

DIGITAL MUSIC CONSUMPTION BEHAVIOUR OF YOUNG ROMANIAN CONSUMERS

Mihai Felea^{1*}, Mihaela Dobrea², Sorin-George Toma³

^{1) 2)} Bucharest University of Economic Studies, Romania

³⁾ University of Bucharest, Romania

Abstract

During the last centuries, due to emergence of new technologies there has been an increase of consumption at the global level, which was also the case of digital music.

As a consequence, two types of consumers emerged: legal and illegal ones. On the one hand there are digital music platforms, such as streaming services, offering licensed digital music and on the other hand there are individuals who prefer pirating digital music. Thus, the current research tries to establish whether the paid models of digital music are lacking users or not, on the market of Romania, more precisely, undergraduate and graduate students of The Bucharest University of Economic Studies. The study reveals the sources from which digital music is obtained and the reasons for digital music purchasing and unlicensed downloading. This study was designed to investigate digital music consumption behavior of young Romanian consumers. The method employed can be categorized as quantitative, exploratory and descriptive. This study showed that the students use both legal and illegal channels to download music files from the Internet. However, the digital music piracy rate is very high in Romania and reduces the profits and income of artists, music companies and online music stores.

Keywords: digital music; piracy; streaming; subscription-based; illegal.

JEL Classification: L82, O34

Introduction

Currently, global music business appears to be facing difficult periods as far as physical music sales as well as consumption are concerned. Nowadays the digital market hold a key position in individuals' preferences, most of them acquiring their music digitally through legal or illegal downloading of tracks. In this context, music piracy or illegal consuming should be prevented. In order for this to happen, consumers should be made aware of the necessity of licensed music.

* Corresponding author, **Mihai Felea** – mihai.felea@com.ase.ro

1. Literature Review

1.1. Digital music industry

Digital music market has been growing rapidly over the past few years and it is also a “fast-expanding business model” (IFPI Digital Music Report 2012, 11). According to the IFPI, International Federation of Phonographic Industry and their Digital Music Report 2011 (2011, 6), consumers can be seen as the driving force towards the new business models, e.g. subscription services. Therefore, the recording industry is also more open for these new business models than ever before (IFPI Digital Music Report 2011, 7). Based on the IFPI Digital Music Report (2010, 4) a few years ago consumers were able to buy albums only in few different formats. According to the same report, this specific reason made music companies create collaboration networks with advertising-supported streaming services such as Spotify and Deezer. People now can access albums and tracks in hundreds of formats. It also affected the partnerships with mobile operators and Internet service providers (ISPs). In fact, subscription services are reliant on these collaborations. Mobile operators and ISPs have a solid consumer base and it makes it easier for subscription services to introduce their services for a broad audience. The current revenue division in music business is going rapidly towards a digital music environment (see Figure 1).

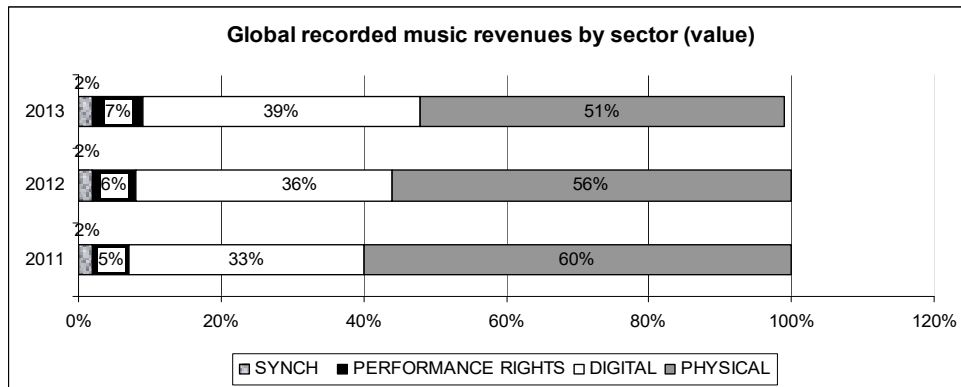


Figure 1. Global recorded music revenues by sector (value)
 Source: IFPI Recording Industry Numbers 2013

