rising 940% in the US from 2004 to 2009, whilst the total music market fell 30%. As of 2009, around 20% of albums sold in the US are digital and around 15% in the UK. Whilst not all sales of digital music happen online, a vast majority of them do. At the moment more than 11 million tracks are licensed online to around 400 legal digital music services worldwide, and digital channels now account for 27% of music sales, up from 21% in 2008. (Kennedy 2010)

In Australia in 2009, digital track sales were up 42% and digital albums up by more than 66%. In addition, digital albums now account for 7.5% of overall album sales by volume, up from 4.35% across the same period last year (Aria releases 2009 wholesale sale figures 2010). Online music consumption is growing globally and shows no sign of slowing down but is still an area that has received a lack of empirical research.

## **RESEARCH GAPS AND OBJECTIVES**

Internet uses and gratification research undertaken by Ko, Cho and Roberts (2005) state that as access to the Internet is becoming as convenient as television, it is critical to know why and how people use the Internet.

Van der Heijden, Verhagen, and Creemers, (2003) explored the contributions from technology on online purchase intentions in 2003 and found that a large proportion of online shoppers were inexperienced. As of 2010, online music has been actively consumed long enough that research into consumer behaviour is now much more valid and generalizable.

Sarmazian (2005) developed a study testing the music consumer online decision making process and discovered a moderating effect from music related internet experience. The "internet experience" component of the study was removed from analysis as the data discovered did not fit the model. Such a finding encourages further research to successfully measure factors affecting purchase intent amongst experienced purchasers of online music.

Chu and Lu (2007) found that perceived usefulness, enjoyment, price and ease of use affect the perceived value of online music. Perceived value can be used to predict

purchase intentions however adoption may vary across other cultures and should be further researched

Through the identified gaps and a lack of current empirical research concerning purchase intention of online music in Australia, the following research objectives have been developed:

- **Objective 1:** Validate the model adapted by Chu and Lu (2007) from the Value Intention Framework under the Australian context and fulfil the gap identified by previous researchers by examining a model of online music purchase behaviour in the Australian context.
- **Objective 2:** To determine how the measures of perceived usefulness, enjoyment, price and ease of use influence perceived value.
- **Objective 3:** To determine how perceived value interacts with purchase intention of online music.
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The findings of this study will help online music practitioners to understand the hedonic-oriented online purchase behavior of Australian music consumers.

## **CONCEPTUAL FRAMEWORK**

### ***Key underpinning: Value-intention framework***

Dodds and Monroe (1985) developed the *Value Intention Framework*, which assumes that the individual's willingness to perform a certain behaviour is directly influenced by perceived value of behavioural consequences. The greater the value an individual receives, the more likely the individual will perform the behavior. The Value Intention Framework (Dodds and Monroe, 1985) proposed an overview of the relationships among the concepts of perceived benefits, perceived sacrifice and perceived value.

### ***Perceived Benefit***

Chu and Lu (2007) examined perceived benefit to assess the gains of listening to online music. The perceived benefit is based on intrinsic attributes of online music

such as usefulness and enjoyment. Lee (2008) reasons that there are two main types of perceived benefits, categorized as *direct* and *indirect* advantages. Direct advantages refer to immediate and tangible benefits that customers would enjoy by purchasing online music. For example, customers can benefit from a wider range of music to purchase, faster transaction speed, and increased information transparency. Indirect advantages are those benefits that are less tangible and difficult to measure. For example, online music allows customers to access music anywhere in the world and enjoy 24-hour service, as well as offering customers more services, such as information search, purchase proposals, and up to date news. (Lee and Lee 2009).

### ***Uses and Gratification***

Uses and gratifications theory is a psychological communication perspective that focuses on individual use and choice, asserting that different people use the same mass medium, seeking different benefits (Severin and Tankard 1997). The main objective of uses and gratification theory (U&G) is to explain the psychological needs that shape why people use the media and that motivate them to engage in certain media-use behaviors (Lin 1999, Rubin 1994).

U&G was originally developed for research and decision making related to the promotion of emerging radio and television media (Stafford, Stafford and Schkade 2004), later applied to cable TV, TV remote controls (Ruggiero, 2000) and has most recently been applied to the study of e-commerce and the internet (Ruggiero 2000, Chen and Wells 1999). U&G is considered a “how and why” approach to understanding media use motivations (Herzog 1944), specifically a user-level view in understanding media use (Klapper 1963).

