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Explaining The Dark Side of Consumer Behavior: The Piracy Case of Internet Music Downloading

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ABSTRACT

This study investigated the effect of interpersonal of normative, interpersonal of informative, the awareness of legal aspect, price aspect, and gender on intention to perform the internet music downloading. The effect of intention to to act of internet music downloading was also tested. The result showed that only price aspect influenced the intention to perform of music downloading and the intention to perform of music downloading had the influence on the act of piracy. This research used structural equation modeling with program of *AMOS-4*.

Keywords: interpersonal of normative, interpersonal of informative, the awareness of legal aspect, price aspect, gender, age and internet music downloading.

1. Background

Piracy is the defined as the act of downloading, making or distributing copies of copyrighted anything to be sold without authorization from the manufacturer (Gupta, Gould, Pola, 2004). Piracy can be music, film, software, and document. However, nowadays, internet music piracy remains a persistent problem facing the music industry, especially file-sharing services persist and the growth of personal websites and music blog continues to grow. This piracy can be considered as the dark side of consumer behavior. Illegal music dissemination continues to flourish due to its convenience, low cost, and access to unlimited music selection (Chiang & Assane, 2007).

Based on review of Rolling Stone (2007), most recording industry executives believed that there is no doubt that internet music downloading is causing record sales drop until 15% in the first year of 2007. This is due to the online music pirating. The fact

that sales of blank compact disc (on which consumers often store downloaded music) is booming. It means that the number of burned music compact disc worldwide is about the same as the number of compact disc sold at retail. The continuing advancement of technology has played a key role in facilitation as well preventing internet music piracy. With the internet and its subsequent increase in bandwidth, music is digitalized and begin to be disseminated on a much larger scale (Lam & Tam, 2001). A major advancement in internet piracy occurred when Shawn Fanning developed a file-sharing software that became the original Napster, a service that was subsequently followed by Kazaa, Grokster, BitTorrent, and others. Today the popularity of personal websites and music blogs offer further means by which consumers can share music worldwide.

Whereas much of the investigation into consumer behavior examines purposeful choice behavior intended to optimize consumer utility, there is also a darker side to consumer behavior (Brian, 1994). The dark side usually deals with the impulsive and compulsive behaviors that can influence both the purchase of products and the consumption of them. The dark side of consumer behavior can include any consumer activity that can endanger life of society and uncontrollable.

Internet music piracy can be considered as the dark side of consumer behavior. The demand side of this problem is clearly an issue of consumer behavior. This such behavior of piracy can be harmful to businesses. Hirschman (1991) called for further research into the “dark side of consumer behavior”. It is the time for marketing scholar have to begin in greater depth issues of consumer misdeeds. Recently, some scholars have examined the problem of counterfeiting from the consumer’s perspective. Bloch, Bush, and Campbell (1993) reported on the consumer’s role in the growth of trademark

piracy. Wee, Tan, and Cheok (1995) studied variables other than price, such as age, income and product attribute that influence the purchase of counterfeiting product.

This research will explore the intention to perform of consumers doing internet download. First, interpersonal factor can influence consumers to download music from internet freely. Social pressure can lead people to follow rules as well as to break rules by joining of downloading music (Albers-Miller, 1999). This situation may encourage criminal behavior. A person with friends exhibiting deviant behavior is more likely to exhibit deviant behavior. Peer group support could create a social situation in which certain corrupt acts are tolerated and accepted. According to Bearden, Netemeyer, Teel (1989), interpersonal influence is considered an important determinant of an individual's purchasing intention and behavior. This interpersonal influence can be normative and informative. The previous is the willingness to conform to the expectations of others regarding purchase decision, and the latter is the tendency to learn about product and service by observing others or seeking information from others.

The second factor is the awareness of legal aspect. Music is a form of intellectual property. It is an abstract-oriented one at that when compared to other products and its theft may be viewed as a legal violation of either or both patent and copyright (Husted, 2000). It may also take the form of downloading music. Many consumers do not aware that internet music downloading is one kind of piracy because it copies copyrighted music without the permission of the recording company. If consumers download music from internet freely, they will ignore the rights of artists and record label for receiving payment for their labor and the right of copyright holders to protect their intellectual property. This relates to the low awareness of legal aspects.

