CHAPTER I

INTRODUCTION

1.1 Background

The rapid development of internet technology breakthroughs has accelerated in the last decade. The world is increasingly unlimited since the mobilization of the internet which indirectly also changes the human lifestyle. Technological developments have an influence on the economic sector which is packaged in the digital world. It is proven by the number of people who have used the internet in their lives. Based on the survey results of the Asosiasi Penyelenggara Jasa Internet Indonesia (APJII), internet user base in Indonesia in 2023 was 215 million or 78.19% and increased by about 1.17% from the previous year. The rapid development of the internet users has affected the way people enjoy music. (Lavinda, 2023).

The development of society's enthusiasm for music is influenced by a period of time. The emergence of the music industry commenced in the 20th century, during a time when music was highly restricted and primarily accessible through vinyl recordings, which were mainly held by the upper classes. Moreover, there was a shift from vinyl records to cassette players. Subsequently, in the 1980s, the cassette period continued for a significant duration, prompting numerous producers to transition to CDs as a medium for both music production and dissemination. This was followed by a shift from CDs to MP3s in the 1990s.

Finally, the advent of smartphones allows the music industry to enter the world of the internet of things. (IRKaMedia, 2023)

The advent of internet technology on smartphones has transformed the listening habits of music enthusiasts, who now prefer to consume music through streaming services. A digital music service is an online platform that provides users with the ability to listen to music through streaming. A music streaming service offers its users various capabilities, with the main one being the capability to access extensive collections of songs and albums over an internet connection. Users have the ability to generate playlists, select music according to genre, album, or artist, and establish a queue for upcoming music.

Based on the We Are Social report in Dataindonesia.id, the percentage of internet users in Indonesia who listen to songs via music streaming was 50.3% in the third quarter of 2022. This figure is up 2.8% points compared to 47.5% a year earlier (Mustajab, 2023). According to the data, the proliferation of music streaming apps in the Indonesian market shows significant growth in the streaming music industry. The trend of listening to music streaming services has become popular in Indonesia. This occurred as a result of the music industry catering to the demands of individuals in this digital age to have convenient access to music through smartphones at any location and time.

Music streaming services are typically available in both free and premium versions. Nevertheless, the majority of streaming music services are accessed through payment or subscription, which allows the corporation to generate profits. By enrolling in a music streaming service, customers will gain access to premium

services that offer benefits not available in free services. Users will have the ability to enjoy music without any advertisements, access download services for online listening, and play songs in any desired sequence. According to Aziz (2024), there are several paid legal music streaming platforms both local and foreign in Indonesia. Here is a table of various price of music streaming platform

