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CHAPTER I

INTRODUCTION

1.1 Overview of Research Objects

Spotify is the largest music platform in the world today, especially by the number of subscribers. Users only need to register to be able to access various content in it such as music, podcasts, and other audio content. Spotify operates in a freemium model, where access is initially free but with low sound quality, lots of ads, and requires an internet connection. In contrast to premium, these things will not exist, users will hear high quality sound without being disturbed by advertisements and can download the music if they want to be heard offline in the future.

Daniel Ek and Martin found the spotify in Stockholm, Sweden 2006(Iqbal, 2022). Both of them wanted to create a legal digital music platform legally in the face of the problem of music piracy in the early 2000s. In the end they convinced the record label to agree to share content in exchange for a 20% share of the proceeds, thus Spotify was successfully launched in 2008. By partnering with Facebook, it helped them to grow rapidly. With a market valuation of \$26.5 billion after trading on the first day, Spotify went public in April 2018. (Iqbal, 2022). Spotify dominates the music industry.



Figure 1. 1 Spotify Logo

Source: spotify.com

1.2 Research Background

Music player technology is increasingly advanced to make the ancient music players get rid of. In today's sophisticated era, music can be listened to only by using a player or music player. This is because the music format now uses digital audio. So that with any tool to play music, it is enough to just use the mp3 or music player. What is now known as the mp3 player was once an ordinary music player that developed according to the times. In the past, the music format was not analog digital as it is now. In the past, music was recorded and played with conventional equipment. Starting from the 20th century, namely the emergence of blackplates or LPs invented by Kevin Gerald, cassette tapes which were introduced in 1963 so that the emergence of the famous Sony product, namely the Walkman, to the CD which was invented in the 90s with a shape that is smaller than a black plate but has a greater storage than cassette tapes, all of which have evolved to now use digital formats. Even now we can listen to music with just a smartphone and download music applications. The greatness of the digital world has begun to take over the glory of the old Analog world.

Until now, music is still growing and so are the fans who are getting bigger. Based on research conducted by Hootsuities, the total cellular users in Indonesia are 345.3 million people and 60.4% of them listen to music through mobile applications, which means that around 207 million people in Indonesia have listened to music online.

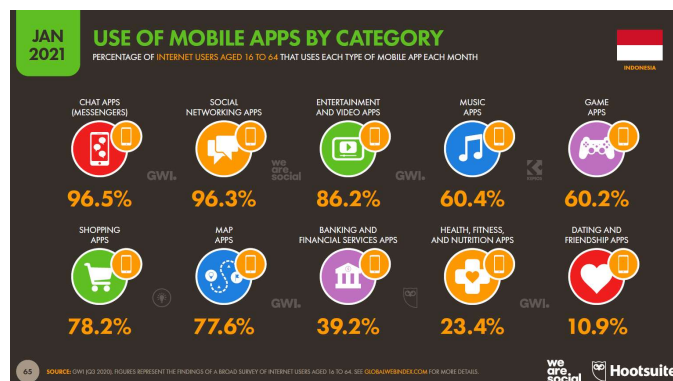


Figure 1. 2 Use of mobile apps

Source: *hootsuite.com*

One of the best music platforms today is Spotify, this platform is very famous because it provides many songs and adapts to the wishes of the listener and can also be accessed for free and also they have premium feature for premium members so that users of this application from year to year always increase. When compared to its rivals, Spotify has always been ranked first in the last 5 years.

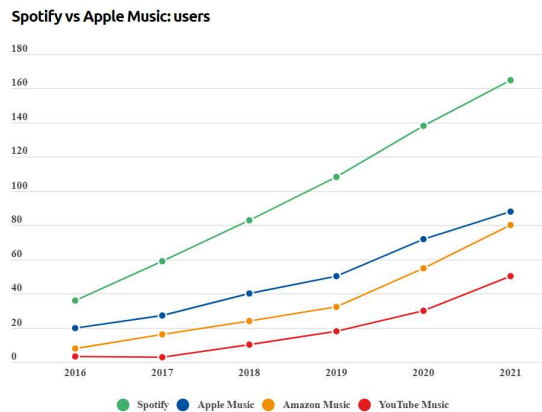


Figure 1. 3 Comparison of Spotify users with other apps

Source: *businessofapps.com*

Apart from the development of music platforms from time to time, we need to know what factors the determinants are in choosing or buying the platform, in this case we will examine the platforms that exist today, namely application-based digital music platforms that can be accessed via mobile, for example Spotify music app. Therefore, it is necessary to do research on purchase intention with the title **"INVESTIGATION OF VARIABLES AFFECTING PURCHASE INTENTION IN SPOTIFY APPLICATIONS USING EXPLORED FACTOR MODEL"**