The third factor is price factor. Price factors have been associated with illicit behavior (Dillon, 1989). Wee et al. (1995) suggested that price is the main motive for the purchase of pirated good and consumers will select pirated good over a genuine product offering if there is a price advantage. When the price factor becomes the trigger factor, consumers will buy pirated product including doing downloading music.

The fourth factor is demographic aspect. There are many demographic variables that might influence piracy, just as they might influence consumer behavior in general. This study focuses on gender that is particularly relevant to music piracy-gender. With respect to gender, research indicates gender differences among consumers with technology. Gopal and Sanders (1997) found that males were more likely to pirate than females.

2. Problem Formulation

Sometimes marketers do use free music files via internet to induce the potential demand of consumers. This marketing activities may cause consumers to think that downloading a music file will not be very serious. Consumers just download the music file for testing the flavor of the music. Since music piracy is illegal, the decision to purchase or download pirated music presents stimuli that evoke certain ethical dilemmas that affect consumers' ethical decision processes. Therefore it is important to examine the intention of internet music download and the behavior itself. The causes of this intention to perform are as follows.

- a. *Does interpersonal of normative influence the intention to perform internet music download?*
- b. *Does interpersonal of informative influence the intention to perform internet music download?*
- c. *Does the awareness of legal aspect influence the intention to perform internet music download?*
- d. *Does price aspect influence the intention to perform internet music download?*
- e. *Does gender influence the intention to perform the internet music download?*
- f. *Does the intention to perform influence the behavior of internet music download?*

2. Literature Review

The proposed model in this literature based on the theory of Reasoned Action represents a comprehensive integration of attitude components into a structure that is designed to lead to both better explanation and better prediction of behavior. Like the basic tricomponent attitude model, the theory of reasoned action model incorporates a cognitive component, an affective component, and a conative component (Schiffman & Kanuk, 2007).

In accordance with the expanded model, to understand intention, it also needs to measure the subjective norms that influence an individual's intention to act. A subjective norm can be measured directly by assessing a consumer's feeling as to what relevant others (family, friends, roommates) would think of the action being contemplated; that is would they look favorably or unfavorably on the anticipated action? They accomplish this by assessing the normative beliefs that the individual attributes to relevant others, as well as the individual's motivation to comply with each of the relevant others.

2.1. Normative Influence

In the domain of consumer behavior, interpersonal influence is considered an important determinant of an individual's purchasing behavior. According to Bearden et al. (1989), consumer susceptibility to interpersonal influence is defined as the need to identify with or enhance one's image in the opinion of significant others through the acquisition and use of product and brands, the willingness to conform to the expectations of others regarding purchase decision, and or the tendency to learn about products and services by observing others or seeking information from others. The definition reflects both the normative and informational dimension.

Normative influence is defined as influence to conform to the positive expectations of another. In the form of internet music downloading, if the act of piracy is acceptable in a group, the norm may have an impact on the piracy intention to download music from the internet and behavior. That is, if downloading music from internet is not an ethical issue defined a group, then the members of this group may regard internet music downloading an acceptable behavior without violating any ethical code (Tan & Farn, 2005). A person with friends exhibiting internet music downloading is more likely to exhibit the same manner. Peer group could create a social situation in which certain piracy acts are tolerated and accepted. Peer pressure to conform has been reported as a factor leading to inappropriate consuming behavior.

H1. The higher the normative influence , the higher the intention to download music from internet.

2.2. Informative Influence

Informative influence may occur in two ways. Individuals may either search from knowledgeable others or make inferences based upon the observation of the behavior of others. For those who download music from internet, the others' information about where to pirate, how to pirate and which to pirate may affect the individual's intention and behavior of soft lifting. Information about pirated music from other may be seen as one of the motivating factors of music piracy. Therefore it is logical to hypothesize that information influence may contribute to both internet music downloading.

H2. The higher the informative influence, the higher the intention to download music from internet.