Table 1.1 List of Premium Packages Music Streaming Platforms in Indonesia
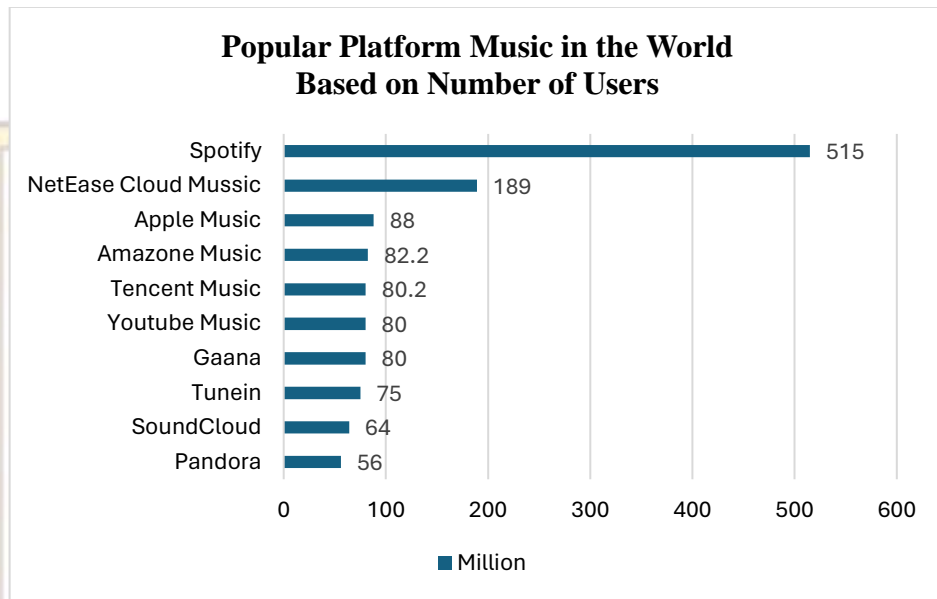
No	Music Streaming Platforms	Country	Price
1.	Spotify	Swedish	• Mini : Rp2.500 per day • Individual: Rp54.990 per month; • Student : Rp27.500 per month • Duo : Rp71.490 per month • Family : Rp86.900 per month
2.	Apple Music	America	• Student : Rp35.000 per month • Individu : Rp55.000 per month • Family : Rp85.000 per month
3.	Tik Tok Music	China	• Student : Rp44.900 per month (first year), Rp49.000 per month after • Duo : Rp61.900 per month (first six months), Rp63.900 per month thereafter • Family : Rp59.000 per month (first month), Rp79.000 per month after • Student : Rp29.000 per month.
4.	Youtube Music	America	• Individu : Rp49.000 per month • Family : Rp75.000 per month • Student : Rp24,990 per month
5	Joox	China	• Month VIP : Rp49.000; • Three month VIP: Rp119.000;

| | | | • One year VIP: Rp399.000; |
| | | | • Family Plan: Rp59.000 per month |

One of the music streaming services in Indonesia is the Spotify platform. Spotify is one of the popular music streaming applications that can be enjoyed from various music genres, such as Pop, Rock, Jazz, Hip-Hop, and others. In Stockhom, Sweden, Daniel Ek and Martin Lorentzon established the company on April 23, 2006. Spotify has become the top streaming music service from which users can find most types of music they like. The service has succeeded in creating a strong music ecosystem, facilitating collaboration between artists and users in an unexpected way. Furthermore, Spotify also has a strong strategy of personalization to users by offering features that enable users to create and edit their own personal playlists according to taste and mood. All of Spotify's marketing strategies gave them 602 million active subscribers with 236 million of them Spotify Premium subscribers as of the end of December 2023. (Galuh Putri Riyanto, 2024). Based on data from GoodStats below, it shows that Spotify is in first rank of popular platform music based on number of users with 515 million user.

Table 1. 2 Popular Platform Music in the World

**Popular Platform Music in the World
Based on Number of Users**

Platform	Million
Spotify	515
NetEase Cloud Mussic	189
Apple Music	88
Amazone Music	82.2
Tencent Music	80.2
Youtube Music	80
Gaana	80
Tunein	75
SoundCloud	64
Pandora	56

