

CHAPTER I

INTRODUCTION

This chapter will describe the overall structure of this research. The research background, research problem, research question, research objective, and research outline will all be included.

1.1 Background

The term globalization is distinctly common in the business world, it is considered one of the modern economic development's major megatrends, where companies worldwide attempt to “go global” across their development process and promotion (Bazylevych, 2013). Globalization allowed a complex interplay of interdependence between firms that trade internationally, this has created an increasingly positive impact on different sectors, such as the free flow of capital, goods, services, information, and technology, as well as the reduction of trade barriers, which in turn allows cross-border movement to become easier. Additionally, globalization drives the international expansion of companies and contributes to the emergence of global brands, through global branding, companies can attain benefits, particularly scale economies and consistency (Bhattacharya et al., 2020). Moreover, companies must continue to improve, invest and sustain their brand engagement to garner brand loyalty, as this factor can become a fine line between success and failure (Leckie et al., 2016). Customers frequently purchase

specific brands to add meaning to their lives or to express themselves; in a broader sense, studies have shown that customers who identify with a brand or a company increase product use and repurchase frequency (Rather et al., 2018). Loyal customers who repeatedly purchase from a brand, contribute to achieving sustainable competitive advantages, generate a higher revenue stream and profits for survival and business development, thus, to maintain their customers' companies often create loyalty programs and switch costs to 'lock their customers' (Chen, 2015; Grisaffe & Nguyen, 2011). In this research, brand loyalty will be clarified through value congruity that directly influences consumer-brand identification (CBI), customer-brand engagement (CBE), and affective brand commitment, which in turn will pave the way for advancing consumer relationships, specifically global brands in the music streaming platform industry.

With the help of globalization, technology, and digitization, the music streaming platform industry has been able to break traditional bottlenecks in promotion and distribution inherent in commercial radio and traditional music retailing (Waldfoegel, 2017). This can be evident, as shown in Figure 1.1, that the number of subscribers on music streaming platforms has stably and rapidly increased over the years and by the first quarter of 2020 has already reached 400 million people. Music streaming platforms such as Spotify, JOOX, AppleMusic, Google Play Music, SoundCloud, and Youtube, have become a common choice among music listeners, where consumers are given unlimited access to their content libraries in exchange for a monthly subscription fee (ad-free), and where music can be streamed via various connected devices.