2.3. The Awareness of Legal Aspect

Computer-related criminality seems to be linked to one's sense, level or perception of morality and morally appropriate *behavior* (Higgins & Makin, 2004). The development and strengthening of a moral system that views intellectual property theft as unacceptable perhaps then be the point of policy because justifications and rationalizations in support of the particular behavior are not fully needed.

Law is most effective when it coheres with the moral consensus of its subject and a climate must be created where individuals are expected to conform the legal norms (Hinduja, 2007). In the online realm, there is not yet any viable social sanctioning mechanism in place. The private sector has to be encouraged to develop technological safeguard and law enforcement to execute. Individuals must be informed of its process of

creation, and the authority figures in charge of promulgation and administration as legitimate and thereby feel compelled to respect and obey them.

In the form of internet music downloading, many people do not consider that it is a kind of piracy. There is a dispute between recording industry and online music service. There is a set of conflicting right: the right of artists and record label to receive payment from their labors versus the right of consumers to share their favorite songs with fellow internet users or downloading music freely; the right copyright holders to protect their intellectual property versus the right entrepreneur to push the limit of technology (Moon, 2005). When individuals do not aware and conceive that downloading music as intellectual property from internet is a kind of doing piracy, they do not attempt to embrace and respect it.

H3. The higher the awareness of legal aspect, the lower the intention to download music from internet.

2.4. The Price Aspect

Price factors have been associated with illicit behavior (Dillon, 1989). Wee et al. (1995) suggested that price is the main motive for the purchase of pirated good and consumers will select pirated good over a genuine product offering if there is a price advantage. When the price factor becomes the trigger factor, consumers will buy pirated product including doing downloading music.

In one side, consumers perceive that counterfeit product of pirated product have lower price and the poorer guaranties (Huang, 2004). Meanwhile in another side, consumers perceive that counterfeit product is not always bad. Consumers do not relate

that the counterfeit product has the bad quality. Furthermore, in the form of internet music downloading, the quality of music is as good as the original one. Consumers in this case, are usually price sensitive. They consider that the original one is much expensive and unaffordable. When individuals are price sensitive, they will obtain the music by downloading from internet.

H4. The higher the sensitivity of legal aspect, the lower the intention to download music from internet.

2.5. The Gender Aspect

Sex or gender has been included as a variable affecting attitude in the ethical decision making. Previous research has focused on the effect of individual characteristics on attitude, and found that individual and personal factors influence attitude toward software piracy. Other studies have examined the relationship between attitude and different personal characteristics/traits-age, sex, among others. While some studies found that gender has no influences, other studies have found gender to have influence ethical decision (Leonard & Cronan, 2001). Individual characteristics and attributes have been used frequently in the ethics literature to predict ethical decision making. The ethics literature suggests that females have a higher ethical standard than males (Ford & Richardson, 1994). Male students pirated software more often than female students did. It is expected that females would have a lower attitude towards digital piracy than males.

H5. Females have a lower attitude towards piracy.

