

CHAPTER I

INTRODUCTION

1.1 Background

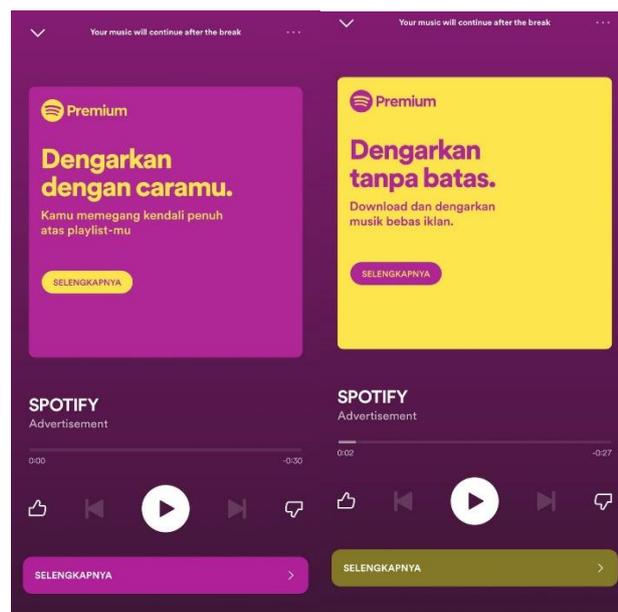
Advertising plays an important role of marketing in shaping consumer perceptions and attitudes towards a brand. In line with Maddodi & Upadhyaya (2023) considering the rapid growth of in-app advertising as a mobile advertising format, it is necessary to understand consumer behavior and its efficacy in many contexts. Over the upcoming years, in-app advertising is expected to play a major role in driving mobile advertising. Similar to how Spotify, a music streaming app, introduces and promotes its premium services through in-app advertising.

While free users are listening to music, Spotify inserts audio ads that promoting the benefits of Spotify premium (Audio ads). These ads typically last around 30 seconds and un-skippable which highlight the superior features, For instances;

1. Bread and jam, flowers and beetles, romeo and juliet. some things in life, are meant to be together. Same as listening to songs offline without ads and without limits on spotify premium, only Rp. 54.990 per month!
2. "Ready to take control of your music? Enjoy your favourite playlists and albums. Where each song jumps directly to the next, thanks to uninterrupted music playback, there are lots of ways to listen to songs with Spotify premium, tap the banner to learn more!"
3. "No need to guess what song will play next, turn off shuffle to listen to an album from the start until the end, while enjoying uninterrupted music, enjoy more ways to keep having fun with Spotify premium, tap the banner to learn more!"

“Find playlists and communities with the same music tastes as yours. Listening to music offline with Spotify premium allows you to try several music genres and find your community. Don't miss 3 months for only Rp. 54,990 and can be cancelled at any time, tap the banner for details!

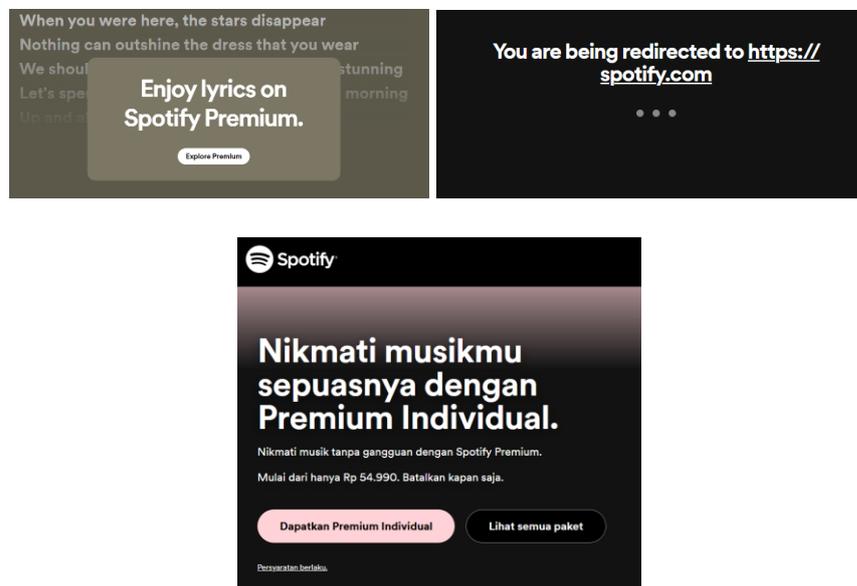
4. “Explore more music without ads interruptions, listen to millions of songs without ads with Spotify premium now! Get 3 months only Rp. 54,990 and can be cancelled at any time, tap the banner for details!
5. "Music is personal, take control to set the mood from start until the end with Spotify premium, listen to all your favourite playlists and albums in any order, can download songs and listen offline without ad breaks, listen to music without interruption, tap the banner to more!