1.3 Problem Formulation

1. How do consumers respond to app usefulness on Spotify
2. How do consumers respond to app enjoyment on Spotify
3. How do consumers respond to monetary value of app on Spotify
4. How do consumers respond to word of mouth on Spotify

5. How do consumers respond to app triability on Spotify
6. How do consumers respond to purchase intention on Spotify
7. Does app usefulness have an influence on purchase intention?
8. Does app enjoyment have an influence on purchase intention?
9. Does app word of mouth have an influence on purchase intention?
10. Does app app triability have an influence on purchase intention?
11. Does app monetary value of app have an influence on purchase intention?
12. Does app usefulness have an influence on monetary value of app?
13. Does app enjoyment have an influence on monetary value of app?
14. Does app word of mouth have an influence on monetary value of app?
15. Does app triability have an influence on monetary value of app?

1.4 Research Objective

This research has several purposes to examine:

1. To find out how do consumers respond to app usefulness on Spotify
2. To find out how do consumers respond to app enjoyment on Spotify
3. To find out how do consumers respond to monetary value of app on Spotify
4. To find out how do consumers respond to word of mouth on Spotify
5. To find out how do consumers respond to app triability on Spotify
6. To find out how do consumers respond to purchase intention on Spotify
7. To find out whether there is an influence of app usefulness on purchase intention
8. To find out whether there is an influence of app enjoyment on purchase intention
9. To find out whether there is an influence of word of mouth on purchase intention
10. To find out whether there is an influence of app triability on purchase intention
11. To find out whether there is an influence of monetary value of app on purchase intention

12. To find out whether there is an influence of app usefulness on monetary value of app
13. To find out whether there is an influence of app enjoyment on monetary value of app
14. To find out whether there is an influence of word of mouth on monetary value of app
15. To find out whether there is an influence of app triability on monetary value of app
16. To find out whether there is an influence of app usefulness and app enjoyment on purchase intention simultaneously
17. To find out whether there is an influence of app usefulness and app enjoyment on monetary value of app simultaneously
18. To find out whether there is an influence of WOM about app and app triability on purchase intention simultaneously
19. To find out whether there is an influence of WOM about app and app triability on monetary value of app simultaneously

1.5 Research Benefit

1.5.1 Theoretical Aspect

a. Author

This paper is a requirement in Research Methodology subject of International ICT Business.

b. Educational Institution

This research will give the information for students to understand about the effect of packaging design and store environment toward company improvement factors.

c. Writer

The writer can also have a benefit from this paper on how to understand the company. In the future writer could make a deeper and better analysis of this paper and implement this to everyone who needs it.

1.5.2 Practical Aspect

- a. This research could give benefit to company to increase customer satisfaction
- b. This research can give benefit to the company if the packaging design and store environment affects purchase decision

1.6 Systematically Writing

a. CHAPTER I PRELIMINARY

In this chapter contains the background of the issues that reveal the phenomenon of the impact of motivation programs on employee performance, the reasons for the selection of topics, and the reasons for selection of research sites. Furthermore, this section also describes the formulation of problems, objectives and research and systematics writing.

b. CHAPTER II LITERATURE REVIEW

This chapter provides explanations of the theories that inform and assist problem-solving, the framework for research hypotheses, and the nature and purpose of the study.

c. CHAPTER III RESEARCH METHODOLOGY

There is a description of research methodologies in this chapter., namely the type of research, operational variables, population, and samples. Types and techniques of data collection, measurement scale, validity, and reliability test, and data analysis.

d. CHAPTER IV RESEARCH RESULTS AND DISCUSSION

This chapter will describe the research findings and explore the features of the respondents, research findings, and research findings.

e. CHAPTER V CONCLUSIONS AND SUGGESTION

This chapter summarizes the research's conclusions and provides suggestions or recommendations for the companies that the study focused on..

