

Influence of Perceived Risk and Value Consciousness on Attitude Towards Music Piracy

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Abstract

Piracy has become a global scourge and its effects are seriously felt on products sold over digital platforms, especially music. It is not surprising if we hear that music is not often purchased with growing presence of torrents on the Internet. Broadly, piracy has been studied both from demand and supply sides, but the demand side has been inadequately researched yet. This paper attempted to explore the consumer (i.e. demand) side with a broad objective to explore the influence of perceived risk and value consciousness on music piracy. A survey on 225 respondents, all being students of management graduation, was conducted using a structured questionnaire. Results of the study indicated that both the variables explained a significant variance in the attitude towards music piracy. Managerial and academic implications were also discussed.

Keywords : piracy, perceived risk, value consciousness, attitude

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One of the major issues that the music industry is currently facing is piracy (Singh & Kothawale, 2011). The music industry is poised to grow at more than 4.5% the world over. Use of music streaming after the advent of the Internet has been evidently high. The recording industry had \$15 billion revenue in the year 2015 and of this, \$ 6.8 billion revenue (45%) came from online sources. Interestingly, the year 2015 was the culmination of sorts where for the first time, digital and physical formats of music revenues were in a similar proportion. An estimated 68 million people worldwide now pay for their music subscriptions.

Sadly, music piracy has also grown over the years. Considered as a global scourge, piracy has become ubiquitous because of low incomes and cheap digital technologies. Given that the price of the CDs or DVDs was higher than what the consumers could afford, digital piracy grew. As per a survey, emerging markets have higher piracy rates (for example, about 90% in India (music and movies)). India is the fourth largest downloader of piracy after U.S.A., U.K., and Canada. On an average, Indians make up to 11.8% of visitors to the top 10 cyber lockers which collate and index pirated contents (Frater, 2009).

As per International Federation of Photographic Industry (IFPI) estimates, the illegal downloads of music in 2008 stood at 40 billion songs and there were about 28 million paid subscribers who downloaded about 37 billion digital songs in 2013. Piracy is a major problem world over and is more acute in developing countries. Some of the key triggers to the existence of piracy are : poor literacy levels, poor purchasing power, inadequate brand knowledge of consumers, simple technology to produce, consumer ambivalence, and poor law enforcement (Borja, Dieringer, & Daw, 2015).

Huge prevalence of piracy may also drive away the investments that foreign companies may like to invest. Piracy also inflicts heavy losses for the original copyright holders. Many times, consumers are duped or deceived

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in purchase of piracy. This may result in physical, monetary, emotional loss for the consumers apart from the risk of getting caught by law. Thus, piracy is not just an economic problem or a profit and loss issue, it disrupts the dynamics of the industry (Borja et al., 2015). The Table 1 summarizes the good and ugly of piracy in a society. The table clearly indicates that the only beneficiary is piracy maker and the rest of the stakeholders are greatly at loss.

Growth of piracy has an adverse impact on the morale and revenues of the music artists and producers. Hence, it is important that the producers and artists understand the motives of consumers about piracy. There have been several studies that examined piracy from demand and supply side. However, the dearth of studies on the demand side still plagues the domain. This paper attempts to explore the consumer (i.e. demand) side with a broad objective to explore the influence of perceived risk and value consciousness on music piracy. This study contributes to the literature by evaluating the attitudes of young Indian adults towards piracy by examining two critical influences, that is, value consciousness and perceived risk.

Table 1. The Good and the Bad of Piracy

Actors	The Good	The Bad
Consumers	Cheap	Shoddy quality
	Psychological Satisfaction	Physical Risk
		Monetary Risk
		Emotional Risk
		Functional Risk
Producer/Copyright Holder		Legal action risk
	Pressure to reduce costs	Sales loss
	Better reach	Brand loyalty
	Better supply chains	Financial loss
		Managers' time
Government		Tax
		FDIs
		Indication of inefficiency
Piracy Makers		Black economy proliferation
	Low costs, better margins	If caught, punishable
	Profits	
	No taxes	
	Employment opportunity	
	No need to build brands	

Literature Review

(1) Attitude Towards Piracy : Attitude theory has been widely used in marketing; especially in explaining segmentation, targeting, and positioning (Sridhar, 2005). The works of Ajzen and Fishbein revealed that attitude, intention, and behavior are the most validated frameworks as of yet (Cesareo & Pastore, 2014). In their seminal work, Fishbein and Ajzen (1975) found that attitude towards a product has a significant impact on the purchase intention. On similar lines, attitude towards piracy was found to significantly influence piracy (d'Astous, Colbert, & Montpetit, 2005). Piracy was found to be of inferior quality when compared to the original (Gentry, Putrevu, & Shultz, 2006). Yet, consumers choose piracy because of the functional benefits and not for its other benefits. Such customers are frugal in nature and tend to avoid originals ; in addition, the inability of producers and musicians to

communicate this benefit or value also could have resulted in increased prevalence of piracy. The consumers were also found to have been influenced by the perceived risk that the piracy would create. Perceived risk is the one that relies heavily on the external environment of a buyer, unlike value-consciousness, which is developed through a buyer's upbringing. We expect a significant variation in attitude towards piracy to be explained by value consciousness and perceived risk.