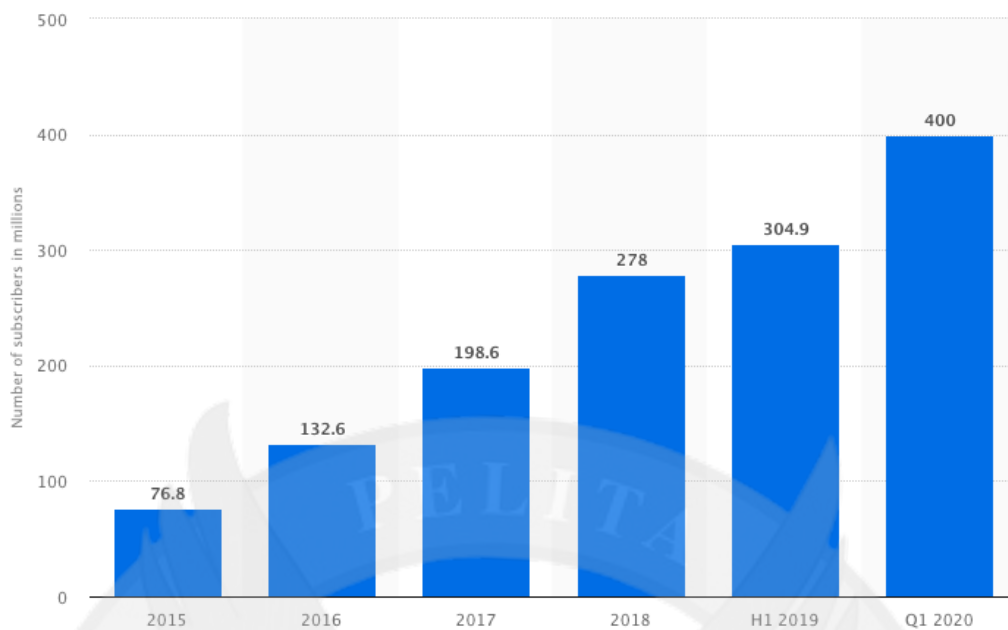


Figure 1.1 From 2015 to the first quarter of 2020, the number of music streaming subscribers worldwide increased (in millions)

Source: Statistica (2021)

According to Bundgaard et al. (2016), Asia's digital music streaming market is growing at a rate 20 times that of the rest of the world. Countries in Asia are usually considered emerging economies, or also known as fast growth markets, these countries have a less established market, have a lower liquidity market and a lower level of per capita income than developed markets. Despite that, these economies will grow larger at a faster rate and have a significant impact on global trade and economics. The opportunity is most visible in Asian markets with less than \$30 million in revenue; these markets have grown rapidly in recent years and have the capacity to develop further (Bundgaard et al., 2016). A few notable ones are, Thailand, the Philippines, Vietnam and Indonesia.

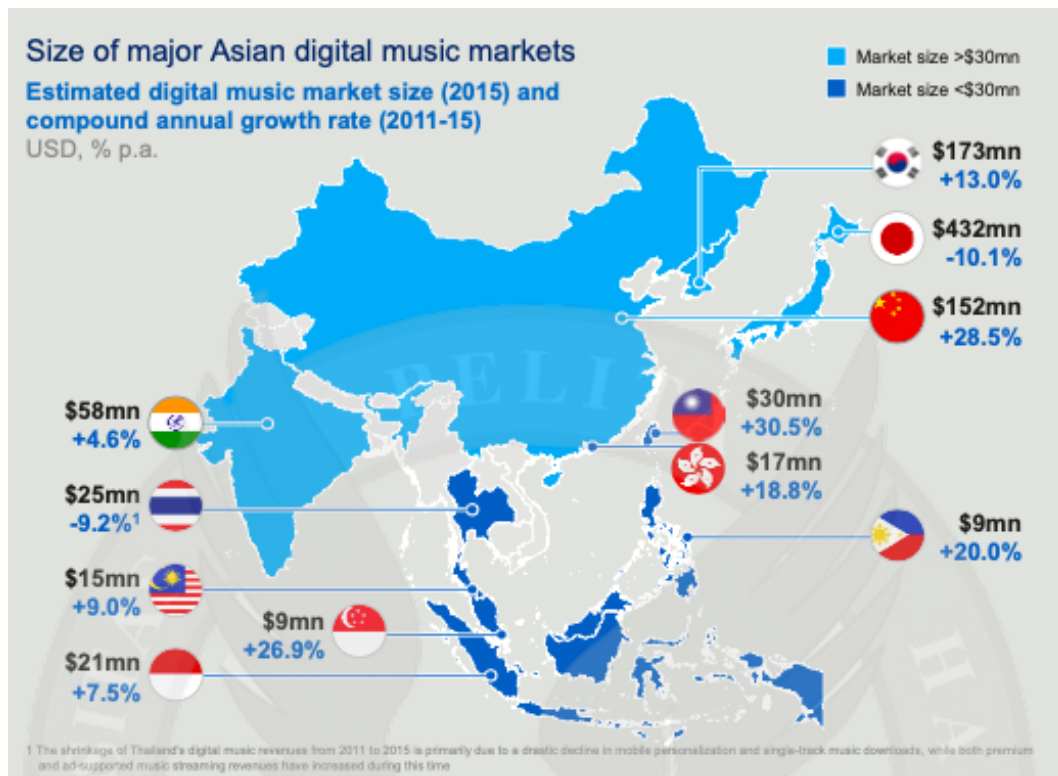


Figure 1.2 Size of major Asian digital music markets

Source: Bundgaard et al. (2016)