Graphic 1.1.1 Spotify In-app advertisement (Display ads)

Through the banner advertisement (Display ads) that pop-up when the consumer listens to the audio ad can be clicked and then the consumer goes straight to the special Spotify premium page. Conformity to Spotify Premium - Spotify (ID) (2024) consumers will see substantial value from premium features with the fact that consumers can download the music and listen to it anywhere without the need of internet. Moreover, consumers can listen to the

music freely without the interference of ads. Consumers can choose to play any song in any order they want without the skip limit on their mobile phone. Consumers can also listen with friends in real-time. Consumers can also manage the song queue. Consumers can also access exclusive feature such as your Music Capsule, as well as access to exclusive content such as listening parties with artists and early access to the latest K-pop videos on K-pop ON! Hub. Higher sound quality is also provided in the premium service.



Graphic 1.1.2 Spotify In-app advertisement in lyrics features (Display ads)

Likewise Display ads and Audio ads which interrupt users while enjoying Songs/playlists/albums, When Spotify users use the lyrics features on Spotify, premium advertisements appear as well onscreen due to the number of lyrics that can be viewed is limited. The lyrics even may not be available for some songs and devices.

Price relativity is also offered by Spotify on the special Spotify premium page, there are various packages with different prices and benefits. There are Spotify Mini with IDR 2,500/day, Individual with IDR 54,990/month, Duos with 71,490/month, Family with IDR 86,900/month, and

special discounts for eligible university level students. Each of the packages has different extra benefits (Spotify Premium - Spotify (ID), 2024).

Consumers who are frequently exposed to interesting Spotify advertisements tend to develop a positive attitude towards Spotify premium version. In line with Schmidt & Eisend (2015) frequent advertising exposure, around 10 exposures, leads to maximum positive attitude towards the brand. Moreover, small number of repetitions will lead to small effects only, meanwhile up to 10 exposure levels should be chosen in order to maximizing effects on attitudes; thus, the more exposure levels are needed for establishing effects on recall. Therefore, the in-app advertising might increase consumers' trust and loyalty towards Spotify. In conformity with Cheung & To (2017) the favourable attitude increases user's intention to watch in-app advertisements, and thus results in the desirable behavior. However, empirical data shows that the percentage increase in premium subscribers from year to year has actually decreased rather than increased. Music Business Worldwide (MBW) that is a leading information service for the global music industry conduct annual research on Spotify streaming music application to examine the quantitative data of premium subscriber. According to Stassen (2021) there is an increasement of premium subscriber in quarter 1 2021 with 21% compared to the previous year. However, in quarter 1 of 2022 and 2023 showed a declining number of the increasement number with only 15% compared to quarter 1 2021 (Stassen, 2023). Moreover, in quarter 1 of 2024 even showing a lower amount of premium subscriber increasement with only 14% (Stassen, 2024). Therefore, the number of increases in premium subscriber sales has actually decreased from year to year, whereas Spotify should be able to maintain a significant growth of premium subscriber increasement through the in-app advertising that have been carried out.

This empirical data raises questions about the effectiveness of advertising in the Spotify streaming music application in encouraging ad-supported users to convert to premium services. Therefore, it is very important

to examine whether the perceived in-app advertising and brand associations formed with Spotify are correlating to the consumer decision of buying premium services.