source : GoodStats

Podcasts are a feature that is also offered on Spotify. Podcasts are digital audio recordings that follow a radio-style format and can be streamed online. Spotify podcasts typically focus on distinct subjects, encompassing areas such as business, lifestyle, and comedy. Both songs and podcasts can be enjoyed either for free or by paying for a premium subscription. Users are only able to partially enjoy the free services, as they are unable to choose music in a specific order and are subjected to advertising following the conclusion of each song. Users can enjoy premium material once they have made payments to gain premium access.
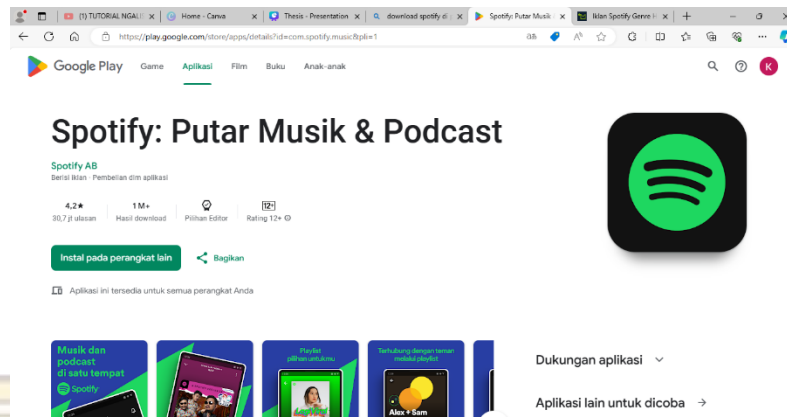
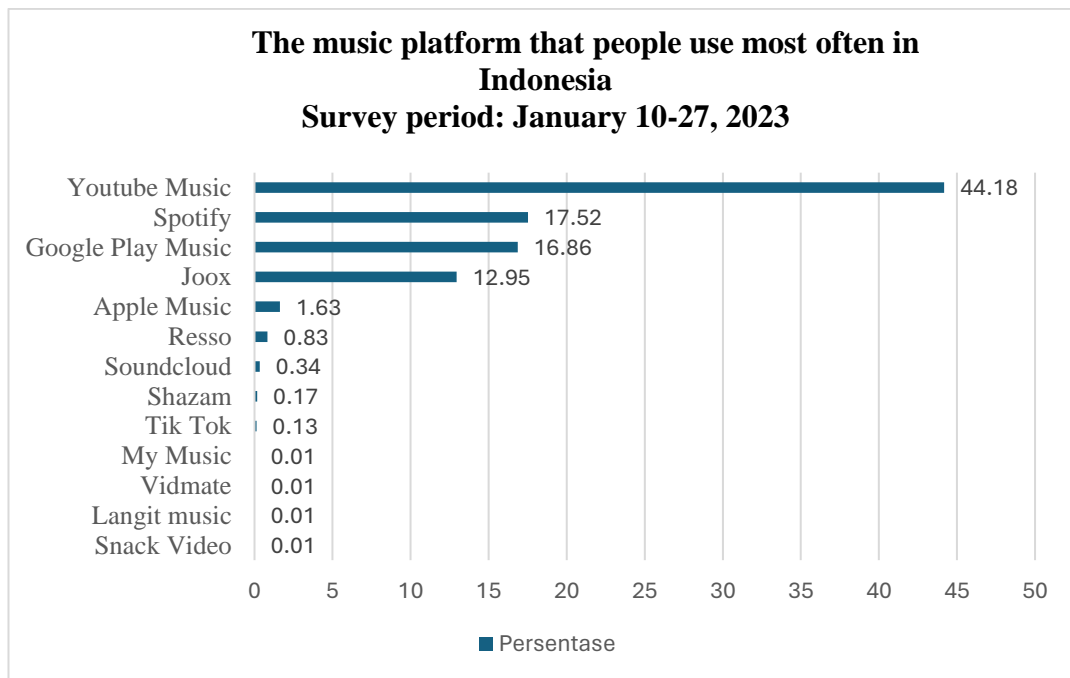**Figure 1.1 Spotify Application in Google Play**

Spotify Premium users enjoy full access, an ad-free experience, enhanced audio quality, and the ability to download music for offline enjoyment without using data. A variety of price plans tailored to user categories will increase profits for the company. Several premium package options are offered starting from the cheapest :

1. The Spotify mini package with only IDR 2500 per day

2. Individual package, which is a package priced at IDR 49,990 for one month with a free promo

3. Student package, which is priced at IDR 27.500 for tw month

4. A duo package at IDR 64,990 per month for two Spotify accounts with a free promo in the first month.

Research on Spotify Premium purchase intention is very important to study due to the many other premium music streaming service competitors. Based on research from a digital market research company from the United Kingdom revealed that less than one percent of Indonesians subscribe to premium packages for streaming music include Spotify (Fathurrazak, 2023). This is not in

accordance with the habits of the Indonesian population who like to listen to music as seen in the percentage of music platforms that are often used in Indonesia.