The digital world for music is seen as a positive environment. The diversity of business models and revenue streams is part of the digital era (IFPI Digital Music Report 2010, 4). Digital music industry offers a wide range of different music services for consumers. However, as this research focuses on streaming services, the following chapter aims to introduce the variations of streaming service models in general with the trending examples in the market. Streaming as a concept means delivering audio file (music) to an end-user with no need to download the file on a specific device or location. This means that the data is transmitted in a continuous flow. (Gallagher 2008). Music streaming can be done in various ways. Some of the streaming services offer ad-supported music listening for free and subscription-based services provide ad-free listening with a paid subscription. (Music Matters: Learn About Digital Music). Subscription services are also considered a trend phenomenon in today’s world, and the revenue of these services increased by 51.3% in

2013 (IFPI Digital Music Report 2014). Based on the Figure 2 and the revenue shares that it describes between different services, currently the main digital music consumption is focused on downloading and subscription services. However, it can be said that the vast majority of consumers actually prefer subscription services, and the market share of these services is highly increasing. According to Max Hole, the CEO of Universal Music Group International, this wide range of subscription services, along with the developing mobile technology, is a new way to reach out to millions of consumers (IFPI Digital Music Report 2014, 10). The following statistics (Figure 2) also support this statement by showing how rapidly subscription services have increased within a few years.

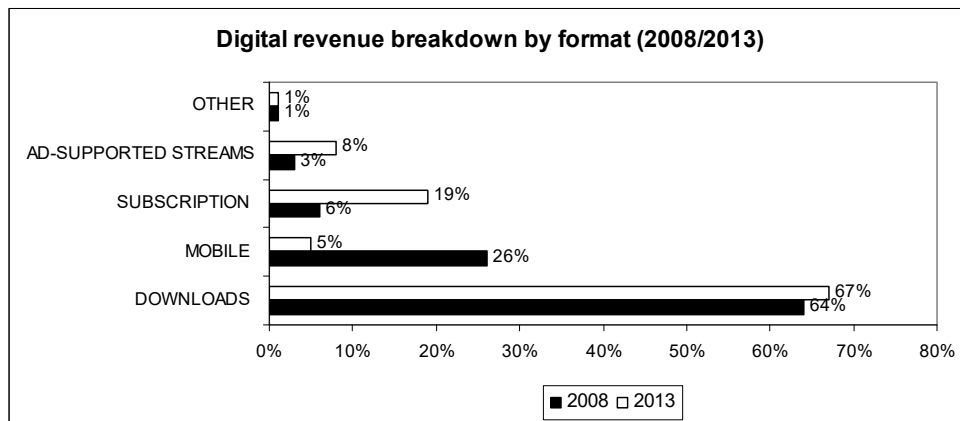


Figure 2. Digital revenue breakdown by format, 2008 – 2013

Source: IFPI, Digital Music Report, 2014

When reaching consumers with advanced mobile technology, it is also important to focus on engagement with licensed services. Record companies are in the position of licensing various services that are successful in meeting consumer preferences. People become more aware of different licensed services and they also choose specific services based on what qualities they value the most. (IFPI Consumer Research). Innovations of the digital retail sector have shown tremendous growth and these services offer different qualities to music listeners. According to IFPI’s publication of Recording Industry in Numbers, many music services are expanding in social networks, integrating in the cloud and as stated before, offering the possibility to use the service with multiple devices (for example mobile phones). The development within the mobile industry adds value and simplifies the user experience. For example, many digital retailers in today’s world launch mobile applications. (IFPI Recording Industry in Numbers 2013, 16-17). Max Hole, Chairman and CEO of Universal Music International, says in IFPI Digital Music Report (2014, 10) that since the use of mobile devices has grown within the past few years, it has actually increased the usage of subscription or streaming services at the same time.

1.1.1. Digital music piracy

“The music industry is a business whose success depends on certainty in the legal environment and on copyright law”. (IFPI Digital Music Report 2014, 40) Expanding digital music market has a clear effect on music piracy. Streaming services are offering

great solutions for music fans with decent prices. However, music piracy is still an issue. One of the main problems in the digital music age is illegal file sharing in computer networks. It affects the revenue flow of culture industry and therefore decreases the possibilities to invest in new productions, for instance. The definition for digital music piracy is part of an act in which one is copying, distributing, and using someone else's intellectual property without permission. Peer-to-peer (P2P) networking, which is based on sharing and communication in the computer network, has played a major part in the downturn of recorded music industry. Illegal file sharing has reduced legitimate purchases of recorded music and changed the ways to acquire free music via illegal mediums. (Wikström 2013, 121- 123). It has also been noted that due to technology development, there are threats on tablet and smartphone-based mobile piracy. Unlicensed services are currently used approximately by 26 percent of the Internet users worldwide. Intellectual property, such as music, is usually licensed and protected by law. The International Federation of Phonographic Industry (IFPI) has an important role in every nation in preventing piracy and making sure that music creators and IFPI members have the most favorable work environment (What we do?). Based on IFPI's Recording Industry in Numbers (2013, 43), on a global scale the digital music piracy continues to remain vast. The recording industry's opinion stays consistent by believing that the responsibility to tackle piracy belongs to every party in the digital economy. According to the IFPI's report (2013, 43), for example following actions are executed against piracy: blocking websites, reduction of advertising revenue, and legal actions against certain online piracy services. As the law protects piracy, how to prevent it in the most effective way is a different matter.