1.2 Research Problem

In-app advertising that have been carried out by Spotify, it is expected that when consumers are exposed to the advertising messages such as premium services offer a higher sound quality, ad-free listening, enable offline listening, offering exclusive content and et cetera will then lead the consumers to create positive feelings and attitudes towards the brand which then eventually will drive consumers into buying the premium services. Hence, the more consumers are exposed with in-app advertising, the higher consumer's possibility of subscribing. Consumers will be interested in the premium services offered. Therefore, the increasement of premium subscriber year over year should always rising. However, the annual data shows that there is a lessen amount of premium subscriber increasement percentage year over year in the last 3 years (i.e. 2022 with 15% increasement, 2023 with 15% increasement, 2024 with only 14% increasement) compared to 2021 with 21% premium subscriber increasement.

However, there is a study that have examined the influence of Spotify premium service advertising on Consumer subscription interest in Bandung City. In compliance with Maulana et al., (2022) there is a significant and quite strong and unidirectional relationship between the awareness that consumers feel from advertisements for Spotify premium services and their purchasing interest. Additionally, there is also a significant, strong and unidirectional relationship with Trial, Reinforcement and the attraction felt by consumers due to the presence of Spotify service advertisements in the application. Moreover, there is an analysis regarding the influence of advertising attractiveness and brand image on purchase intention for Spotify premium

services. In line with Pratama (2018) the attractiveness of advertisements shown to free-users with the message of offering to switch to premium services which are offered with various prices has a significant positive effect on interest in purchasing premium services and brand image also has a significant positive effect on interested in purchasing premium services. Therefore, the gap that occurs in the current empirical data of Spotify and also previous research shows that this research indicates significancy to be conducted.

The advertising in the Spotify application is expected to play an important role in forming positive perceptions in which consumers are attracted to it and then form positive feelings and attitudes which ultimately lead the consumers to purchasing premium services. However, in reality, the percentage increase in premium subscribers from year to year over the last 3 years shows that it has actually decreased. As a result, this study is important to examine the correlation of perceived In-app advertising and brand association of Spotify streaming music application and consumer purchasing decision of premium services.

- Research question:

Is there a correlation between perceived in-app advertising and brand association of the Spotify music streaming application with consumer purchasing decision of premium services?

1.3 Research Objective

This research is to examine the correlation between perceived in-app advertising and brand association of the Spotify music streaming application with consumer purchasing decision of premium services.

1.4 Research Significance

Practically: This research is observed to provide insight or a better understanding of brands that will implement in-app advertising in the future and strive to form positive brand associations so that they can encourage consumers to buy their product/service offered. Hence, the brand can make observations first through the results of correlation research on the perception of in-app advertising and the brand association of Spotify streaming music application with consumer purchasing decisions to purchase premium services.

Academically: The results of this study can become a reference for future research studies in the field of communication science related to the correlation between perceived in-app advertising and brand association of Spotify streaming music application with consumer purchasing decisions of premium services.

Socially: This research is examined to provide insight for society in terms of providing some general understanding about the correlation between perceived in-app advertising and brand association of Spotify streaming music application with consumer purchasing decision of premium services.

1.5 Theoretical Framework

1.5.1 State of the Art

“The influence of Spotify premium services advertising on consumer subscription interest in Bandung city” by Maulana et al., (2022) used the theory of A-T-R as an indicator of the independent variable and the AISAS model as an indicator of the dependent variable. This study used quantitative method with data collection techniques through questionnaires aimed at digital natives aged 18-34 years totalling 272 respondents. The findings of the research show that there is an impact of attractiveness variables such as awareness, trial, and

reinforcement, on the buying interest variable seen from the significant and unidirectional correlation between variable X and Variable Y. Spotify premium service advertisements have been structured in a manner to establish an Awareness, Trial, and Reinforcement consumers, that eventually leads into a purchase decision. The research has supported the assertion that viewers can be persuaded through advertising.

“Analysis of the Influence of Advertising Attractiveness, Brand Image, and Price Perceptions on Purchase Interest in Spotify Premium Services” by (Pratama, 2018). It used the theory of consumer behaviour as a grand theory. The research sample used in this research was 200 respondents who used Spotify. The data used was primary data taken directly from the respondents. The study indicates that an impact exists both individually and concurrently of attractiveness of advertisement (X1), brand image (X2), and perception of price (X3) on purchasing intentions (Y). The results of partial test (t-test) show that attractiveness of advertising has influenced positively strongly to purchasing intentions, followed by attractiveness of advertising, and perception of price.