Table 1.3 The Most Widely Used Music Platform in Indonesia Society

The music platform that people use most often in Indonesia
Survey period: January 10-27, 2023

Platform	Percentage
Youtube Music	44.18
Spotify	17.52
Google Play Music	16.86
Joox	12.95
Apple Music	1.63
Resso	0.83
Soundcloud	0.34
Shazam	0.17
Tik Tok	0.13
My Music	0.01
Vidmate	0.01
Langit music	0.01
Snack Video	0.01

■ Persentase

Source : Asosiasi Penyelenggara Jasa Intenet Indonesia (APJII)

Based on the data released by *Asosiasi Penyelenggara Jasa Intenet Indonesia (APJII)* in Godstate, Youtube Music ranked first with a percentage of 44.18% users above of Spotify on 17.52% (Naurah, 2023). Although Spotify is ranked second, the lack of interest of Indonesians in premium subscription greatly affects the purchase intention of Spotify Premium. With the difference in the number of Spotify free and premium users, the author hopes to find out what factors make Spotify Premium less desirable for free Spotify users.
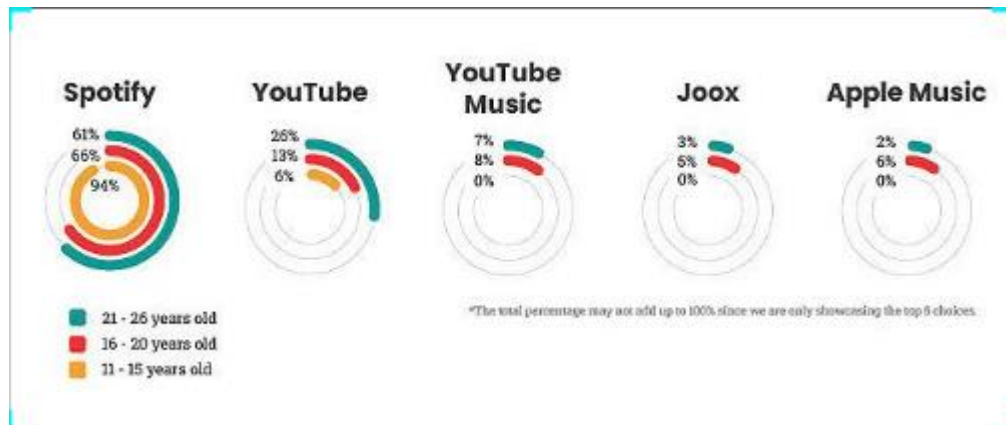
Figure1.2 Spotify Users Based on Age Group

Based on data released by research of IDN Research Institute with Advisia of *Indonesia Gen Z Report 2024,* showed that Spotify users are mostly in the age group of Generation Z (born in 1997 – 2012) based on data of Central Bureau of Statistic (BPS) in 2020 ("Riset Gen Z," 2023). Generation Z is a generation that was born and raised with easy access to the internet and social media. There is no doubt that they are very digitally connected including how to enjoy music through streaming services. And, nowadays, Generation Z dominates university with students born from 2002 to 2006.

According to research of IDN Research Institute with Advisia of *Indonesia Gen Z Report 2024,* Spotify is the dominant music streaming platform among Generation Z consumers in Indonesia due to many factors. First, this generation's high digital habits and streaming as a standard rather than downloading songs physically and digital. Second, singing artists are dominated by generation z who offer similar musical preferences. Third, Spotify has a strong personalization

feature that allows Generation Z to create personalized playlists and share them to their social media.

The theory used in this research is customer behavior and customer perception. According to Kotler et.al (2018), consumer behavior is an examination of how organizations, groups and individuals determine, make decisions or experiences and goods and services with the aim of achieving satisfaction in fulfilling their expected needs or desires. Meanwhile, the perception of customers has a significant impact on a business's success or failure. The process by which a consumer chooses, arranges, and interprets stimuli and information inputs to produce a meaningful impression of a brand or product is referred to as customer perception. (Tjiptono, 2015).