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CHAPTER II

THEORETICAL BACKGROUND

2.1 Theories

2.1.1 Marketing

One of the key components for businesses to fulfill all human requirements while earning a profit is marketing. The American Marketing Association (AMA) defines marketing as "the activity, collection of institutions, and procedures for generating, communicating, delivering, and exchanging solutions that have value for consumers, clients, partners, and society at large," according to Kotler and Keller (Kotler & Keller, 2016). By definition, marketing is an organizational function and a set of processes for communicating, creating, and delivering value to customers, clients, partners, and society at large to manage customer relationships in ways that benefit stakeholders and the organization.

Meanwhile, according to Kotler and Armstrong (2015) " Marketing is the management of profitable client relationships and meeting customer demands. ". Which means "Marketing is the process of managing customer relationships in a way that benefits and satisfies customer needs".

Based on the above definition, therefore it may be said that marketing is a process carried out by the company to meet the needs and desires of its consumers and can establish strong relationships with consumers through the customer value that has been provided by the company.

In this study, one of the marketing theories will be used to find out how consumers consider how they spend their money. The theory is "Mental accounting theory". Kotler (2016) in his book states that "Mental accounting describes the way consumers code, categorize, and evaluate financial outcomes of choice."

2.1.2 Consumer Behavior

Consumer behavior is any action that customers do to get and use a product or service, as well as the thought processes that lead up to and decide these actions. According to Kotler et al., (2016), consumer behavior is the study of how individuals or groups buy, use and dispose of goods, services, ideas or experiences to satisfy their needs and wants.

Ayunda (Ayunda et al., 2019) define consumer behavior as an interaction between awareness, behavior, and the environment in which each individual exchanges aspects of life. According to the description given above, consumer behavior is an activity carried out by consumers in using a product or service to meet their needs.

2.1.3 Value of the goods

According to the theory, there are two types of utility i.e., acquisition utility and transaction utility, that affect consumer choice (see Figure 1). Acquisition utility refers to the value of the goods received compared to the payment (e.g., the worth of a bottle of wine in comparison with the price). It is a function of the equivalent value of the product and its objective price. In the context of our study, acquisition utility would be perceived based on a comparison between the utility (i.e., benefit) of the mobile App and its objective price (i.e., purchase price). Thus, acquisition utility would equate with the monetary value of the App, i.e., the App benefits with respect to its price. The benefits could be functional and/or hedonic. In our study, App usefulness represents the functional benefit of the App, while App enjoyment denotes the hedonic benefit.

2.1.3.1 App Usefulness

App usefulness can be defined as the extent to which a person believes that the system of the application he uses can result in an increase in his work performance. This idea was modified from Fred D. Davis' notion of perceived usefulness in Kim and Lee (Kim et al., 2016). The word is obtained from the basic word useful: "capable of being used advantageously". Practicality perceived by users of paid applications, similar to irreplaceable functions or special instructions is part of perceived usefulness (Tang et al., 2020). The term "perceived

usefulness" relates to the usability value of an object, where the value is derived from the item's anticipated performance and perceived quality. This functional value is the main key influencing consumer choice (Sweeney & Soutar, 2001). Someone who is considering buying an application will judge whether an application is useful or not for them to do something (e.g, map search, finding information). And also they tend to continue to use the application and purchase from it when its use is felt to be very helpful and beneficial (Fang, 2017). Users will have a favorable mindset about utilizing a certain program if they realize how it will benefit them and meet their requirements (Lee, 2018; Morosan & DeFranco, 2016; Olaleye et al., 2018). That way App usefulness increases purchase intention.

2.1.3.2 App Enjoyment

App enjoyment is defined as pleasure and joy or in a pleasant condition when someone is using the application (Moon & Kim, 2001). In other words, enjoyment refers to the hedonic value of an item obtained from feelings or affective states resulting from the product. The word "hedonic" comes from the word "hedonism," which refers to the belief that happiness or pleasure is the main good in life.(Merriam-Webster, 2003) . The literature found in the research of Yin Wang et al. (2018) the state that enjoyment as a form of intrinsic motivation and enjoyment emphasizes the use of the process, pleasure, joy, and fun for the product or service. And enjoyment also helps to attract consumers to embrace the new technology (Tang et al., 2020). Consumers usually like to buy products based on feelings and pleasure; this of course exists in hedonic products. Several studies also suggest that the hedonic value of an item is a key determinant in purchasing decisions (Fiore et al., 2005; Sherman et al., 1997). Someone who wants to buy an application will definitely consider and judge whether an application is fun to use and can generate excitement or pleasure (e.g., mobile games). Therefore, the pleasure felt from an application should increase purchase intention