Indonesia can be one of the few countries where economic growth can be unleashed to around \$150 billion in annual economic impact by 2025, this would be appealing for global and foreign brands (Das et al., 2016), one of which being Spotify. Spotify is a digital music, podcast, and video streaming service that offers access to millions of songs and other forms of content from across the world. Premium services require users to pay a fee for additional features, whereas basic features are free with advertisements or automatic music videos (Spotify, 2021). In the first quarter of 2020, the total monthly active users (MAU) of Spotify premium

reached a total of 130 million users and this amount stably risen all throughout 2020, as seen on Figure 1.3.

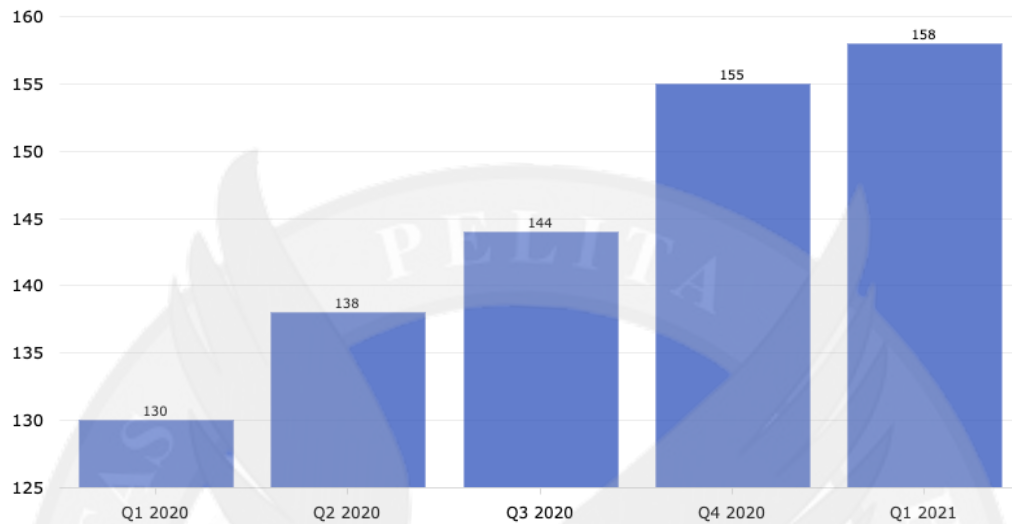


Figure 1.3 The amount of Spotify Premium subscribers in the first quarter of 2020 to 2021

Source: Spotify (2021)

It can be seen that in the second quarter of 2020, the amount of monthly active users (MAU) increased to 138 million users and by the third quarter of 2020, it increased again to 144 million users and by the end of 2020 there were a total of 155 million users. By the first quarter of 2021, the amount of monthly active users (MAU) has reached an amount of 158 million users, this figure is up about 21% over the same quarter last year (year on year).

Spotify stated that streaming has laid the groundwork for Southeast Asia to emerge as the company's fastest-growing region, with Indonesia being one of the countries with the most potential. Spotify began penetrating Indonesia's market back in 2016 and Spotify users in Indonesia played 3.9 billion songs in the first year

after its launch (Triwijanarko, 2017). Spotify is currently available in only eight Asian countries, five of which are in Southeast Asia. Currently, Spotify is only available in Singapore, Malaysia, Thailand, the Philippines, and Indonesia.