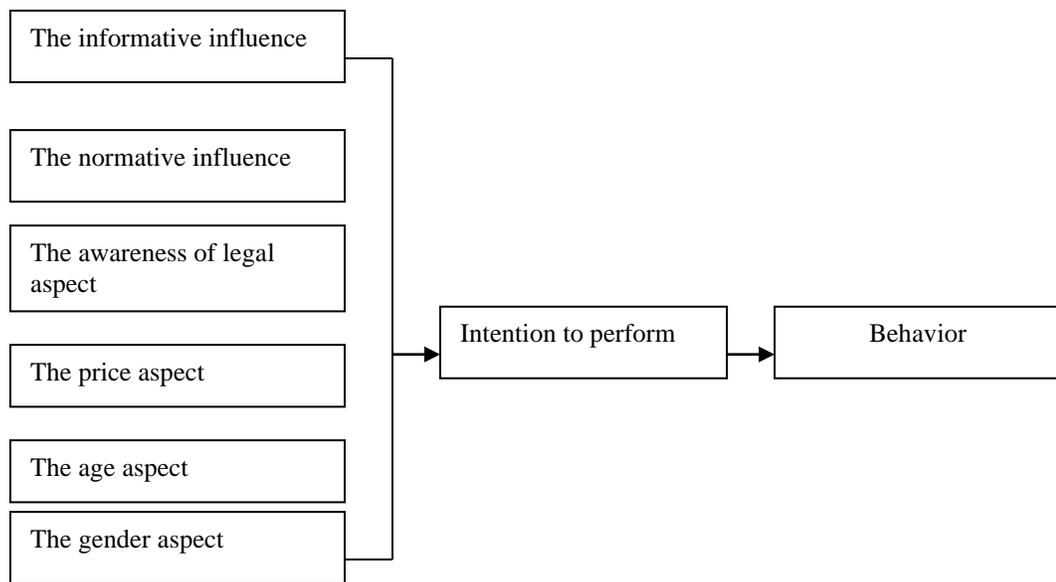


Figure 1.1. The Conceptual Model of the Research

3. Methodology

3.1. Subjects

The unit analysis in this study is a university student. University students represent a market segment that is technologically savvy and exhibit high demand for music. A number of recent papers have studied the role of personal characteristic and environmental factors to study university students with respect to music consumption and piracy. The study of Chiang and Assane (2002) found that among college students, class standing and field of study are important determinants of piracy with senior students and technical majors exhibiting higher propensities is due to peer effects particularly in a college environment.

3.2. Data Collection Method

The data gathering instrument is a self-administered questionnaires consisting a number of questions. To obtain a representative sample, a purposive sampling approach is adopted to a sample of respondent with distribution that approximates the populations statistics and qualified to participate the survey. The criteria are 1) the subjects have interest in music; 2) have a high frequency interacting with internet, 3) each respondent has at least one personal computer used on a regular basis.

3.3. Variable Measurement

The development of the scale items used in this study reflects various piracy related issues that is based on academic literature. Statements used to measure variabels were five point Likert scales, with one indicating the most disagreeable and four indicating the most agreeable. The variables of normative and informative influence were measured using the scale of Consumer Susceptibility to Interpersonal Influence (Bearden, et al., 1989). The awareness of legal aspect was measured using the scale developed by Wang, Zhang, and Ouyang (2005). The behavior intention was measured using the scale developed by Chiou et.al (2005). The pirating behavior (behavior to download music from internet) was measured using the scale developed by Woolley and Eining (2006). For the measurement of gender, respondents were asked to indicate the one that best represents.

4. The Data Analysis

This empirical study used college students at universities in Jakarta. Based on the research of Mitchell and Walsh (2000), the use of college students in the research did not show that there is a difference between sexes in choosing a product. The sampling method is purposive sampling. The criteria were (1) aged between 18-24 years old; (2) had a hobby of listening music; (3) had an experience of downloading music from internet freely.

The research method used a survey with distributing questionnaires. The collecting data were done within a month, namely January 2009. The number of distributed questionnaires was 150 exemplars. The returned questionnaires were 140 exemplars. It showed that the rate of returned research questionnaires was 90 percent. This research used structural equation modeling with program of *AMOS-4*.

The test validity of Table 1.1. in the study can be concluded that, not all dimensions or indicator could be used for further analysis, namely the indicator Legal3, Legal4, Legal5, Legal7, Legal 10 of legal aspect variabel, and Int4 of intention variable. The change of measurement model could result in the change of the construct measurement parameter including the content of indicators or dimension, the measurement error, and construct variance.

Legal3 was “music downloading from internet can make the artists unable to obtain royalty”; Legal4 was “ without downloading music from the internet, consumers were not able to enjoy music”; Legal5 was “music accessed from internet has the same quality as the original one”; Legal7 was “clicking You Tube was only for listening not for accessing songs”; Legal10 was “accessing music from internet could easily be done because it was not easily caught by the police”. These indicators were supposed to be

accepted. However, these indicators were not further analyzed because these indicators were assumed to have ambiguous information that could not easily understood by the respondents.