Existing U&G research suggests that people use media either for the content carried by a medium; the messages (e.g. information or entertainment) or for the simple experience of the media usage process; the actual use (e.g. playing with the technology or browsing). These two broad dimensions are characterized as content gratifications and process gratifications (Cutler and Danowski 1980, Stafford and Stafford 1996) and are reflective of internet U&G.

Many theorists believe that U&G is a research tradition highly suited for e-commerce study because of the Internet’s media-like characteristics (Johnson and Kaye 2003, Lin 1999 and Ruggiero 2000) and the inherent interactivity and user-directed nature

of Internet media (Stafford and Stafford 2001). Given the necessity of attracting online buyers to support online market offerings, understanding why consumers choose to use the Internet has great relevance in the commercial model of online business (Novak et al. 2000, Weinberg 2000). U&G is concerned with the benefits sought in use; therefore a connection to hedonic consumption can be assumed, but to achieve benefit, something must be given up.

### ***Perceived Sacrifice***

If customer satisfaction depends on value, then it must depend on the total costs or sacrifice too (Ravald and Gronroos 1996). Chu and Lu (2007) describe perceived sacrifice as what must be given up or paid to perform a certain behavior. The resource that must be foregone to consume a product is perceived as sacrifice (Zeithaml 1988) and corresponds to the price paid as perceived by the consumer and is expected to have a negative impact on perceived value.

The perceived sacrifice is based on the attributes of ease of use and price of online music. In the hedonic consumption decision process, price is often used as the key measure to represent what customers have to sacrifice to gain a product. Ease of use can result in sacrifices gained or made concerning time, with consumers aiming to sacrifice as little time as possible when consuming a product.

Perceived sacrifice includes all the costs the buyer faces when making a purchase: purchase price, acquisition costs, transportation, installation, order handling, repairs and maintenance, time, risk of failure or poor performance (Ravald and Gronroos 1996) and buyers tend to be more sensitive to a loss than to a gain (Monroe 1991), seeking to maximize value.

### ***Perceived Value***

Perceived value is defined as the ratio of perceived benefits relative to perceived sacrifice (Monroe 1991). Perceived value is identified in prior research as the benefit received by customers for the price of the service exchanged or the overall utility of a product based on the perceptions of what is received and what is exchanged (Zeithaml et al. 1988). According to exchange theory, successful exchange of a product or service occurs when the buyer and seller perceive that what was received and



rendered in the exchange as that which has been stipulated as the terms of exchange (Houston and Gassenheimer 1987).

Dodds and Munroe (1985) treat perceived value as a trade-off between the "give" and "get" components of a product. The "give" component, is referred to as perceived sacrifice by Zeithaml (1988), the "get" component corresponds to the quality of the product as perceived by the consumer and is expected to have a positive impact on perceived value (Chang and Wildt 1994).

Consumption value is the degree of fulfillment of a consumers need by the consumption behavior, identified as the consumer's overall assessment of the net utility of a product after weighing the "gains" and the "gives". The value of music is operationalized as consumers' surplus in terms of the difference between gross utility and price of music, it is considered a pivotal determinant of purchase intention (Zeithaml 1988). Assuming consumers are value maximizers, then the higher the value of online consumption over physical consumption, the stronger the intention to purchase music online and online music will substitute rival products (Chen, Shang and Lin 2008).

### **Purchase Intention**

Purchase intentions are formed under the assumption of a pending transaction and are often considered an important indicator of actual purchase. Consistent with the research of McKnight, Choudhury, and Kacmar (2002), we conceptualize online purchase intentions in terms of customer acquisition—that is, consumers' intentions to make an initial online purchase from a firm.

According to Perloff (2003), people are more likely to translate attitudes into behaviour when they are formed through direct experience. Many consumers may intend to purchase a new music release on the strength of their knowledge of the artist without previous exposure to the music, these consumers have expectations based on their projections from previous experiences or recommendations (Lacher and Mizerski 1994). The purchase of recorded music is usually only necessary if the consumer wishes to be in temporal control of the consumption experience (Lacher

1989) otherwise consumers can listen to music online or on the radio or acquire a pirated copy, purchase will not be intended.