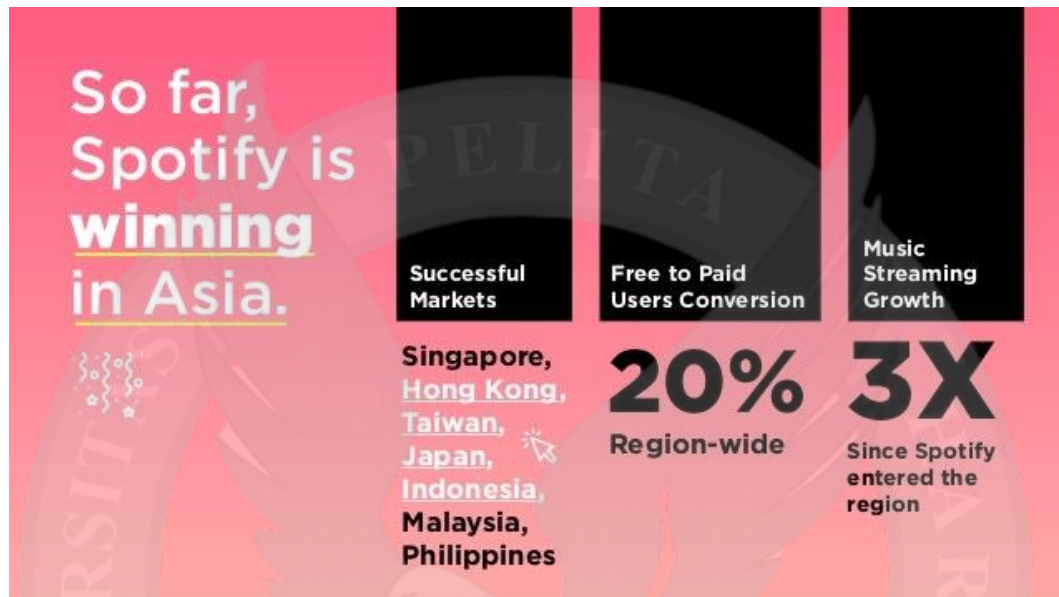


Figure 1.4 Spotify success in the Southeast Asian Market in 2017

Source: Greenhouse Team (2020)

Because Spotify does not report separately on Asia, it's difficult to pinpoint the company's growth in the area. Having said that, Spotify's monthly active users (MAU) are up 58 percent year over year in the 'Rest of World,' which is where the statistics for Asia is stored (Greenhouse Team, 2020). It can be seen in Figure 1.5, the amount of Spotify subscribers.

Year	Europe	North America	Latin America	Rest of World
2018	33 million	26 million	17 million	7 million
2019	43 million	32 million	22 million	11 million
2020	54 million	40 million	29 million	15 million
2021	66 million	48 million	33 million	18 million

Figure 1.5 Spotify subscribers by region

Source: Spotify (2021)

As of 2017, Indonesia became the second-biggest market for Spotify in Asia, this can be seen in Figure 1.6. From the beginning of 2017 to the middle of 2019, there is a huge growth in total weekly streams. With over 81 million streams in the week of July 5, 2019, Spotify Indonesia has the highest weekly total thus far. This is more than five times the total number of streams for the week ending December 30, 2016.