Wardhani & Alif (2019), examined “The Effect of Advertising Exposure on Attitude Toward the Advertising and the Brand and Purchase Intention in Instagram.” The study used Structural equation modelling (SEM) to analyze the effect of advertising exposure dimensions (emotional appeals, informativeness, advertising creativity, and entertainment) on attitude and purchase intention of Instagram users in Indonesia. The research demographic consists of Instagram audiences in Indonesia, while the sample concentrates on those between 16 and 35 years old. The data used was primary data taken directly from the respondents through questionnaire. According to the result, the advertising exposures such as emotional appeals, informativeness, and entertainment hold an important part in affecting the attitude toward

advertising and brand. Out of the four advertising exposures variables, informativeness only influence the attitude toward the advertising, while the entertainment influences both.

Fadlillah (2021), observed "The influence of perceptions of advertising on online purchasing decisions (Study of student Shopee users in Ungaran)." The sampling method in this research is non-probability sampling, through dispersing surveys among participants and employing purposive sampling techniques. The characteristics determined by researchers in this study are, students aged 18-25 who live in Ungaran, have seen Shopee advertisements, have a Shopee account and have made online purchases at Shopee at least 3 (three) times. According to the findings and data evaluation and conversations that have been conducted regarding the influence of perceptions of advertising on online purchasing decisions (studies on student Shopee users in Ungaran and based on the problem formulation that has been presented, the researcher concludes that there is an influence of perceptions of advertising on existing purchasing decisions to student Shopee users in Ungaran.

Furthermore, there is also an analysis by Supiyandi et al., (2022) that examined "The relationship between brand equity dimension (brand awareness, perceived quality, brand associations, and brand loyalty) of Shopee on consumers' purchasing decisions." The study underlined the statement by Aaker, the brand equity of a product or service is influenced by several elements including brand image, perceived quality, brand association, brand awareness, brand loyalty, and country of origin. This can all increase or decrease a product or service's value. Aaker also stated that buying stability, buying considerations, and conformity of attributes with wants and needs are indicators of purchasing decisions. Consumers taking brand equity into consideration in purchase decision since it can create a positive image. The quantitative approach with an

analysis of causal relationship is applied in this study. The results shows that brand awareness and brand loyalty have positive and significant influence on purchasing decisions. Then, the perceived quality has a positive and noteworthy impact on purchasing items online through Shopee. However, the brand association fails to favourably and substantially impact buyers' purchasing decision.

Based on the journals, it can be concluded that there is a positive correlation between perceived in-app advertising and brand association of the Spotify music streaming application with consumer purchasing decision of premium services. However, there is a result by Supiyandi et al., (2022) shows that brand association does not positively and significantly influence consumers' purchasing decision. On that count, the result differences further strengthen the researcher's propensity to re-examine the correlation between perceived intensity of in-app advertising (X1) and brand association of the Spotify music streaming application (X2) with consumer purchasing decision of premium services (Y).

1.5.2 Research Paradigm

Fundamentally, paradigm is a core model or framework that structures our understanding of something. Positivists assume an objective reality of Cause and affect relations (Causal relationship). The authors underlined Auguste Comte's view that the objective reality is exists and we can discover the laws of cause and effect by systematic and rigorous empirical observation, therefore it means that positivism is established to describe scientific approach (Baxter & Babbie, 2003).

Positivism paradigm believe in objective reality that only can be observed through empirical observation; study of the variables; development of the theories that permit forecast, clarification, and

manage; the investigation for the laws that are generalized; and observations which only in quantitative data form. An objective reality means that Positivism researcher should minimize the subjectivity of the researcher with gathering empirical observation on objective ways. The study of variables indicates that the researcher can study the features of the individual and the attribute assembling the variables. Attribute shows the characteristic/quality that describe the object/phenomenon, meanwhile the variables are the logical grouping of attribute. The theory of positive paradigm will show the relation that we expect between the variables logically, especially the causality between the two variables (Independent variable and dependent variable). A person's attribute could be the cause and impact another variable's attribute. Generalized laws; 1. Nomothetic shows different kind of explanation. It seeks to explain the factor by using few explanatory factors, and comparisons in each explanation, it accepts a partial explanation rather than a comprehensive one, 2. Idiographic is emphasizing the causality which is a single situation caused by some circumstances which is unique, or distinct so that we fully understand the caused, even though the explanations limited. We believe we have a clear understanding of the reasons why this specific occurrence occurred after finishing an idiographic explanation. To completely explain one situation is one of the idiographic explanation's components (Baxter & Babbie, 2003).

