Conference Paper

The Effects of Social Value, Value for Money, App Rating, and Enjoyment on the Intention to Purchase the Premium Service of the Spotify App

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Abstract

The use of music streaming services has been proliferating all around the world, including in Indonesia. While being a leader in music streaming service, Spotify is not at their top performance lately due to having reached the maturity stage, and even shows a decline in the percentage of paid users as compared to the total users. Their growth has also slowed in the past five years. Strategic marketers claim that companies need to fully understand the needs of the consumers to create suitable products and therefore grow their company, and failure to do so is creating marketing myopia and problems. This research was done to find out the effect of social value, value for money, app rating, and enjoyment on the intention to purchase Spotify, specifically the premium version of Spotify. The sample was Spotify users who had been using Spotify for at least one month (both free and premium), aged at least 13 years old, who had a smart device, and were domiciled in Surabaya, Indonesia. 135 samples were used. All independent variables positively and significantly affected the dependent variable, both individually and as a whole. The most dominant factor was the value for money, followed by enjoyment, app rating, and finally, social value. The findings can be used to develop strategies to help improve the performance of freemium businesses, including Spotify.

Keywords: app rating, enjoyment, music streaming, purchase intention, social, technology, value for money

1. Introduction

By 2018, 13.3% out of 171.17 million internet users in Indonesia utilizes the connection to stream music online [1]. One of the major player in this field is Spotify, which is the bellwether of music streaming service in the world [2]. Despite becoming the world's market leader, it is found that they lose up to competitors in the Asia region. Instead, Joox becomes the leader in Asian market [3].
It is known that Spotify uses Freemium business model which was quite disruptive when Spotify was first launched. Freemium business model is one of four existing application business models, in which some features are provided free of charge and some are provided as a value-added services [4]. For many online service providers, this business model has been shown to be the key choice [5]. This business model works well for Spotify. There was an overall growth in premium users of 31.5% annually from 2015 to 2019 [6]. Looking at the conversion rate, however, there has been a decline from 2018 to 2019, suggesting that Spotify has reached the stage of maturity or even decline, as seen in Figure 1. Therefore, there is a need of some optimization of the strategy to ensure that the trend will not continue to decline.

![Figure 1: Spotify's Subcriber Rate](image)

A SWOT analysis has been done and it is found that there is still some room for improvement, particularly in Asian countries. Since the streaming service market in South East Asia is still significant [7] and the income level of Indonesia keeps rising [8] which leads to people having more disposable income, there is still a potential market that can be reached.

In this article, there are 4 variables that are analyzed to find the effects on the Purchase Intention of the premium version of Spotify, namely Social Value, Value for Money, App Rating, and Enjoyment. The 4 variables were chosen by considering previous researches which shows positive result on the Purchase Intention of the product being studied. This study will then benefit Spotify, especially in the consideration of the orchestrating and engenderment of premium features. The research can additionally be utilized by digitalpreneurs out there that have similar product/service and similar business type to be able to monetize their products.

2. Theoretical Background
2.1. Social value

Social Value is defined as the degree to which an app is perceived as the enhancement of a person’s self-concept provided by the product that was obtained [10]. Another definition states that Social Value is defined as the image that is congruent with the norms of a consumer’s friends or associates and/or with the social image the consumer wishes to project [11, 12].

Ownership of branded products usually deemed to add social value or can also be considered social status that was added to the owner depending on the perceived brand value itself [13]. Social value is a perceived utility of a digital item based on the item’s ability to enhance one’s social well-being [14], which is the extent to which someone feels a sense of belonging and social inclusion. The motives of purchase and consumption of products depend on how a customer views him- or herself or wishes to be viewed by others. This makes digital items have symbolic value, other than that of the utility value of the item, and the utilization of it avails to convey and enhance their image.