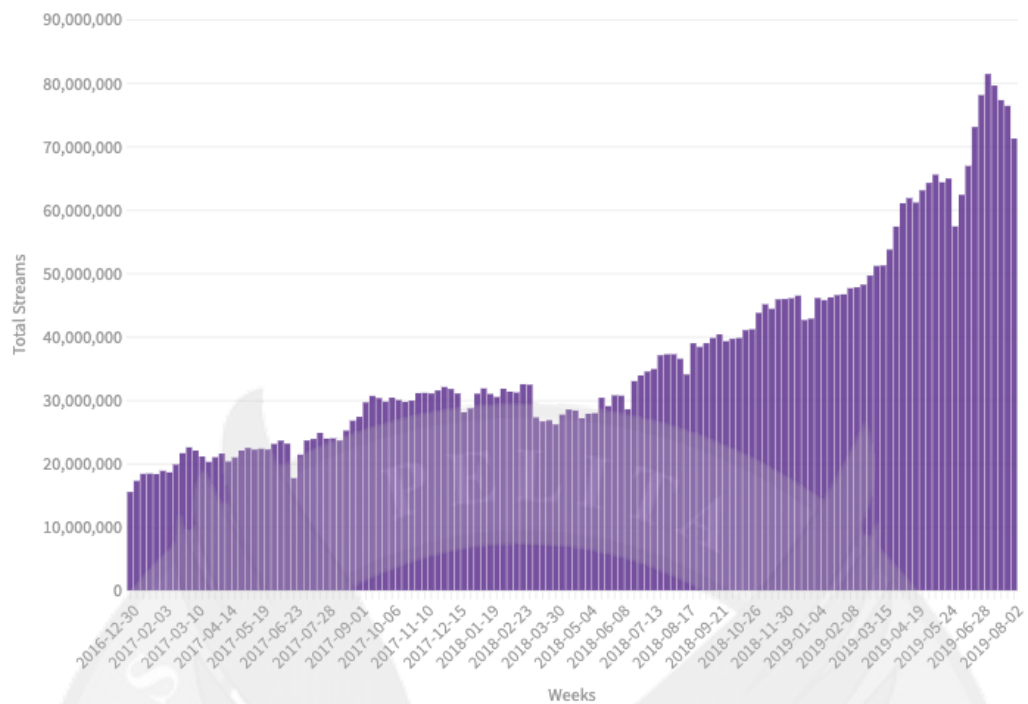


Figure 1.6 Week to Week Streams based on the total streams of Top 200 songs on Spotify
Indonesia each week

Source: Center of Digital Society (2019)

However, despite Spotify' success and rapid growth, JOOX is still dominating the market in Southeast Asia, which can be seen in Figure 1.7 from 2016, when asked "Which music apps are you currently using?", the majority of Indonesians replied with JOOX that has a total of 34.7 percent, meanwhile Spotify still had a percentage of 9.8 percent users in Indonesia.