Table 1.1. The Validity Test of the Measurement Instrument

Construct	Item		Factor Loading	Construct	Item		Factor Loading
	Number	Code			Number	Code	
Legal Aspect	10	Legal1	0,549	Interpersonal Informative	4	Inform1	0,691
		Legal2	0,461			Inform 2	0,619
		Legal3	0,386			Inform3	0,555
		Legal4	0,071			Inform4	0,451
		Legal5	0,143	Interpersonal Normative	5	Norm1	0,660
		Legal6	0,619			Norm 2	0,753
		Legal7	0,299			Norm 3	0,699
		Legal8	0,503			Norm 4	0,780
		Legal9	0,520			Norm5	0,682
		Legal10	0,116				
Intention	4	Int1	0,476	Price	3	Price1	0,720
		Int2	0,462			Price2	0,634
		Int3	0,472			Price3	0,563
		Int4	0,182				
Piracy	3	Piracy1	0,578				
		Piracy2	0,406				
		Piracy3	0,615				

Eventhough, some of question items were not valid, there were some reasons to explain the validity of the legal aspect, interpersonal informative, interpersonal normative, intention, piracy, and price. First, the respondents answer format could influence the validity. Podsakoff, Mackenzie, Podsakoff (2003) argue that, the measurement format could influence respondent's ability to give answers. Related to measurement format, the researcher had to pay attention to the category which consisted of a number of responses. The number of response had to be equal in order to make easier for respondents to answer. The used scale could show the measured attribute difference. This study used the Likert scale with adjoining the numerical answers and the explanation, namely slightly disagree, neutral, totally agree etc. The objective was to help respondents to comprehend and to answer the questionnaires.

Second, the ability of respondents to remember the past experience. Related to this, the aspect of remembering was the main focus in the research (Menon, Raghurir, & Schwarz, 1995). It meant that the questions to be given to the respondents must be in their memory. The indicators were still able to be answered by the respondents. The respondents were required to give their response of their experience from downloading music from the internet. This activity might be done in a high frequency rate therefore, they were easy to be asked such questions in the questionnaires.

Table 1.2. shows that constructs in research model had a good discriminant validity. Nunally (1978) argued that, discriminant validity could be evaluated from the low correlation among constructs in research model. The good discriminant validity meant that the indicators measuring the construct did not have a correlation with the indicators measuring other constructs.

Tabel 1.2. Construct Correlation

	Intention	Legal aspect	Price	Normative	Informative
Intention		0.014	0.393	0.189	0.170
Legal aspect	0.014		0.042	0.193	0.061
Price	0.393	0.042		0.356	0.282
Normative	0.189	0.193	0.356		0.516
Informative	0.170	0.061	0.282	0.516	

The reliability analysis with SPSS-11 at Table 1.3. showed that the measurement instruments showed the consistent result so the non-systematic errors could be avoided. Ghiselli, Campbell, and Zedeck (1981) identified several aspects to avoid the non-systematic errors that can influence the reliability coefficient. First, the reliability coefficient could be guaranteed because it was related to the specific situation, namely the location of questionnaires filling (Churchill, 1979). The background of studying situation in class could support the respondents as college students to fill the

questionnaires. The hectic condition could be avoided so it did not disturb the concentration of respondents in filling the questionnaires. Second, the respondents' condition could influence the reliability coefficient. The respondents answered the questionnaires at the beginning of class. In addition, some subjects used in this study were method research, especially survey and measurement instrument. In filling the questionnaires, the students were also given the direction.

Table 1.3. The Testing of Instrument Reliability

	Items	Cronbach Alpha
Interpersonal informative	4	0.759
Interpersonal normative	5	0.881
Legal Aspect	10	0.715
Price	3	0.790
Piracy	3	0.710
Intention	4	0.743

The test result of structural model also in Figure 1.2. showed that, the variables of informative influence, normative influence, legal aspect did not show that there was a significant influence on acting or piracy. Meanwhile, the variabels of price had a significant influence of intention to piracy and the intention to act of piracy had a significant influence on act of piracy.