#### *Theory of Reasoned Action*

The Theory of Reasoned Action (TRA) is based on the proposition that an individual's behavior is determined by the individual's intention to perform that behavior (Fishbein and Ajzen, 1975). TRA assumes that human beings are basically rational and make systematic use of information available to them when making decisions (Madden et al. 1992).

Intentions are influenced by an individual's perception of the social pressures put on them by important others to perform or not perform the behavior (Ajzen 2004). The basis of the TRA is that intentions to engage in a behavior are the most proximal and strong determinants of that behavior.

#### *Theory of Planned Behaviour*

The TRA (Ajzen 1991) led to the Theory of Planned Behaviour (TPB) by adding the construct of perceived behavioral control, which is a person's belief in their ability and control to execute a behavior. TPB is a cognitive psychological framework that assumes a path from attitudinal antecedents over intentions to behaviour (De Canniere, De Pelsmacker and Geuens 2009), a behaviour over which individuals have volitional control and occurs from rational reasoning and a subsequent attitude towards the behaviour (Ajzen 1985).

Perceived behavioral control in TPB has two dimensions; the internal factor refers to the extent of confidence that a person has in his/her ability to perform a certain behavior (Bandura 1997), the external factor refers to resource constraints that facilitate conditions available to an individual, such as money, time, or technology that are required to perform a behavior (Taylor and Todd 1995). Taylor and Todd (1995) found that both internal and external factors are positively associated with TBC in innovation adoption. The relative importance of each antecedent varies across behaviors and situations.

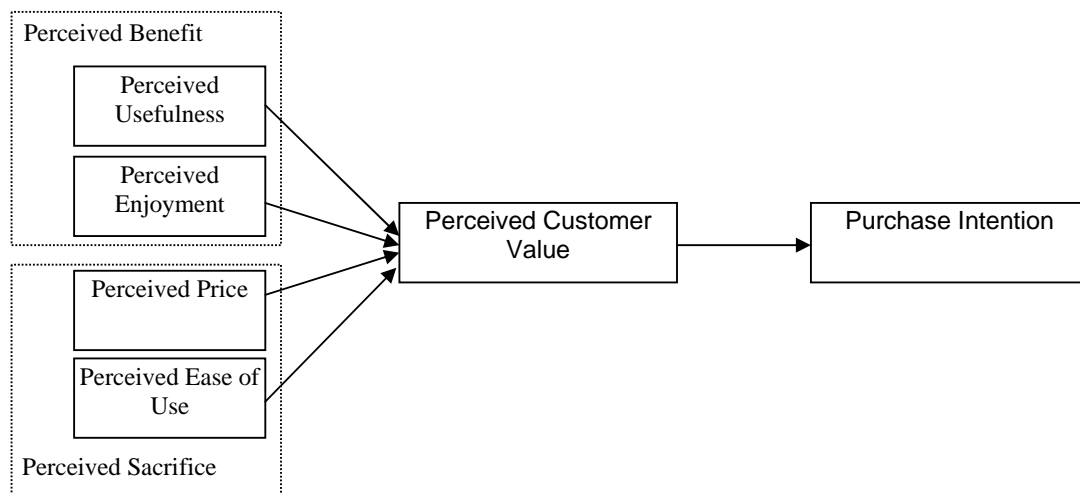
Perceived value and purchase intention are measures of separate constructs, although they are expected to be positively related in most instances and the former is expected to be a key variable affecting the latter (Chang and Wildt 1994), high perceived value is expected to lead to willingness to buy (Dodds and Monroe 1985) and purchase

intention.

## RESEARCH MODEL

The following research model is adopted from Chu and Lu (2007) to be examined under the new cultural context of Australian consumers of digital music. The research model (see Figure 1) adapted from the Value Intention Framework identifies key factors that influence perceived value and purchase intention of online music. Development and theoretical underpinnings of each hypothesis are presented:

**Figure 1: Research framework Adopted from Chu and Lu (2007)**



## HYPOTHESES DEVELOPMENT

The hypotheses for this study are developed below. The final research model appears as *Figure 2*.