Positivism Paradigm is the most relate with this research because it has the main characteristic of using quantitative data which is similar with the form of the desired data and it sees the reality as objective and also there is empirical reality that could be understood through the results of the analysis on the statistical data. Moreover, it seeks the causal relationship between the three variables.

1.5.3 Variable description

1.5.3.1 Perceived In-App Advertising

There are various meanings of perception by communication experts. According to Harrell in Morissan (2010) perception is a procedure used by an individual to select, organize and interpret information input to form a significant image of the universe. In line with Schiffman & Kanuk (2008) argue that perception is defined as the process of individual selection, organizing, and interpretation of stimuli as a meaningful and reasonable image of the world. Another opinion from Kotler & Armstrong (2012) is that perception is the procedure of selecting, organizing and translating incoming information to create a meaningful picture of the world. According to the views previously stated, it can be inferred that perception is a cognitive process carried out by individuals through their senses in order to select, organize, store and interpret information to make it meaningful.

Brand need to consider advertising within applications, in addition to the option to advertise on mobile sites (Rowles, 2017). In-app advertising can be done from the perspective of a brand to carry out advertising campaigns in applications that are suitable and used by targeted audiences. Because even though there are many ad formats that are very similar between mobile sites and apps, there are only a few exclusive options that are only suitable for in-app advertisements.

Therefore, by applying the concepts of perception outlined in the definitions provided, it can be understood that the perceived in-app advertising as the result of audience's cognitive processes of selecting, organizing, and interpreting the ads information they encounter within the in-app advertisements,

The characteristics of in-app advertising will later be perceived by targeted audiences. According to Ducoffe (1996) advertising characteristics such as entertainment, informativeness, and irritation influence attitudes towards online advertising. Entertainment and informativeness have a positive influence on attitudes.

1.5.3.2 Brand Association of Spotify

Anything that is "associated" to a brand in memory is called a brand association. McDonald's may be associated with a character like Ronald McDonald, a market category like children, or an emotion like fun. The product characteristic such as service, a simple, lifestyle, or such activity could be used as an association. The association is not just existing, but it also has a certain amount of power (Aaker, 1991).

Associations generate value to the firm and its customer in; 1. Help Process/Retrieve Information, basically associations which consisting set of facts and specification will be helpful for the customer to process and access, therefore it is also give an easiness towards the company to communicate their brand. Associations can also influence the facts of interpretations, it is when a company use a tagline of a product that expected will fulfilling the desired interpretation by the customer is achieved. Additionally, associations might affect the recollection of information, particularly when making decisions, 2. Differentiate, the majority of consumers are unable to tell one brand from another in some product categories, including wines, fragrances, and clothing. The brand name's associations can then be extremely important in differentiating one brand from another. If a brand is well-positioned in comparison to other brands based on the key diagnostic in the product class, it could provide a

considerable competitive advantage, or upon an application (Competitors will face a hardship to attack)., 3. Reason-To-Buy, many brand associations include features of products or benefits for customers that give particular reasons to buy and utilize the brand, thus it represents a fundamental aspect for purchase decision, 4. Create Positive Attitudes/Feelings, usually the associations to a brand are stimulate likeable and positive feelings which then impact the brand, 5. Basis for Extensions, an association can serve as the foundation for an extension by encouraging consumers to feel that the brand name and a new product are connected or by offering a motivation for purchasing the extension (Aaker, 1991).