From the social psychology perspective, the generation of value lies in the meaning of purchasing certain goods to the buyer’s community [15]. The impact of social self-concept can be increased by goods with a particular significance (such as social-economic status and social culture), especially if the goods can reflect their social-economic status (i.e. luxury goods) and are an icon of some social culture in which the buyer is in.

2.2. Value for money

Value for money is defined as the utility derived from the product due to the reduction of its perceived short term and longer-term costs[10, 16], which is the ratio or trade-off between quality and price (or perceived cost). Some consumer perceives value if there is a low price and others perceive value if there is a balance between quality and price [16]. That is, some consumer might take a product/service worth the money spent when the consumer assumes that the product is sold cheaply or at a competitive price relative to the rest of the market. On the other hand, for as long as the consumers perceive the quality of the item that is being offered is well suited to the price (which is generally taken as it has a high quality) and reasonable enough to be priced at the price offered, some consumers are comfortable with a reasonably high price.
2.3. App rating

App rating has a definition of user's overall assessment of an app [10, 17]. App rating has become one of the vital user perception, other than the availability of free alternatives and the user's habit, which is one of the factors that affect a purchase. App rating can be defined as a numerical form of user review, which is a type of product information that was made by users according to their private user experience [18]. This can be seen as an aspect of the marketing communication mix and helps as an online seller's free "sales assistants" to help consumers identify the products that best match their needs. This is because an online transaction is full of uncertainty where people depend on the available information to know more about the product, and eventually affects the decision to buy the product [19]. Consumers consider information supplied by other users to be more reliable than the information provided by the sellers [20], as sellers could put various pieces of information on the web to aid sales. This is reinforced by Kotler's statement that customers typically depend on opinions or suggestions from others to assess a purchase in order to minimize risks and uncertainty [21].

2.4. Enjoyment

Enjoyment in the context of online content service is described as the fun or pleasure sourcing from the online content service experience, that is the extent to which activity of using an online content service is perceived to be enjoyable in its own right, apart from any performance consequences that may be anticipated [22]. A definition says that enjoyment is one of the outcomes of an experience-oriented product, other than fun, amusement, fantasy, arousal, and sensory stimulation [23]. In a hedonic system, enjoyment is known as the driving force for someone to use an app [24], while in the utilitarian system, usefulness is the driving force of the use of that app [25]. Both of them conceptually have the same purpose. Usefulness is a part of the Technology Acceptance Model (TAM) [25], where it is defined as the consumer's perception of the output of an experience.

In the case of hedonic Information Technology (IT), perceived enjoyment emphasizes the fun aspects of using IT [26] and it is found to be significant and more important than perceived usefulness as a determinant of IT usage [24]. Enjoyment affects adoption intention [22, 27], in which the use of a digital product that is enjoyable makes people have a higher satisfaction toward the product [28]. The ease of use had been shown to
play an essential role in determining the intention to use, and thus intention to purchase in mobile shopping websites [29].

2.5. Purchase intention

Purchase intention represents the possibility that consumers will plan or be willing to purchase a particular product or service in the future [22, 30, 31]. Purchase intention is related to feelings and emotions, in which if one feels happy and satisfied with a purchase of goods or services, then it will encourage purchase intention. An increase in purchase intention means an increase in the possibility of purchasing [30, 32]. Purchase intention can be indicated by transactional interest, referential interest, preferential interest, and explorative interest [33].

3. Hypothesis

3.1. Social value

Social Value is the degree to which an app is perceived as the enhancement of a person's self-concept provided by the product that was obtained [10–12]. It is found that social value has a positive and significant effect on purchase intention [10, 13, 14], both directly and indirectly.

_H1: Social Value has a positive and significant effect on purchase intention._
3.2. Value for money

Value for Money is defined as the utility derived from the product due to the reduction of its perceived short term and longer term costs, i.e. the ratio or trade-off between quality and price [10, 13, 14]. Value for Money is found to have a positive and significant effect on Purchase intention [10, 17], and a significant total effect on freemium business model [35].