### ***Hypothesis 1: Perceived Usefulness***

Chu and Lu (2007) define the perceived usefulness of online music as the degree to which the consumer believes that listening to music online would fulfill the purpose of the activity. Van der Heijden (2004) states that perceived usefulness draws attention to an outside benefit, external to the system-user interaction.

### ***Technology Acceptance Model***

Advancement of the Theory of Reasoned Action (Fishbein and Ajzen 1975) and the Theory of Planned Behaviour (Ajzen 1991) led to the development of The

Technology Acceptance Model (TAM) (Davis 1989). TAM theorizes that all other external variables, such as system specific characteristics, are fully mediated by the two key beliefs of perceived usefulness and perceived ease of use. Based on certain beliefs, a person forms an attitude about a certain object, the intention to behave is the prime determinant of the actual behaviour (Fishbein and Ajzen 1975).

Davis' (1989) TAM has been updated by Venkatesh and Davis (2000) recognizing evidence that attitudes are not only based on cognition, but also on affection (Ajzen, 2001). Viewed in this light, perceived usefulness represents the cognitive components of user evaluation.

Davis et al.'s (1989) TAM emphasizes that perceived usefulness is the major motivating factor in the use of computer technology. Online music web sites provide access to more diverse catalogues and quicker search service than traditional music stores, the usefulness of the medium has become one of the key benefits sought by online music consumers. The following hypothesis is proposed:

*H1. Perceived usefulness is positively related to perceived value in the online music setting.*

### ***Hypothesis 2: Perceived Enjoyment***

Chu and Lu define perceived enjoyment (playfulness) as the degree to which the consumer believes that enjoyment could be derived when listening to online music and may be motivated by intrinsic psychological rewards (Igarria et al. 1996). Additionally, Lacher (1989) indicates that people who listen to music are seeking fantasy, fulfillment and deep emotional stimulation.

Consumers generally consume music as a form of leisure, however marketers often overlook consumer activities that involve leisure and play (Hirschman and Holbrook 1982). These leisure and play activities are important, because they are as motivating as any other gratifying experience in our lives. According to the aforementioned TAM, perceived enjoyment represents the affective component of attitude formation (Ajzen, 2001). Unlike simple IT adoption, online music purchase behavior embraces not only the adoption of the IT itself, but also the hedonic consumption behavior (Chu and Lu 2007).

### ***Hedonic Motivations***

The term hedonic derives from the word *hedonism*, a term used to denote the doctrine that pleasure or happiness is the chief good in life (Merriam-Webster 2003). Consumption of music online is in most cases considered hedonic as consumers experience fun when using the system (Van der Heijden 2004) and its content.

Moon and Kim (2001) suggest the need to carefully distinguish whether the underlying purchase task is utilitarian or hedonic. In recent years consumption of hedonic-oriented online content has been growing at a dramatically fast speed. Hedonic systems aim to provide self-fulfilling value to the user, in contrast to *utilitarian* systems, which aim to provide instrumental value to the user (van der Heijden 2004).

As online music is consumed on a separate interface to traditional consumption of music, the extent to which the activity of using the computer is perceived to be enjoyable in its own right (Davis et al.1992) is a determinant of the consumers enjoyment of online music. Because of this, marketers must apply considerable efforts towards improving the hedonic benefits of online music channels. To have a pleasurable experience, individuals seek sensations on multiple sensory channels, this often involves developers adding value by employing controversial or sexualized images, a focus on colours and sounds as well as aesthetically pleasing websites and endorsement from public figures or musicians (Holbrook and Hirschman 1982). The following hypothesis is proposed:

*H2: Perceived enjoyment is positively related to perceived value in the online music setting.*

### ***Hypothesis 3: Perceived Price***

Winer (1986) indicates that perceived price (the consumer's perception of price) is formed based on the actual price and the consumer's reference price. The principle of distributive justice states that in an exchange relationship customers seek value that is proportional to what they have invested in the relationship (Homans 1961). The cognitive aspect of price fairness indicates that judgments involve a comparison of a price or procedure with a pertinent standard, reference, or norm (Munroe and Cox 2004).