Brand image, Price, Electronic word-of-mouth can affect a buyer's intention to buy. Music streaming platforms generally do a way by cultivating a good brand image to increase their users' purchase intention. According to Muljani et.al, (2019), the definition of brand image is how a consumer feels about a company based on their own experiences as well as information gathered from other people's experiences. Brands that are well-known and have a name in the market are usually more trusted and can create positive perceptions for consumers, thus encouraging consumers to make purchases. Spotify builds a strong brand image by providing certain value or quality.

Spotify strongly encourages non-premium users to subscribe to premium with various promos and discounts to switch to premium features that offer advantages over non-premium services (Spotify.com, 2020). Spotify's marketing

such as providing promotions to customers and offering price packages according to user needs will affect their price perception and encourage purchase intentions. According to Septiani et.al, (2020) customers' perception of what they must sacrifice in order to obtain a product or service is known as prices perception. The company's future profits are also determined by the purchase intention of a consumer.

In this digital age, communication via the internet is a very common advancement. Due to the rising number of social media users in society, the concept of social media marketing has changed from traditional Word of Mouth (WOM) to Electronic word of mouth (EWOM) which affects purchase intention consumer. According to Mehyar et al., (2020), Electronic word of mouth is an effort made by previous customers, existing customers, and potential customers to show positive or negative features of a product or service online. From the typing of customers in an online media, It will have an impact on potential customers' purchase intentions.

Factors such as brand image, price perception, and electronic word of mouth certainly affect the purchasing intention of the consumer. In this case, Spotify Premium has the role of music streaming service that delivers promotional advertising content that will generate purchase intention of spotify users. A researcher intends to compile a study called "**The Role Of Brand Image, Price Perception, And Electronic Word Of Mouth On Purchase Intention Of Spotify Premium**".

1.2 Research Problem

Based on the description above, the research question can be formulated as follow:

1. How does Brand Image significant and positive influence customer purchase intention of Spotify Premium?

2. How does Price Perception significant and positive influence customer purchase intention of Spotify Premium?

3. How does Electronic Word of Mouth significant and positive influence customer purchase intention of Spotify Premium?

1.3 Research Objective

The research questions put forward in the formulation of the problem objective to:

1. To investigate whether Brand Image influences customer purchase intention of Spotify Premium.

2. To examine whether Price Perception influences customer purchase intention of Spotify Premium.

3. To investigate whether Electronic Word of Mouth effect customer purchase intention of Spotify Premium.

1.4 Research Contribution

The objective of the results of this research and contribution is to assist in the education of researchers about the role of Brand Image, Price Perception, and Electronic Word of Mouth. For the author, the results of this study are expected to be useful knowledge. For readers, the results of

this study are expected to gain knowledge in this field. Then this research can be a references for the company in enhancing and developing its marketing strategy to improve consumer decisions.

1.5 Scope of Research

The scope of research will focus on the role of Brand Image, Price Perception, and Electronic Word of Mouth as independent variables. Consumer Purchase Intention as a dependent variable. The object of this research is the customers of Spotify Premium.

1.6 Outline of Research

CHAPTER I: Introduction

Consist of the background of the problem, research problem, the objective of research, the benefit of research and the scope of research

CHAPTER II : Literature Review

Consist of a conceptual and systematic description of the variables, and the hypotheses supporting each variable utilized in the analysis, including the framework for formulating research questions.

CHAPTER III : Research Method

This section provides a conceptual and systematic description of the variables, and the hypotheses that support each variable used for the analysis and framework for developing research questions.

CHAPTER IV: Data Analysis and Conclusion

This section will describe and explain the data analysis, the respondent answers, and the conclusion of the analysis.

CHAPTER V: Closing

This section will explain the conclusion of the research, the important result of the research, implications of the research, and recommendations that this study allows for.