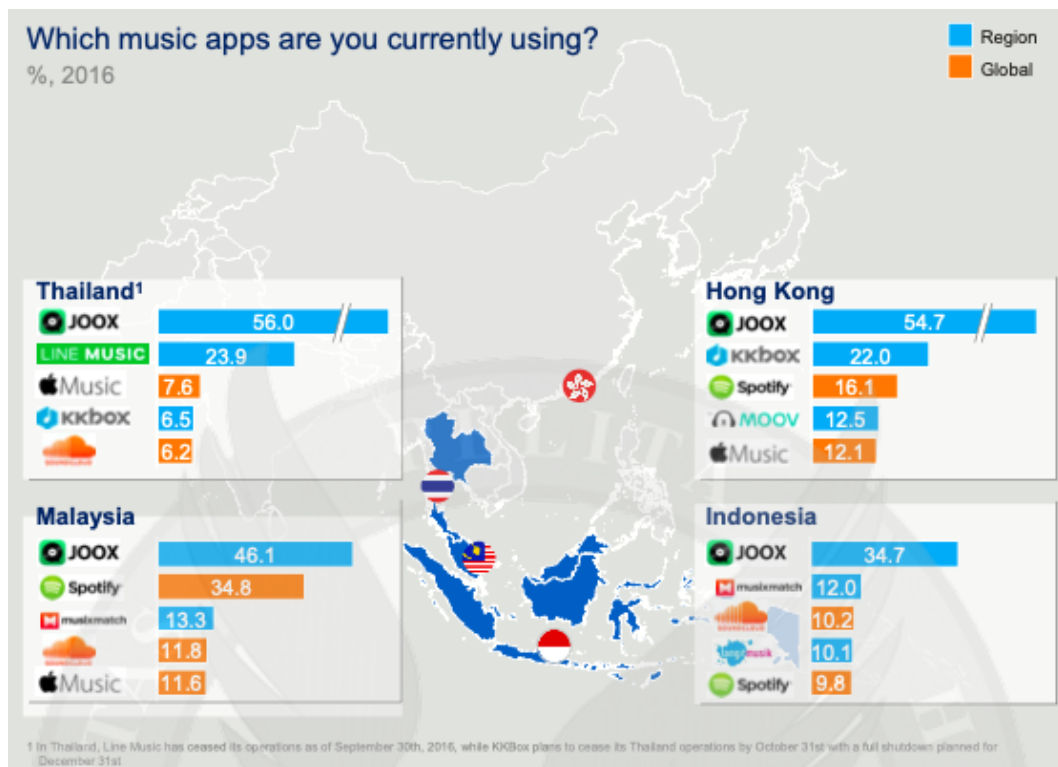


Figure 1.7 Which music apps are you currently using?

Source: Bundgaard et al. (2016)

According to Figure 1.8 taken from Statista (2021), in 2021 Spotify is still ranked third in the most popular application in Indonesia with a 46.6% share of users with JOOX coming in second with a 50.9 % market share.

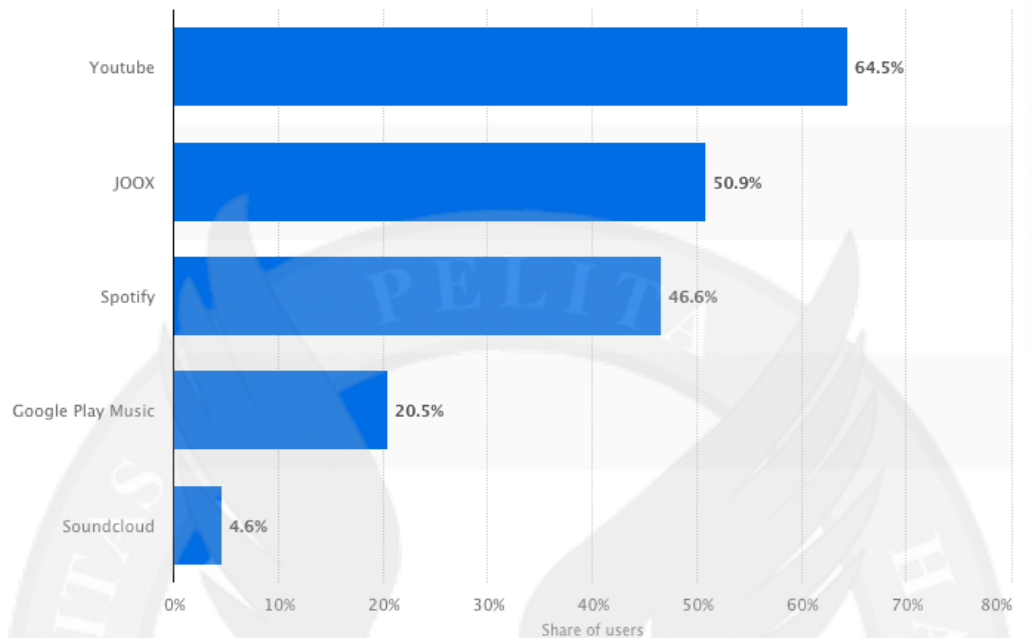


Figure 1.8 Ranking of the most popular music applications in Indonesia in the first quarter of 2019

Source: Statistica (2021)

As a result, Spotify's committed premium customers generate the majority of the company's revenue, rather than ad placements; in 2020 alone, Spotify generated more than 7.88 billion euros in revenue (Statistica, 2020). Despite Spotify's rapid growth and success in Indonesia, it is still ranked third in the most popular music application used in Indonesia and cannot overtake JOOX, therefore this research attempts to understand Spotify's brand loyalty as clarified through value congruity, which directly affects consumer-brand identification (CBI), customer-brand engagement (CBE), and affective brand commitment, paving the

way for advancing consumer relationships. This research is a replication from the article conducted by Rather et al. (2018).