Monroe and Krishnan (1985) conceptualized perceived value where actual price is an objective external characteristic of a product that consumers perceive as a stimulus. Therefore, price has both objective external properties and subjective internal representations that are derived from consumer's perceptions of price (Jacoby and Olson 1977).

Price can be both an indicator of the amount of sacrifice needed to purchase a product and an indicator of the level of quality. Higher prices lead to higher perceived quality but the higher price represents a greater monetary measure of what must be sacrificed to purchase the good and may lead to a reduced intent to purchase (Dodds and Munroe 1991). The following hypothesis is proposed:

*H3: Perceived price is negatively related to perceived value in the online music setting.*

#### ***Hypothesis 4: Perceived Ease of Use***

Perceived ease of use is defined as the degree to which a person believes that using a particular system would be free of effort (Davis 1989). Van der Heijden (2004) found that perceived ease of use is an assessment of the mental effort involved in the use of the system. The TAM considers perceived ease of use a cognitive component of user evaluation. Atkinson and Kydd (1997) found significant effects of ease of use on the usage of the Internet for entertainment hedonic purposes.

Studies by Atkinson and Kydd (1997) and Moon and Kim (2001), related to the World Wide Web and systems used in the home or leisure environment, have shown that information systems are better accepted by consumers because of their perceived enjoyment and ease of use, rather than their perceived usefulness. Moon and Kim (2001) found that perceived Ease of Use was the strongest of the three predictors of attitude towards using the Internet.

#### ***Diffusion of Innovation***

Diffusion theory has been adopted by marketing scholars (Gatignon and Robertson 1985; Sultan, Farley, and Lehman, 1990) to explain how new products and technology innovations can be successfully introduced to markets and populations.

The adoption and ease of use of an innovation according to Rogers (1962) is mainly affected by four elements: the innovation itself, communication channels, time and the social system. The prudent consumer initially adopts online music because such a method saves the consumer time and is the most innovative modern channel of consumption for music in society. Consumers will continue to adopt online music because e-commerce is so heavily integrated into everyday life and is the most effective communication channel between artists and consumers.

### ***Self – Efficacy***

Self-efficacy theory is derived from psychology (Bandura 1986) and is concerned with users' self-perceptions of capability with regard to new technology (Compeau and Higgins 1995). Self-efficacy is belief in one's ability to organize and execute a particular course of action (Bandura, 1986). Self-efficacy is particularly relevant for novice users who have not yet acquired the requisite skills to obtain useful information and deal with the discontents of life online (Eastin and LaRose 2000).

As Internet users become more self-efficacious, their expectations that they will obtain specific outcomes also increase and that encourages more usage (LaRose and Eastin 2004). Self-efficacy plays an intermediary role in the TAM, impacting likely use or hesitation to use. Self-efficacy has little to do with widespread diffusion or adoption processes beyond their impact at the individual level of choice (Stafford, Stafford and Schkade 2004).

In assessing perceived ease of use, a consumer focuses on the interaction with the system as such and not on objectives external to this interaction. Rogers (1983) suggests that adoption is a function of a variety of factors, including ease of use of the innovation. In the context of hedonic systems, perceived ease of use is more central to the prediction of intentions to purchase a system than perceived usefulness. The hedonic nature of the web would suggest that perceived ease of use is a strong predictor of user acceptance and perceived value (Van der Heijden 2004), the following hypothesis is proposed:

*H4: Perceived ease of use is positively related to perceived value in the online music setting.*

### ***Hypothesis 5: Perceived value***

The cognitive tradeoff between perceptions of quality and sacrifice results in perceptions of value. An intrinsically motivated user is driven by benefits derived from the interaction with the system. (Brief and Aldag 1977). The role of value in determining consumers' intention has been well supported in many different behavioral domains, ranging from purchasing intentions to relationship commitment (Sirdeshmukh, Singh and Sabol 2002, Woodruff 1997). Van der Heijden (2004) states that for hedonic systems, we can expect intrinsic motivation to be the dominant predictor of intentions to use the system at the expense of extrinsic motivation.