1.1.2. Future prospects of streaming services

The future of streaming services in general remains open. The more people would activate on mobile streaming, the more it would mean subscription-based usage as mainly the paid services offer the option to use the service on multiple devices. Most of the over 30 year-old people do not know what are streaming services and how they work. According to Steve Knopper (2015) on Rolling Stones, the current state of free and ad-supported services is changing. Recently there has been a great deal of discussion on limiting free streaming. Some parties even consider running all free streaming services down. However, an easier way to attract more subscribers to use paid services is to make these subscription-based models even more attractive than what they are now. Jonathan Prince from Spotify states in the same article (Knopper 2015) that free streaming services is a must, in order to grow subscribers. Opinions on free streaming services vary and different solutions are available. Some people would prefer more restrictions on free streaming that could eventually drive consumers to use subscription-based services. Others believe that the current free model is a success. For example Spotify has managed to make fans to use monetized platforms rather than piracy to access music. (Ingham 2015).

1.2 Digital marketing

In general, marketing is seen as managing relationships with customers and to create value for them (Kotler and Armstrong 2012, 26). According to Chaffey and Chadwick (2012, 10), digital marketing is "the application of the Internet and digital technologies in conjunction with traditional communications to achieve marketing objectives". Kotler and Armstrong (2012, 50) state that digital technology has changed the possibilities for companies to interact with customers, while affording new tools for communication and relationship

building for marketers. Digital environment has pushed for example executives to learn something new rather than to forget what they already know about marketing (Weber 2009, 3 - 4). Chaffey and Ellis-Chadwick (2012, 6 - 10) support the phenomenon of learning new things when digital changes have pushed through. It is about learning how to use new channels in marketing: the web, e-mail, mobile, and Internet TV, and where these channels are appropriate to be used. Marketing process In order to create value for the consumer, marketing process has to be on point. If it is traditional or digital marketing, the same rules apply. Kotler and Armstrong (2012, 29) compress the whole idea of a marketing process into the following figure (Figure 3).

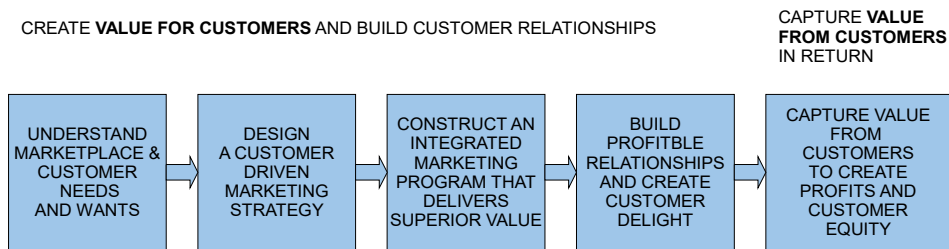


Figure 3. A simple model of the marketing process.
Source: Kotler & Armstrong 2012, 29.

As the figure above shows, marketing is all about the exchange and creation of value between individuals and organizations. This is achieved by first studying the needs of the customers and understanding the marketplace. The second step is to focus on marketing strategy, which has to be customer-driven. In a marketing process, marketing strategy aims to define the target market and to segment the customers, and to differentiate and position the company so that it delivers the best service for consumers. This can be also seen as a phase in which the company defines which values it wants to show for the customers. (Kotler & Armstrong 2012, 53-54). As digital marketing is delivered by using Internet channels to support traditional marketing, Chaffey and Ellis-Chadwick (2012) emphasize the importance of targeting while focusing on digital marketing strategy. Digital marketing strategy does not only apply the same principles of targeting and segmentation but it also underlines the significance of value proposition. In a digital environment, it is even harder to differentiate from the competitors, which therefore increases the focus point in values that consumers get out of a certain product or service. In order to succeed in value creation and in an efficient marketing process, a set of marketing tools is utilized. These work towards customer satisfaction, building relationships with customers, and are combined in a phenomenon of a marketing mix. (Kotler & Armstrong 2012, 29).