1.2 Research Problem

As previously stated above, Spotify is still ranked third in the most popular music application used in Indonesia, despite the rapid growth and success of Spotify in Indonesia, therefore this research presents to propose that value congruity directly influences consumer-brand identification (CBI), customer-brand engagement (CBE), and affective brand commitment and which in turn will pave the way for advancing consumer relationships, as measured through brand loyalty towards the global brand, Spotify. Thus, the research questions are as follows:

1. Does value congruity have a positive influence on consumer-brand identification for Spotify in Indonesia?
2. Does value congruity have a positive influence on customer-brand engagement for Spotify in Indonesia?
3. Does value congruity have a positive influence on affective brand commitment for Spotify in Indonesia?
4. Does consumer-brand identification have a positive influence on customer-brand engagement for Spotify in Indonesia?
5. Does consumer-brand identification have a positive influence on brand loyalty for Spotify in Indonesia?
6. Does consumer-brand identification have a positive influence on affective brand commitment for Spotify in Indonesia?

7. Does affective brand commitment have a positive influence on brand loyalty for Spotify in Indonesia?
8. Does customer-brand engagement have a positive influence on brand loyalty for Spotify in Indonesia?
9. Does consumer-brand identification mediate the relationship between (a) value congruity and customer-brand engagement, (b) value congruity and affective brand commitment, and (c) value congruity and brand loyalty to Spotify in Indonesia?

1.3 Research Objective

The research objective is as follows, based on the research questions mentioned above:

1. To examine if value congruity has a positive influence on consumer-brand identification for Spotify in Indonesia
2. To examine if value congruity has a positive influence on customer-brand engagement for Spotify in Indonesia
3. To examine if value congruity has a positive influence on affective brand commitment for Spotify in Indonesia
4. To examine if consumer-brand identification has a positive influence on customer-brand engagement for Spotify in Indonesia
5. To examine if consumer-brand identification has a positive influence on brand loyalty for Spotify in Indonesia

6. To examine if consumer-brand identification has a positive influence on affective brand commitment for Spotify in Indonesia
7. To examine if affective brand commitment has a positive influence on brand loyalty for Spotify in Indonesia
8. To examine if customer-brand engagement has a positive influence on brand loyalty for Spotify in Indonesia
9. To examine if consumer-brand identification moderates the relationship between (a) value congruity and customer-brand engagement, (b) value congruity and affective brand commitment, and (c) value congruity and brand loyalty to Spotify in Indonesia

1.4 Research Scope

The research has a scope limited to several conditions as listed below:

1. This research discusses Brand Loyalty, Value Congruity, Consumer-Brand Identification (CBI), Customer-Brand Engagement (CBE), and Affective Brand Commitment.
2. The respondents in this research are people who used to or still are subscribed to Spotify Premium in the Jabodetabek area, around the age range of 17-33.

1.5 Research Outline

A. Chapter I: Introduction

This section goes over the research background, research problem, research question, research objective, and research outline in greater detail.

B. Chapter II: Literature Review

This section expands on the entire existing theories and literature review of the research topic, which will be sourced from textbooks, journals, and other research sources. This chapter also includes the research model and hypothesis, which discuss various variables related to the research questions.

C. Chapter III: Research Methodology

This section will go over the research methodology used in this study, starting with the research paradigm, research object, research subject, unit of analysis, research design, types of variables, conceptual and operational definition, measurement scale, data resource and techniques, and design sample.

D. Chapter IV: Findings and Analysis

This section summarizes the findings of the relationships between the variables used in this study. With the data collected, the results of the statistical examination will be performed. The discussion's outcome will provide accurate data to answer the research questions, leading to the research's conclusion.

E. Chapter V: Conclusion and Recommendation

Based on the findings of the review of this research, the outcome and conclusion of research questions and other chapters are derived from this chapter, and recommendations for the future are made.