(2) Perceived Risk : Perceived risk has been widely researched in relation to the consumer decision making for a very long time now (Crespo, del Bosque, & de los Salmones Sanchez, 2009). It is defined as the uncertainty that consumers would face when they cannot foresee any consequences of their purchase decisions. Cox (1967), who initially pioneered the construct, emphasized that the risk emerges from uncertainty of buying goods, adverse consequences of purchase and buying goals. If the uncertainty is higher, the probability of purchase increases.

Risk is multidimensional (Sinha & Singh, 2014) that may include physical, psychological, financial, and social. Various types of risks are involved with consumption of pirated products such as, social, performance, and financial risk (Walthers & Buff, 2008). While financial risk refers to the probability of losing money, performance risk refers to the probability of fault with the product in terms of its functions. Criminal and social risks take into account the possibility of consumers getting prosecuted by law or losing face in society due to their acts. However, all of them lead to the uncertainty in the performance of the product. Thus, it follows that higher perceived risk would lead to lack of consumers' willingness to buy piracy.

✍ **H1:** Higher the perceived risk, lower the disposition (attitude) towards piracy.

(3) Value Consciousness : Value consciousness is defined as a concern for paying lower prices subject to some minimum quality constraints (Lichtenstein, Netemeyer, & Burton, 1990). It is the consumers' consideration of benefits over the cost in purchase of a product. Studies indicate that lower price of pirated products and a minimum guaranteed functionality act as motivation to purchase (Rutter & Bryce, 2008). If a consumer shows higher similarity between pirated and legitimate products, preference towards pirated products increases because of lower prices. Value consciousness builds enduring involvement in the product and increases their motivation to process the information in a systematic manner (Pillai & Kumar, 2012). Also, when it becomes difficult to judge the value of the product attributes (monetary or non-monetary terms), a consumer develops a tendency to underestimate the value of the product and will switch to pirated goods. Value consciousness thus becomes an important dimension when the consumer tends to believe that there is a direct relationship of price and the quality (high price is high quality). Hence, we expect that a higher value consciousness consumer would prefer piracy to a lower value conscious consumer.

✍ **H2:** More the value consciousness, more is the disposition (attitude) towards piracy.

Methodology

Music piracy is quite evident across the student community who download the music from websites or from torrents. Given the rampant availability of pirated music in the stores as CDs, we also felt the choice of the product was appropriate. Students of a premier management school were considered as respondents. The demographics and age group of college students indicated that they were well educated and belonged to different parts of the country. Given that the sample was controlled for age and certain other demographics, we presumed that we can better explain the variance in attitude towards piracy products. The study was conducted during the academic year of 2016 - 17. One of the authors of the paper administered the questionnaire to the students. A structured questionnaire consisting of eight items was prepared to test the influence of value-consciousness (3 items) and

perceived risk (2 items) on consumer attitudes towards music piracy (3 items). While the items for measuring value - consciousness were developed from several sources, the items for perceived risk were considered from Walthers and Buff (2008). The items for attitude towards music piracy were developed from the items given by Maldonado and Hume (2005). This questionnaire was given to 225 student respondents and the results were obtained.

Analysis and Results

(1) Descriptive Statistics : Skewness and kurtosis of all the items indicated that the data are normally distributed and hence the data were subjected for further analysis. Of the total 225 respondents, 71.6% were male and 28.4% were female. We deliberately kept the other demographics constant so as to clearly understand the variance explained in the attitude towards piracy by the two variables chosen for the study. We found reliability of the variables to be reasonably good ; value consciousness = 0.915, Perceived risk = 0.688, and attitude towards piracy = 0.922 (refer to Table 2 and Table 3).

Mean values among the three factors are found to be moderate. Mean of the items in perceived risk falls in the range of 2-3, and hence, we can infer that the respondents had mixed feeling as far as risk is considered. On the value-consciousness side, respondents had a unique feeling of deriving higher value from purchasing pirated products. The pirated products were probably considered to be “value for money”. Respondents were confident of getting higher returns when they go for piracy.

(2) Regression Analysis : In all, the R^2 value (0.333) indicates that the two independent variables together explain 33.3% of the variance. Among the variables, value consciousness shows a significant positive influence on the attitude towards piracy. This also provides the inference that value-consciousness in the minds of respondents is linked to the functional aspects of pirated products more than the quality (Table 4). Hence the first hypothesis (H1) is accepted.