2. Exploratory Research Regarding Digital Music Usage in Romania

This study was designed to investigate digital music consumption behavior of young Romanian consumers. The method employed can be categorized as quantitative, exploratory and descriptive. In order collect quantitative data, the present study used an online survey that consisted of two parts. The first section of the questionnaire identified demographic information of the participants such as gender and age. The second section comprised questions about the usage of digital music, the sources from which digital music

was obtained and the reasons for digital music purchasing and unlicensed downloading. The questionnaire was uploaded at <http://isondaje.ro/sondaj/419721576/> and a total of 394 undergraduate and graduate students of The Bucharest University of Economic Studies accessed the link in February 2016. Due to the limited sample size and the category of respondents, this online questionnaire-based study can be classified as an exploratory research study. Data collected from the sample was analyzed using IBM SPSS Statistics 22, in order to obtain descriptive statistics and discover or verify the relationships between variables.

The sample consisted of almost three quarter female (74.1%) and one quarter male (25.9%) young students (90.6% with age between 18-23 years). Regarding to the employment status, 67% of the participants was unemployed, 18.8% working full time and 14.2 working part time (Table no. 1).

Table no 1. Characteristics of the respondents (total = 394)

		Frequency	Percent %
Gender	Male	102	25.9
	Female	292	74.1
Age	18-19	134	34.0
	20-21	152	38.6
	22-23	71	18.0
	24-25	31	7.9
	26 and older	6	1.5
Employment status	Working full time	74	18.8
	Working part time	56	14.2
	Unemployed	264	67

In the surveyed sample, the students have several devices capable to play digital music (see Table no. 2). Almost all respondents have a smartphone (95.2% of cases) or a laptop (88.6%) and they also have a computer (43.7%) and a tablet (41.6%). Fewer students have an mp3 player (21.8%) or Hi-Fi system and only 0.3% not have such device.

Table no. 2. Ownership of devices capable to play digital music

	Responses		Percent of Cases
	N	Percent	
Computer	172	14.5%	43.7%
Laptop	349	29.5%	88.6%
Smartphone	375	31.6%	95.2%
Tablet	164	13.8%	41.6%
Mp3 player	86	7.3%	21.8%
Hi-Fi system	38	3.2%	9.6%
None of these	1	0.1%	0.3%
Total	1185	100.0%	300.8%

Based on the survey, 58.9% of respondents listen to digital music on their smartphones, 25.6% on laptops, 8.6% on computers, 3.8% on mp3 players, 1.5% on Hi-Fi system and 1% on tablets. Only 0.5% of the students don't listen to digital music on these devices.

The results also revealed that almost half of the students (49.2%) listen to digital music daily, 30.5% several times a day, 12.7% several times a week, 4.8% about once a week, 2% less frequently and 0.8% don't listen to digital music.

Research results show that the legal channels are the most important sources for obtaining digital music (see Table no. 3). From 391 of students who listen digital music, 57% buy their digital music from online stores like iTunes or Google Play Music and 15.9% download music file from free and legal sites like Free Music Archive. However, unlicensed downloading is widespread among the students. 47.6% of the respondents use the file-sharing networks to download digital music and 25.1% listen to digital music shared by their friends or family members. Only 7.2% of the students use their own CDs as a source to obtain digital music. Responses to 'other' were: YouTube and MP3 video conversion tool (28), PlayTube (2), SoundCloud (2), iTube (1).

Table no.3. Sources for digital music

	Responses		Percent of Cases
	N	Percent	
CDs as a source for copying or ripping them	28	4.5%	7.2%
Online store	223	35.5%	57.0%
Free and legal music download sites	62	9.9%	15.9%
Shared by friends	98	15.6%	25.1%
Downloaded from file sharing-network	185	29.4%	47.3%
Others	33	5.2%	8.4%
Total	629	100.0%	160.9%

In terms of music purchasing, 43% of the survey participants never buy digital music, 37.1% buy rarely and 16.4% buy sometimes this type of music (Chart no. 1). Only 2% of the respondents often buy and 1.5% always buy digital music.