H2: Value for money has a positive and significant effect on purchase intention

3.3. App rating

App Rating is the user’s overall assessment of an app [10] or user review [18]. It is an average rating given by users [17]. App rating is found to affect user’s intention to purchase positively, both for the traditional business model and freemium [10, 20].

H3: App rating has a positive and significant effect on purchase intention

3.4. Enjoyment

Enjoyment is the extent to which activity of using an online content service is perceived to be enjoyable in its own right, apart from any performance consequences that may be anticipated [22]. In a hedonic system, enjoyment is known as the driving force to use an app [24]. In the case of Information Technology (IT), perceived enjoyment emphasized the fun aspects of using IT [26]. It is found that Enjoyment affects Purchase Intention positively and significantly [13, 21]. It is also found to be the significant predictors of the intention for someone to upgrade their membership statistically [23].

H4: Enjoyment has a positive and significant effect on purchase intention

4. Research Method

4.1. Data

Quantitative research method was used, where a data collection was done and then quantified and processed statistically to support or deny alternative knowledge claims [38] and to draw conclusions [39]. A non-probability sampling technique was used. This approach does not give an equal chance to every population members of being chosen as a sample [39]. Purposive Sampling method was used to add some considerations
to the sampling decision to ensure the audience is well suited to the needs of the researcher.

The respondents are users of Spotify who are 13 years of age or older [6], have a smart device, and have been using Spotify for at least 1 month. The research was performed using a five-point Likert Scale questionnaire. Referring to Hair's theory [40], at least 105 respondents were needed. Taking into account the possibility of invalid survey results, 160 samples were taken. 135 valid results was obtained and used in the research after eliminating invalid responses.

4.2. Measurement items

The measurement items were adapted from previous researches. Social value variable has been split into 7 items, which are adapted from Hsu & Lin [10] and H.W. Kim [14]. Value for money variable was split into 4 items, adapted from Sweeney & Soutar [16]. App rating variable was split into 3 items, adapted from Hsu & Lin [10], Chen & Xie [18], and Mahmood [17]. Enjoyment variable was split into 4 items, adapted from Wang [22]. Purchase intention variable was split into 3 items, adapted from Wang [22].

To ensure that the measurement objects are valid and reliable, a validity and reliability test has been carried out using SPSS [41]. The validity test was performed using Pearson Correlation method in which the indicator is considered valid if the calculated r-value is greater than that of table r-value at a significance level of 0.05 [42]. The reliability test was conducted using the Cronbach Alpha equation, in which the variable is considered reliable if the value is greater than 0.7 [42]. The result of the validity and reliability tests are shown in Table 1.

4.3. Analysis method

The data analysis method that were done are classical assumption test (normality, multicollinearity, heteroscedasticity, and autocorrelation) and hypothesis test on regression model (ANOVA, partial regression coefficient, multiple correlation coefficient, and determination coefficient). A multiple linear regression test was also done to find out the the effect or linear relationship between the independent variables on the dependent variable.

5. Results
5.1. Classical assumption test result

The first classical assumption test that was done is the normality test to find out if the residual values produced from the regression are distributed normally. A significance value of 0.200 was obtained, which is higher than that of reference significance value of 0.05. Thus, it can be concluded that the residual of the regression equation is distributed normally.

To find out whether there is a correlation between each independent variable, a multicollinearity test was performed. The result shows that the tolerance value of each independent variable in the model is far higher than the reference value of 0.1 and the VIF value is much less than the reference value of 10, as shown in Table 2. Thus, it can be inferred that the independent variables do not have multicollinearity.

Next, to find out whether there is an inequality of residual variance in the regression model, the heteroscedasticity test was carried out. The result shows that, as shown in Table 2, each independent variable has a value of significance that is greater than 0.05. No problem of heteroscedasticity exists.