If a brand is already well-known, it will be simpler for everyone to relate to a large number of associations. As explained by Aaker (1991) a significant number of associations towards a brand with huge name could be applicable to almost everyone such as Sears, IBM, Bank of America, or Levi Strauss. There are eleven types of associations; 1. Product Attributes, associating an object with a feature or attribute of a product is probably the most used placement technique. When the attribute is significant, these associations may be immediately transformed into reasons either in favour of or contrary to purchasing a brand, hence creating them is effective. For instances, when Volvo stressing their products to durability, or BMW, in contrary, emphasizes handling and performance under the slogan "The ultimate driving machine.", 2. Customer Benefits, since most product characteristics benefit customers, there is frequently a one-to-one correlation between them. Similar to this, BMW's good handling (a product characteristic) gives customers a satisfying driving experience (customer benefit), 3. Relative price, one product attribute that is so useful and common that it seems logical to

think of it separately is relative price. There are five well-developed price levels in some product classifications. Finding out where a brand stands in relation to one or more of these price levels will be the first step in evaluating it for use in various product categories. For instance, mainstream premium products and super-premium category products which perceived and expected has a higher quality and deserve a higher price. Moreover, customers would expect a higher cost and quality level from the highest category product. Meanwhile the economy category and the lowest store brands have a low expected price and quality by the customers. However, the brand that marking a premium segment should provide credible quality due to the higher expectations, 4. Use/Application, associating the brand with a function or application is another approach. For instance, when a food and beverage brand associate itself as a lunchtime product by promoting through noontime radio. Moreover, as a telephone company, Bell as a brand associate the long-distance relationship with the loved ones using the tag line ‘‘Reach out and touch someone’’ campaign, or the Coors beer that associate their products with outdoors, mountains, and hiking vibes,

On that count, it means that if a brand associates themselves with many recognizable and positive attributes, the brand enabling the consumers with concepts, visuals, and attitudes that can lead into brand recall and in turn make it easier for the consumer to associate the brand towards particular ways.

1.5.3.3 Consumers purchasing decision of Premium services on the Spotify music streaming application

According to Kotler & Armstrong (2012), purchase

decision is the buyers' decision about which brand to purchase, that is the most preferred brand.

1.5.4 The correlation between perceived in-app advertising and brand association of the Spotify music streaming application with consumer purchasing decision of premium services

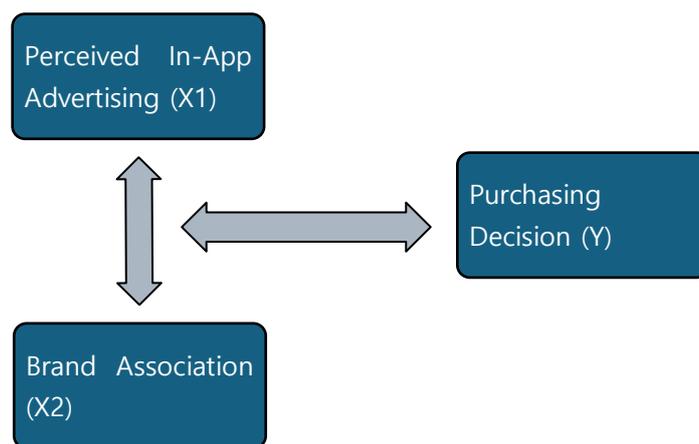
This study uses advertising exposure to examine the correlation between perceived in-app advertising and brand association of the Spotify music streaming application with consumer purchasing decision of premium services. In compliance with Batra et al., (1996) if consumers are exposed to the advertising messages, it will create certain feelings and attitudes towards the brand which could drive consumers to buy the products. Hence, frequent in-app advertising exposure will enhance brand awareness in the minds of the audience which will make the audience feel more familiar with the Spotify streaming music application. Therefore, when Spotify streaming music application consumers are exposed to in-app advertising which effectively shows the benefits and advantages of premium services compared to ad-supported users which will help shape the brand personality that highlights the attributes of the service. In consequence, it can generate feelings for the audience to create positive/favourable associations towards the brand. This process of advertising exposure should lead to consumers' purchasing action, because they will feel confident that they will get better experiences with the Spotify.

Spotify as the source that creates and sends advertising messages which promote the benefits and advantages of Spotify premium through their own application (owned media) including repetitive audio ads interruptions and display ads within the app, it is intended to affect the free-tier users' behaviors who experience these in-app advertisements. It is expected that the receivers are interested to the

Spotify in-app advertisements messages which then help them in creating positive perception and shaping brand associations positively, then it will lead their purchase decisions towards subscribing to Spotify premium.