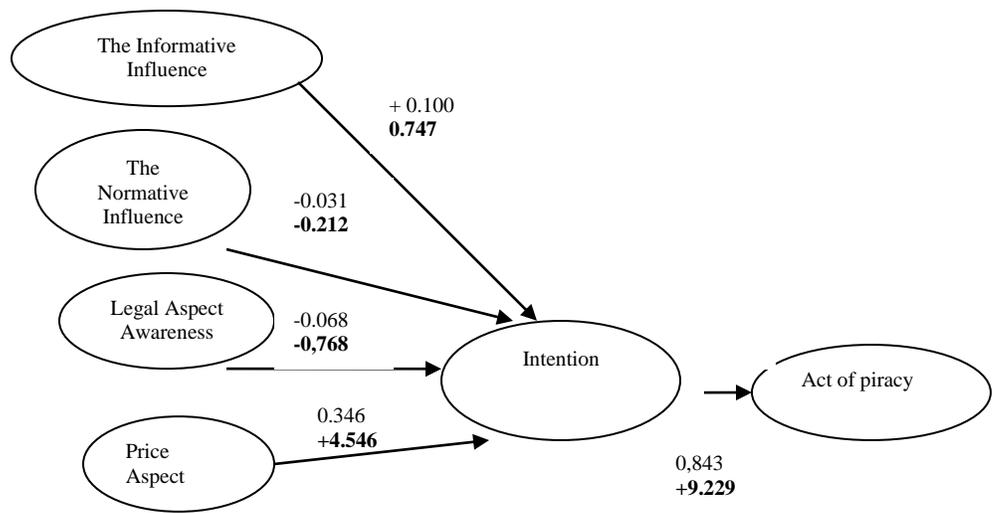


Figure 1.2. The Empirical Research Model

Table 1.4. explained the index of goodness of fit of the research model. The analysis was run with the program *AMOS-4*. The low chi-square value with the level of significance less than 0.05 or 0.001 showed that the true input matrix was different from the predicted input matrix (Hair, Anderson, Tatham & Black, 1998). It also means that the proposed model was different with the analyzed model. It was also supported by the rejected variables to explain the act of piracy. The value of chi square in this study was high, 442.781 and the level of significance 0.00. The value of goodness of fit showed that the model ability to extract empirical data was low. However, this index was not the only one to determine the model whether it had goodness of fit or not. There were some others indexes such as GFI, RMSEA, AGFI, and CFI. These indices showed the average index of model. In other words, the model was relatively acceptable to explain the act of piracy.

Table 1.4. Goodness of Fit of the Model

Type goodness of fit model	Index goodness of fit model	Recommended Value	Result	Notes
Absolute fit measures	Chi-Square Statistic (χ^2 atau CMIN)	0.000 ≥ 0.05	442.871 0.000	Bad
	GFI	≥ 0.90	0.900	Medium
	RMSEA	≤ 0.08	0.401	Good
Incremental fit measures	AGFI	≥ 0.90	-0.880	Medium
	CFI	≥ 0.90	0.760	Medium
Parsimonious fit measures	Normed χ^2 (CMIN/DF)	$1 \leq \text{Normed } \chi^2 \leq 5$	1.838	Good

4.1. Hypothesis Analysis

Sex or gender has been included as a variable affecting attitude in the ethical decision making. Previous research has focused on the effect of individual characteristics on attitude, and found that individual and personal factors do influence attitude toward software piracy. Male students pirated software more often than female students. It is expected that females would have a lower attitude towards digital piracy than males. However, in this study, it showed that females had the same ethical standard as males did. Based on the analysis of variance, the significance value was 0.999. It indicated that there was no difference between male and female.

Both male and female also acted piracy. Eventhough there is no hard evidence, internet music downloading is considered to be little higher in the university environment than elsewhere. This study also indicated that efforts by university educators, and enforcement of laws have not dampened the proliferation of softlifting.

The Influence of Price Aspect

Piracy is the greatest threat facing the music industry worldwide today. Since CDs remain the record industry's biggest profit engine, many analysts worry that the industry

will be particularly vulnerable to inventory reductions at retail stores. Despite the growth of online music sales, CDs remain by far the most popular format, although that hold is slipping; 361 million CDs were sold in 2008, down almost 20 percent from the previous year. About 84 percent of all album purchases were CDs, down from 90 percent the year before (The New York Times, 2008). Millions of copyrighted works are available online, and the number is growing as music downloading became one of the fastest growing activities on the internet. There is still no sign when the declining trend of copyrighted CD sales will stop. In this case, music downloaders from internet deny that there doing anything wrong and blame the music industry for charging high price. Some consumers even claim that the entertainers also do not seem worse off because music product piracy as they still enjoy a high income and live in a bountiful way (Ang, Cheng, Lim, & Tambyah, 2001). What is worse that many consumers have no idea that they are infringing other's copyrights when they download one or a few songs from the internet.