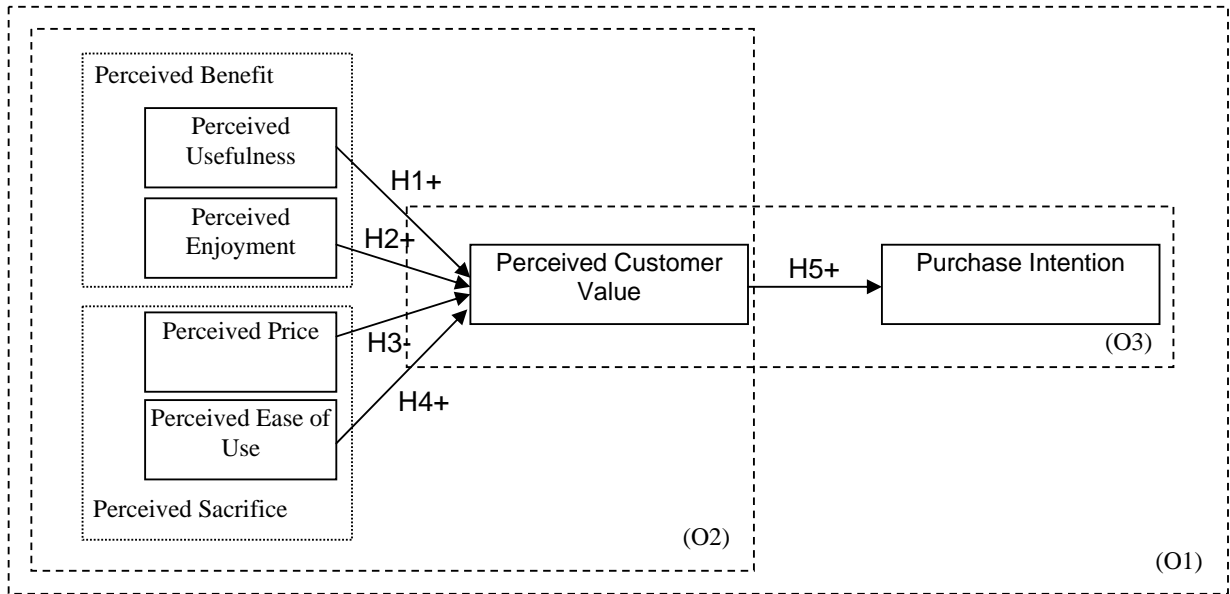
Consumer behavior literature concurs with the Value Intention Framework and suggests a relationship of sacrifice and reward (benefits) (Gottlieb et al. 1994; Zeithaml et al. 1988). These include low price, receiving what you want, quality for price, service quality and receiving what you have paid for (Caruana et al., 2000; Zeithaml et al., 1988). Sweeney et al. (1999) advance the measures offered by Zeithaml et al. (1988) by suggesting that the measure of performance influences perceived risk or the perceived possibility of losing something of importance, such as time or money.

Perceived value has been proposed (Dodds and Monroe 1985) as an intervening construct in the relationship of price and non-price information (value intentions) with purchase intention. The following hypothesis is proposed:

*H5. Perceived value is positively related to purchase intentions towards online music.*



**Figure 2: Research Model**



**CONCLUSION**

This study draws upon the current literature to develop a conceptual framework, which will show the effect of benefits and sacrifice on perceived value and perceived values effect on purchase intention of online music in Australia. Such a study has not been undertaken before and aims to fulfill the research gaps outline by many authors, with a focus on the cultural extension proposed by Chu and Lu (2007).

The study will be significant in its contributions to marketing managers and players in the digital music value chain. It is useful for marketers and brand managers alike by showing whether perceived value does affect purchase intention of online music consumers in Australia. This study will contribute to growing knowledge of e-commerce purchase intention and will be directly applicable to the music industry with indirect relevance to other industries particularly that of information goods such as film and television.

*Further research*

This study is strictly limited to the factors outlined in the Value Intention Framework, however other factors such as perceived substitutability could be utilized in future studies of online music. Subjective norms are likely to have a strong effect on both perceived value and purchase intention; research into the effect of subjective norms on the purchase intention of online music should be developed in the future.

Whilst the mp3 format is the dominant form of consumption of digital music at the time of this study, other mediums are emerging. An example of such is the physical sale of digital music and content on a packaged USB or flash drive. The value of such a product is likely to be perceived differently to a purely digital online format and will require further research as the medium because widely adopted.

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