Table 2. Descriptive Statistics - Aggregate

	<i>PR</i>	<i>CV</i>	<i>ATP</i>
Mean	4.54	8.83	9.18
Std. Deviation	1.47	2.21	1.97
Skewness	0.29	-0.28	-0.34
Kurtosis	-0.33	-0.3	-0.14

Note: $N = 228$, *PR* has 2 items, *CV* has 3 items, and *ATP* has 3 items on a 5-point scale.

Table 3. Descriptive Statistics - Item wise

Construct (Reliability)	Items	Mean	SD
Perceived Risk (0.688)	The chance that pirated music will fail to play properly is.	2.06	.777
	The chance that pirated music will fail to play like the original is.	2.47	.902
Value Consciousness (0.915)	I generally prefer purchasing/using pirated music as it is value for money.	2.96	.804
	I generally prefer purchasing/using pirated music as it is worth the resources I spend on it.	2.92	.776
	I generally prefer purchasing/using pirated music as it maximizes the return on the resources I invest on it.	2.95	.811
Attitude Towards Piracy (0.922)	I would purchase/use pirated music in future.	3.08	.701
	I would consider purchasing/using pirated music in future.	3.03	.679
	The probability that I would purchase/use pirated music in future is high.	3.07	.736

Table 4. Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	<i>t</i>	<i>Sig.</i>
	B	Std. Error	Beta		
(Constant)	6.528	.622		10.497	.000
Perceived Risk	-.254	.073	-.198	-3.497	.001
Value Consciousness	.435	.050	.495	8.742	.000

Note : $F=55.449$, sig is 0.00. Dependent variable is attitude towards piracy.

Risk is found to negatively influence the attitude towards counterfeits. We got the results as expected (Table 4). Hence, the second hypothesis (H2) is also accepted. Between the two variables, the major variance in the attitude towards piracy is explained by value consciousness.

Discussion

Our results confirm the relationships as expected. Previously, Ang, Cheng, Lim, and Tambyah (2001) concluded that consumers with more value consciousness were attracted towards piracy when compared to less value consciousness consumers. This is consistent with our results. Interestingly, in this study, about half of the variation in the attitude towards piracy is explained by this variable. Such a result is unique probably because of the nature of the sample we have considered for the study.

As per Matos, Ituassu, and Rossi (2007), perceived risk was one of the most important factors to determine consumer attitude, again corroborating with the findings in our study. Though several studies have predicted perceived risk to be a better explanatory variable compared to value consciousness, in our case, it is not so. This is because when a product is available for free, even if one is made to pay a very nominal fee, consumers would prefer it more. Added, the risk of basic utility derived from the product is more or less the same in case of original and piracy. Contrary findings were also observed by McCorkle, Reardon, Dalenberg, Pryor, and Wicks (2012) where they found that out of the total 500 respondents, majority felt lower perception of disincentives or risk of virus attach due to illegal file downloading. One possible theoretical explanation to the results we got is that according to Bearden, Netemeyer, and Teel (1989), informative susceptibility is based on actions influenced by expert opinion and normative susceptibility is based on actions influenced by social opinions. Our survey points out that people who indulge in piracy are the ones who demonstrate normative susceptibility. Given the kind of sample and the product we have chosen, normative susceptibility to information through friends, peers would have been the cause for many to indulge in piracy.

Managerial Implications

Piracy has an implication on the cash flows and profits of the recording companies. It also has potential to influence the entire industry by influencing the benefits to be accrued to the stakeholders. Through this paper, we have demonstrated that value conscious customers would be a key segment who rely on piracy. Hence, companies need to consider wisely the implications of pricing strategies. Given that the perceived risk of the piracy is negatively associated with the attitude to piracy, there remains a hope that customers would be wary of downloading piracy from the websites as they may get affected by the virus, malicious software, and potential phishing threats. This is the point that should be leveraged by the music companies and elaborately educate the customers. Solutions otherwise suggested beyond the results of this study need to be also considered. These include, legal action, enabling enforcement of punitive measures, ensuring that countries ban such piracy promoting websites, and so on.

Limitations of the Study and Scope for Future Research

This research contributes to the literature by testing the antecedents of the consumer attitudes towards piracy. We have also defined the significance and contribution of each variable to consumer attitude in that value-consciousness in music piracy is direct and risk is inverse. The sample size being small hinders the external validity of results and hence generalization is restricted. Similarly, given that the study was conducted on only students, the results cannot be generalized. In future research, some more variables can be included as consumer involvement with the product, views of buyers and non-buyers, consumer convenience, etc. and the model can be tested for the different product categories.

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