The result of this study confirms that the high price is the bases for consumer to do the unauthorized music download. They try to insist marketers to market music product at reasonable price and improve the quality of the music products continuously. The willingness to buy is negatively associated with the selling price of the good offered. Price will provide a higher degree of influence in decision to do internet downloading. End-users complain that music CD is always priced higher than they can afford, and hence they resort to piracy. The problem is compounded when 'licencing' issues kick in and a medium-sized organisation cannot afford to pay such high costs. The variable of legal awareness, interpersonal influence both informative and normative are not considered furthermore to explain the act of piracy.

Besides financial losses, internet music downloading results in loss of reputation and marketshare for music recording company, reduction in growth for the music industry, and loss of tax revenue for the government. If internet music downloading in a country is not addressed urgently, investments will be affected.

Further Discussion

The proliferation of free music via the internet may create ethical ambiguity. Some musical acts have voiced strong opinions against music piracy while others have embraced the provision of free music via the internet. Sharing proprietary creative work with the society and the reproduction of others' work are acceptable ways of promoting, learning and admiring their talents. For many people it is as simple as opening one of many peer-to-peer file share programs, selecting the tracks, downloading and burning to a CD-ROM. Exactly, downloading music is the copyright protection laws that people break everyday by downloading some music tracks off the Internet. However, laws regarding the sharing and downloading of music on the Internet vary from country to country. In Canada, for example, downloading copyright music from peer-to-peer networks is legal, but uploading those files is not. Additionally Canada has imposed fees on recording mediums like blank CDs and similar items. These levies are used to fund musicians and songwriters for revenues lost due to consumer copying. The U.S. Digital Millennium Copyright Act is much more strict and deems copying of copyrighted music (with the exception of making a copy for your own use) as illegal. The U.S. Code protects copyright owners from the unauthorized reproduction, adaptation or distribution of sound recordings, as well as certain digital performances to the public. In more general terms, it

is considered legal for you to purchase a music CD and record (rip) it to MP3 files for your own use. Uploading these files via peer-to-peer networks would constitute a breach of the law (Webopedia, 2008).

One of the big issues concerning the music industry is, of course, the revenue loss. If a consumer is able to download his or her favorite music off the Internet, that person would not need to purchase the CD at a local music store. It is obvious that the music industry has to be losing some money due to Internet music file sharing, but finding the exact amount lost due to music downloading isn't so simple. One thing that is for certain however is that the loss affects the industry, the musicians, and even sound technicians, recording studios, and music stores. In recent months there have been more cases of music piracy heading to the courts. Based on RIAA (Recording Industry Association of America), the penalties for breaching the copyright act differ slightly depending upon whether the infringing is for commercial or private financial gain. If a person is caught infringing on these copyright laws will result in a small fine. In the U.S., the online infringement of copyrighted music can be punished by up to three years in prison and \$250,000 in fines. Repeat offenders can be imprisoned up to six years. Individuals also may be held civilly liable, regardless of whether the activity is for profit, for actual damages or lost profits, or for statutory damages up to \$150,000 per infringed copyright.

However, the enforcement law in Indonesia is still low. Both the government and marketer should also promote group consensus within the society on the issues of music piracy behavior. It is recognized that behavior of internet music downloading possess a

high level of seriousness of the ethical consequences. Marketer should also focus more on letting consumers know about the serious consequences of music piracy to the future of the music industry and show how much piracy can affect the survival of the music industry. They have the responsibility to educate consumers on what is free and what is not because there is evidence that reducing price to a minimum does not have a significant effect of reducing internet music downloading. If consumers can understand the seriousness of the issue, they will reduce the possibility of music piracy behavior. Ethical awareness programs in the formal education system and public campaign are very important to gradually build up in the society.

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