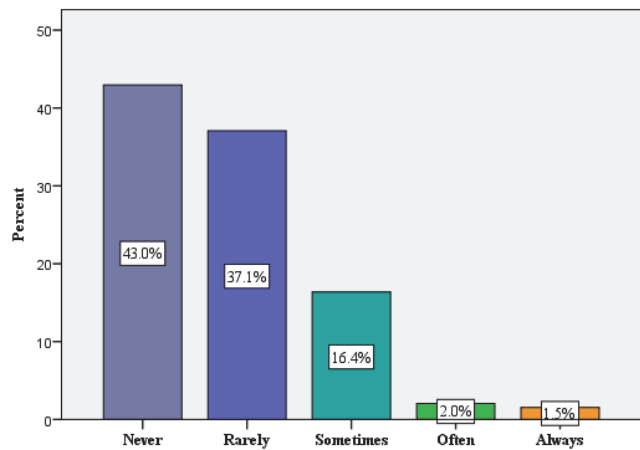


Chart no. 1. Frequency of buying digital music

The 223 respondents who buy digital music mentioned the following main reasons: guaranteed high quality file in 38.6% of cases, option to choose individual tracks from an album 35% and digital music is cheaper than buying CD singles and albums 20.5% (see Table no. 4). Responses to ‘other’ were: to support the artists (6) and to reward artists work (2).

Table no.4. Reasons to buy digital music

	Responses		Percent of Cases
	N	Percent	
Because it's legal	38	13.7%	17.1%
I can afford to do so	21	7.6%	9.5%
Guaranteed high quality file	86	31%	38.6%
It is cheaper than buying CD singles and albums	46	16.7%	20.5%
I can choose individual tracks from an album	78	28.2%	35%
Others	8	2.9%	3.6%
Total	277	100.0%	124.2%

Regarding to the unlicensed downloading music from a file-sharing networks, only 7.4% of respondents never use this way to obtain music files (Chart no. 2)

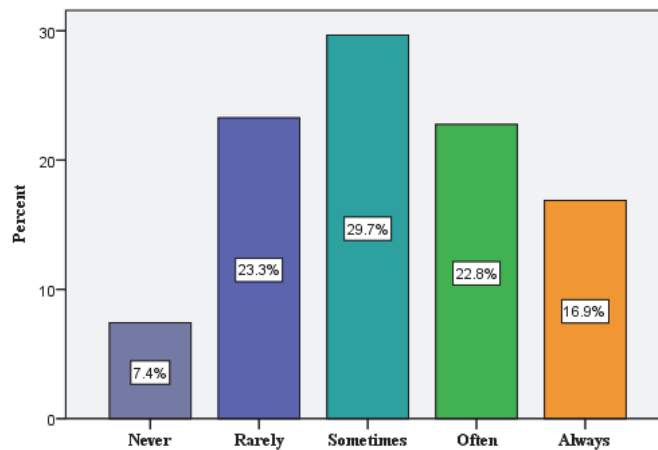


Chart no. 2. Frequency of unlicensed downloading digital music

The 362 respondents who download digital music from file-sharing networks mentioned the following main reasons: they don't like to pay for music if it is available “for free” in 49.4% of cases; the songs they were looking for were unavailable for buying 26% and they can't afford to buy it 19.9%. (Table no. 5). Responses to ‘other’ were: usually it's easier to download it from a file-sharing network than to buy (4) and to store music files and use it on different devices (2).

Table no.5. Reasons to unlicensed downloading digital music

	Responses		Percent of Cases
	N	Percent	
To sample an artist I am not familiar with	69	15.3%	19.1%
Songs I was looking for were unavailable for buying	94	20.9%	26.0%
The legal service was not accessible/ files could not be downloaded	30	6.7%	8.3%
I don't like to pay for music when I don't have to	179	39.8%	49.4%
I can't afford to buy it	72	16.0%	19.9%
Others	6	1.3%	1.7%
Total	450	100.0%	124.3%

Conclusions

This paper has presented findings of an exploratory study of digital music usage among Romanian students from The Bucharest University of Economic Studies, being based on the Romanian music market and especially on how consumers value or not subscription-based services. As the technologic and digital evolution goes on so is the digital music market, constantly evolving in Romania. Consumers should be made aware of the difference between legal or illegal. The basis for this research was the lack of users in subscription-based models within Romanian music consumers.

The results of this research indicating that students who participated in this study have their own devices capable to play digital music files and use them frequently.

This study also showed that the students use both legal and illegal channels to download music files from the Internet. However, the digital music piracy rate is very high in Romania and reduces the profits and income of artists, music companies and online music stores.

Finally, the findings of this study should be interpreted with caution because the number of participants was small (394) and students thinking may not be equally applicable to all digital music users. Future research developed among large survey sample including a wide range of social category from the entire country, could provide a better understanding of digital music users behaviour.

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