

## **Chapter I**

### **Introduction**

#### **1.1. Introduction**

This introductory chapter discuss about the importance of researching the intention to pirate digital products among people in D.I. Yogyakarta Province. Contents of this chapter are introduction, research background, problem statement, research scope, research objective, benefits of the research, and thesis structure.

#### **1.2. Research Background**

Digital piracy cannot be separated from our digital life. The pirated digital products such as software, music, video, and eBook can be found everywhere in our life. Based on Business Software Alliance study 2011, software piracies in Indonesia reach 86% with estimated loss around US\$ 1.467 billion (BSA, 2012). Music industries show worse percentage. In 2012, International Intellectual Property Alliance reports the estimated loss of music industry from piracy around 95% (IIPA, 2012).

Many things have been done by the government and other organization such as BSA and IIPA to reduce piracy level in Indonesia. As for software piracy, it has been reduced by 1% from the last year (BSA, 2012). Although the percentage is lower, the loss from the piracy is increasing. The loss from software piracy in Indonesia in 2010 is US\$ 1.32 billion (BSA, 2011) compared to US\$ 1.467 billion in 2011 (BSA, 2012).

Discussing about piracy, cannot be separated from intellectual property matter. Intellectual property protection in Indonesia has been started even before its independence in 1945. During Dutch colonialism there have been several acts to regulate Trade Marks and copyright. To protect copyright, colonial legislation of 1912 about was replaced in 1982. This act was revised again in 1987 because of the pressure from US and European Community, to protect new material such as video tapes, sound recording, and computer programs. In 1997 another revision is done to introduce rental right for cinematographic works and computer programs, and also a new chapter on licensing and on neighboring rights. In 1997, Indonesia re-enter the Berne Convention and ratified the Patent Cooperation Treaty, the WIPO Copyright Treaty, and the WIPO Trademark Treaty.

Between years of 2000 and 2002, new intellectual property law being introduced. In 2002, the Copyright Act of 1982 was replaced by Law No. 19 of 2002 on Copyright. Although the law is available there, but in the practice it does not work. Demand and supply cannot reach meeting point. Price offered sometimes unreachable by the consumer, and the result the pirated version, with cheaper price keep showing up.

Centuries of intellectual property right could not eliminate digital piracy. There is debate about piracy itself. Some people consider digital piracy is bad, because it could harm the business, but the others comment that digital piracy is not a problem, even sometimes it can increase product sales. Digital piracy could

reduce price competition, and this reduction can sometimes lead to higher profits for the firm when piracy increases (Jain, 2008). In Indonesia, there are some examples of artist that get famous because their music was pirated. For example is Inul Daratista who gets famous because her album was pirated and could enter Jakarta's market (inet.detik.com, 2012). Although piracy could benefit some parties, it also harms the others. To get a better understanding of the factors that influence people to commit digital piracy, then a research need to be conducted.

In the several previous studies, behavioral theories such as TRA or TPB as base theory to explain the behavior to commit digital piracy. The other relates digital piracy with unethical behavior, and ethical decision-making model based on ethics theories is used. In these late years study, combination of both, behavioral and ethical theory are developed, to find factors that influence the intention to commit digital piracy (Yoon, 2011). This study is based on Yoon's research in China about digital piracy intention by using integrated model of TPB and ethics theory.

### **1.3. Research Question**

Based on the explanation in the background section, the problem in this research is: What factors affect consumer intention to pirated digital products?

### **1.4. Research Scopes**

The subjects matter in this research is as follow:

1. This research is a replication of Yoon (2011) which titled "Theory of Planned Behavior and Ethics Theory in Digital Piracy: An Integrated

Model”, the research model, variable, hypotheses, and questionnaire are adopted from this article.

2. There are two perspective used to predicts consumer intention to pirate digital products. The first perspective is TPB and the second is ethics theory.
3. This study is held in D.I. Yogyakarta, and the subjects of this research are undergraduate university students.

#### **1.5. Research Objective**

Based on problem stated above, the purpose of this research is to find factors that influence consumer intention to pirate digital products.

#### **1.6. Potential Contribution**

The result of this research hopefully could provide some contribution to academic and managerial as follow:

##### **1. Academic Contributions**

The academic contribution from this research is a better understanding of Theory of Planned Behavior and Ethics Theory in digital piracy context. The result of this research can be used to see whether these two theories could explain digital piracy among undergraduate students in D.I. Yogyakarta. This study expected can be used as comparative study of consumer intention to pirate digital products between Indonesia and China.

## 2. Managerial Contribution

The reason why consumer pirate digital products is still unclear. This research could help manager by providing information about the reason why undergraduate students tend to pirate digital products rather than buy the original one. By knowing the reason, appropriate action could be taken to reduce digital products piracy.

### 1.7. Thesis Structure

There are five chapters in this research that related each others.

#### 1. Introduction

This chapter discuss about research background of this study. In this part, research question, research scope, research objectives, potential contribution, and thesis structure were provided.

#### 2. Literature Review and Hypotheses Development

The theories that used in this research were discussed. The discussion based on study of intention to pirate digital products using two approach, TPB and ethics theory. Proposed model for this research and hypotheses development also provided in this chapter.

#### 3. Research Methodology

This chapter describes the research methodology used in this research which consists of: research design, research context, description of population and sample, research procedures, and data analysis technique.

#### 4. Data Analysis and Interpretation

In this chapter, the result of the study was discussed. The discussion contains data analysis based on validity and reliability analysis, profiles of respondents, correlation analysis, and the result of multiple regressions. Result comparison between this study and Yoon (2011) is presented in this chapter too. All of those results were used as basis to develop conclusion and managerial implication in the next chapter.

#### 5. Conclusions and Managerial Implication

Conclusions of this study were presented here, based on results of previous chapter. Managerial implication is a suggestion from this study to the parties which expected to get contribution from this research. Limitation of the research and suggestion for further research were discussed in this chapter too.