1.6 Hypothesis

There is a positive correlation between perceived in-app advertising and brand association of the Spotify music streaming application with consumer purchasing decision of premium services.



Graphic 1.6.1 Hypothesis

1.7 Conceptual Definition

1.7.1 Perceived in-app advertising

Perceived in-app advertising refers to the cognitive process through which individuals select, organize, and interpret the information presented in advertisements within the application.

1.7.2 Brand association of Spotify music streaming application

Brand association of Spotify music streaming application is consumer association in their memory of anything such as: adjective, noun, and verb towards Spotify streaming music application.

1.7.3 Purchasing decision for premium services on the Spotify music streaming application

Purchasing decision for premium services on the Spotify music streaming application is consumer decision to purchase Spotify Music Streaming application premium services.

1.8 Operational Definition

1.8.1 Perceived in-app advertising

- Consumers perception of the entertainment in the context of Spotify in-app advertisement
- Consumers perception of Spotify in-app advertisement informativeness
- Consumers irritability of Spotify in-app advertisement

1.8.2 Brand association of Spotify music streaming application

- Consumers associate Spotify streaming music application with the products attributes
- Consumers associate Spotify streaming music application with price relativity
- Consumers associate Spotify streaming music application with its product attributes (use/application)

1.8.3 Purchase Decision for Premium Services on the Spotify music streaming application

Consumers have the decision to purchase Spotify music streaming application premium service.

1.9 Research Method

1.9.1 Research Type

This research is using quantitative research method and through explanatory research type.

This research contains 3 variables which consist of 2 independent variables (X) that are; 1. Perceived in-app advertising. 2. Brand association of the Spotify Music Streaming Application with 1 variable (Y) that is consumer purchasing decision of premium services.

1.9.2 Population

The population of age 18-24 both male and female who are Spotify music streaming application user in Indonesia with an unknown number.

1.9.3 Sampling

1.9.3.1 Sampling Technique

The sampling technique that will be used is Non-random /Non-probability sampling technique. This research will use this technique due to the number of the population of age 18-24 both male and female who are Spotify music streaming application user in Indonesia is unknown. Confirming to Larkin (2023) the audience demographic shows that consumers between the ages of

young adults both male and female that are 18-24 years old were 85% more likely than the average user to visit Spotify in January 2023. Moreover, this research will use purposive sampling to those fit with the expected specific characteristic.

1.9.3.2 Sample Size

The number of samples that will be used is 100 respondents. According to Roscoe (1975) the proper sample size is should larger than 30 and less than 500.

1.9.4 Types and Sources of data

This research will use the primary data as the main data which will be collected through semi-interview that answered by the respondents.

1.9.5 Research Instrument and Data collection techniques

The tool that will be used as data collection for this study is semi-interview. Respondents will be given questions related to the research instrument and will answer all of the questions on the respondent answer sheet.

1.9.6 Data Processing

This research will require three phases in the organizing of data, which are:

1.9.6.1 Editing

Review the data from the respondent answer sheet in order to see if there is some question that has not been answered.

1.9.6.2 Scoring

Giving value in the form of numeric code towards the answered question to obtain quantitative data.

1.9.6.3 Tabulating

Classifying data which is the results of respondents' answers into the same type into the form of graphs / tables.

1.9.7 Data Analysis Technique

The data analysis technique that will be used is the Multiple correlation coefficient or also known as the Pearson multivariate correlation. As stated by Salkind (2007) the multiple correlation coefficient (R) generalizes the standard coefficient of correlation. It is employed in multiple regression analysis to evaluate the accuracy of the prediction of dependent variable. It is equivalent to the squared correlation between the predicted and actual values of the dependent variable. It may also alternatively be interpreted as the percentage of the dependent variable's variance that can be explained by the independent variables. This significance of a multiple coefficient of correlation can be assessed with an F ratio. In line with Neter et al., (1996) the coefficient of multiple correlation R is the positive square root of R^2 value. It then calculates square root of the R^2 values to get P coefficients of multiple correlation.