Finally, the autocorrelation test was conducted to decide if there is a correlation between observers that are organized according to the time and place. From the Durbin-Watson table, it is obtained the dL value of 1.6584 and DU value of 1.7802. The result shows that the obtained DW value is 2.136 and is therefore greater than DU and less than 4-DU (i.e. DU < DW < 4-DU). Therefore, there is no autocorrelation in the model.
TABLE 2: Multicollinearity and heteroscedasticity test result

<table>
<thead>
<tr>
<th>Variable</th>
<th>Multicollinearity</th>
<th>Heteroscedasticity</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-</td>
<td>0.000</td>
</tr>
<tr>
<td>Social Value</td>
<td>0.783</td>
<td>1.277</td>
</tr>
<tr>
<td>Value for Money</td>
<td>0.662</td>
<td>1.510</td>
</tr>
<tr>
<td>App Rating</td>
<td>0.735</td>
<td>1.360</td>
</tr>
<tr>
<td>Enjoyment</td>
<td>0.587</td>
<td>1.705</td>
</tr>
</tbody>
</table>

5.2. Hypothesis test result

The first hypothesis test performed was the ANOVA test to find out whether the independent variables as a whole have an effect on the dependent variable. The result indicates a 52.867 F-value with a significance of 0.000, which is less than 0.05. Thus, in the regression model, all the independent variables (Social Value, Value for Money, App Rating, and Enjoyment) simultaneously influence significantly the dependent variable (Purchase Intention).

Next the partial regression coefficient test was conducted to find out if there was a partial effect of each independent variable on the dependent variable. The result shows that, as shown in Table 3 each independent variable has a t-value greater than the reference t-value of 1.9784 for dF = 130, with a significance that is less than 0.05. This implies that the Purchasing Intention is greatly influenced individually by Social Value, Value for Money, App Rating, and Enjoyment.

TABLE 3: Partial regression coefficient test result

<table>
<thead>
<tr>
<th>Variable</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>0.182</td>
<td>0.856</td>
</tr>
<tr>
<td>Social Value</td>
<td>3.599</td>
<td>0.000</td>
</tr>
<tr>
<td>Value for Money</td>
<td>7.499</td>
<td>0.000</td>
</tr>
<tr>
<td>App Rating</td>
<td>2.117</td>
<td>0.036</td>
</tr>
<tr>
<td>Enjoyment</td>
<td>2.431</td>
<td>0.016</td>
</tr>
</tbody>
</table>

In order to find out the correlation between two or more independent variables to the dependent variable, a multiple correlation and determination coefficient test was then performed. The outcome shows that the R² value is 0.619. This means all the independent variables explain 61.9% of the factors that affect the dependent variables, while the remainder (38.1%) are specified by other variables that are not included in this research.
5.3. Multiple linear regression test result

The linear regression analysis method was carried out to determine the effect of linear relationship between the independent variables on the dependent variable. According to the result, the multiple linear regression equation that is obtained is

\[ Y = 0.166 + 0.083 X_1 + 0.386 X_2 + 0.126 X_3 + 0.144 X_4 \]

6. Analysis and Discussion

6.1. The effect of social value on purchase intention

Social value was found to have a positive and significant effect on the purchase intention of premium service in freemium apps Spotify. As such, the social importance of Spotify plays a crucial role in making users more likely to buy a premium service. The outcome is in line with previous researches [10, 34, 35]. Spotify should concentrate on creating a well-recognized positive brand that can give the user a good impression and enables the app to help users to express themselves more and create more social interaction with other users, which is currently only minimally given.

6.2. The effect of value for money on purchase intention

Value for money is found to have a positive and significant effect on the purchase intention of premium service in freemium apps Spotify. As such, value for money is a key factor shaping the willingness of Spotify users to buy the premium service. The outcome is in line with the previous researches. Perceived value for money was found to affect purchase intention [32]. This research was then extended to the digital applications where it was found that value for money has a huge influence on the intention to buy paid apps [19]. Similar findings are also obtained in the freemium business model [35]. Therefore, the effect of value for money on purchase intention is justified.

6.3. The effect of app rating on purchase intention

App rating has a positive and significant effect on the purchase intention of premium service in freemium apps Spotify. As such, app rating has become an important factor deciding the willingness to buy premium service of Spotify. Although there are only few researches investigating the effect of app ratings, the result obtained in this research is
in line with those few [10, 37]. Positive ratings have been shown to influence the intention of the customer to buy, and this is also applicable to freemium apps that positive ratings on apps imply high quality and user satisfaction, thereby making users more likely to pay for the app’s paid version. Therefore, the findings on the effect of app ratings on purchase intention are justified.

6.4. The effect of enjoyment on purchase intention

Enjoyment has a positive and significant effect on the purchase intention of premium service in freemium apps Spotify. As such, enjoyment has an important role in making people more likely to purchase Spotify’s premium service. The result is in line with the previous researches that was done [22, 23, 34, 35]. It has been found that emotional value directly affects purchase intention. A similar finding indicates that perceived enjoyment implicitly affects purchase intention substantially, and enjoyment has become a significant predictor of the intention to upgrade in a freemium service. Thus, the findings on the effect of enjoyment on purchase intention are justified.

7. Conclusion

7.1. Theoretical implications

Social value affects purchase intention on the premium service of the freemium app Spotify significantly. The first hypothesis (H1) is therefore accepted. This implies that users have agreed that social value, especially the enhancement of their self-value and the ability to express themselves more by using Spotify, makes them consider upgrading/purchasing the premium service of Spotify.

Value for money affects purchase intention on the premium service of the freemium app Spotify significantly. The second hypothesis (H2) is also accepted. This implies that users put importance on the value of the money they spend on Spotify, and it affects their consideration of upgrading/purchasing Spotify’s premium service.

App rating affects purchase intention on the premium service of the freemium app Spotify significantly. The third hypothesis (H3) is thus acknowledged. This means that app rating has an effect user’s consideration of upgrading/purchasing Spotify’s premium service.

Enjoyment affects purchase intention on the premium service of the freemium app Spotify significantly. The fourth hypothesis (H4) is therefore accepted. This suggests that
enjoyment plays a crucial role in users’ consideration of upgrading/purchasing Spotify’s premium service.

7.2. Managerial implications

7.2.1. Social Value

Spotify must strive to make their brand a social icon that will offer a positive and prestigious feeling to the consumer. It would be even better if Spotify can be used to help people express themselves, by incorporating some functionalities such as karaoke with a social sharing features like some other competitors. It is also a good idea to expand Spotify’s present social feature from only following each other to being able to comment to what people are listening to, as what people listens to has a high chance of reflecting about their thoughts and minds.

7.2.2. Value for money

Spotify should consider increasing the value that is delivered with the app, especially for the premium version such that the subscribers will feel more worth of the money they spent. This is to ensure that consumers feel that there is a difference between the free version of the app and the premium version, and that difference is worth the money spent on it.

In addition, Spotify is expected to keep its subscription rate as low as possible, especially in Indonesia, where the users are very price-sensitive. A kit that is bundled with telecommunication providers will be an option.

7.2.3. App rating

While the rating is not an issue for Spotify, since it represents the user’s experience, they do need to look at why certain users give low ratings. Further examination found that there are technical issues in the latest updates that happened constantly with new versions being released, and it makes them becomes frustrated with the app. Spotify should be able to solve them quickly considering the advanced technical capability they own. A stricter Quality Assurance and a more massive promotion for the next version release should be able to boost the rating of Spotify back to its high standard.
7.2.4. Enjoyment

For a hedonic app like Spotify, enjoyment is a crucial aspect. People use the app to gain enjoyment, and from the result, it can be seen that some users are losing enjoyment due to the advertising in the free version of the app and some fatal bugs that hinder them from enjoying Spotify to the fullest. The bugs should be patched as it is a prominent problem that causes individuals to lose enjoyment on the app.

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Conflict of Interest

The authors have no conflict of interest to declare.

References


