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EXAMINING CONSUMERS' ATTITUDES AND ETHICAL BEHAVIORS OF
DIGITAL MUSIC THROUGH THE LENS OF THE DIFFUSION OF INNOVATIONS
AND THE THEORY OF REASONED ACTION

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ABSTRACT

The growth of the digital environment has radically changed the manner in which individuals interact with businesses, one another, and the products and services they expend. This study reviews the changing landscape of music distribution in recent years and assesses consumer attitudes and behaviors of current online music consumption. It examines attitudes and involvement levels toward piracy and the illegal downloading of music and additionally, investigates how ethical perceptions influence the likelihood of illegally downloading music. An individual's level of involvement in the illegal downloading of music and piracy was determined to predict his or her perceptions of ethics. Findings offer insight to music industry insiders who continually seek an effective solution to the serious hindrance of illegal downloading, which is estimated to pilfer an estimated \$300 million per year in industry revenue.

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Chapter I

Introduction

In individuals' daily lives, music fulfills a multitude of roles, ranging from leisure to medicine, and anywhere in between. Through music, its creation and consumption, people are able to embrace their individuality and discover inspiration. Music facilitates the expression of emotion; enhances the celebration of life's events; and delivers a message in any language. Every human, within every culture, uses and values music as a significant interaction in life. It is a universal experience bridging race, religion, and cultures. In the words of pop icon Madonna, "music makes the people come together" all across the world. Music has existed since the beginning of humanity, among every ethos, and will continue to until the end. As an essential element of one's life, human beings consume music.

In 2012, the demand for music is higher than ever; but the music industry is steadily losing value. Between 2004 and 2010, the global value of the music industry deteriorated by nearly 31 percent; a direct result of dwindling sales of compact disks and other physical forms of music as well as an increase in online piracy (IFPI Digital, 2011). During the same time span, the digital sector of the music industry increased by more than 1,000 percent in overall worth (IFPI Digital, 2011). By the end of 2011, digital music sales topped the sales of compact disks and other physical forms of music for the first time in recorded music history (Segall, 2012). Digital music accounted for more than 50 percent of all music sales in 2011 (Recording Industry, 2011). Digital album sales concluded the year, with a record 3.5 million sales during the last week of December,

driven by Adele's top-selling album *21* which sold 5.82 million copies (Gundersen, 2012).

The recent revolution of the digital music market has record companies beginning to embrace the diverse and changing needs of the modern music consumer. In all areas of their day-to-day lives, consumers are embracing digital media and changing the way they access music (IFPI Digital, 2011). Music fans want to listen to music in different ways: in their cars, on their phones, iPads, and/or on their television sets. Twenty years ago music consumers were gratified with listening to music on cassette tapes and compact discs. A decade ago, mp3 players emerged as the must-have music device as it innovatively allowed users to do what they could never before: convert and store all their music onto one digitally formatted device. Since the mp3 player and the iPod, digital music consumption has advanced considerably (IFPI Digital, 2011).

Between 2009 and 2010, the number of hours people listened to music each week increased by 20 percent (IFPI Digital, 2011). This growth is attributed to the increasing accessibility of songs, albums, radio stations, and other forms of music entertainment via the Internet, which facilitates instant interaction among millions of users. Ownership of music is rapidly losing its appeal with the rising popularity of access-based services catering to consumers' increasing need to access and manage music files across multiple devices (Hadley, 2012). Consumers can now access music without having to purchase it.

Present day consumers value on-demand access to a song they want to hear, when and where they want to hear it, over the physical ownership of it (IFPI Digital, 2011). The immediate satisfaction sought by consumers, lends itself to the demand for a discrete song. The act of consuming music generally begins with the sudden impulse to hear a

particular song, typically triggered by a certain word, emotion, or interaction. The consumer looks to satisfy the desire/need, which is easier because of the innovativeness of different hardware and software devices making music consumption easier.

Consumers no longer have to purchase a complete album to hear a song. They can stream or download the song on-demand – at the simple click of a button. Music fans are realizing the benefits of streaming music over a network, which can be done without having to plug in, burn, or manually synchronize music libraries from a PC to device such as an iPod or mp3 player. Consumers are transitioning from ownership to access.

As consumer behavior and technology progressed, it became necessary for the survival of the major record labels to adapt and reinvent their business models. By 2011, the industry had evolved into a multi-platform, multi-channel business, characterized by a multitude of diverse licensed services across the spectrum, from downloading stores (e.g. Google Play) to video streaming websites (e.g. Vevo), to Internet radio services (e.g. Pandora) (IFPI Digital, 2011). Now more than 400 legitimate digital music services are offered worldwide (IFPI Digital, 2011).

The recent surpassing of digital sales above compact discs can be attributed to the emergence of services presenting on-demand access which increases digital downloads (Segall, 2012). Subscription services, operating on the Internet cloud – an infinite “network of networks” – allow users to play any song at any time. The service allows users to listen to content without having to own or purchase the content. Hardware or technology changes have led to a prevalence of internet-capable devices, subscription services can be accessed anywhere (Jaroslovsky, 2011). In 2011, global subscribers of

subscription services increased by 65 percent signaling a definite change in consumer preference.

Pricing for subscription services is based on an “all-you-can-eat” pricing strategy. There are typically three tiers of service. For example, Spotify (a subscription service) offers a free, basic option, allowing access to the full music catalogue (Jaroslovsky, 2011). However, users of this tier are limited to streaming music on their computers and must view and/or listen to occasional advertisements between songs, much like Pandora, a web-based radio service. The unlimited, or middle tier eliminates the advertisements for a \$4.99 monthly fee. The premium tier costs \$9.99, and allows listeners to use the service on their mobile phone or other Internet capable device (Jaroslovsky, 2011).

Spotify has become one of the most successful subscription services in the world, after achieving considerable success in parts of Europe where it started in 2008 (IFPI Digital, 2011). Spotify has become the biggest digital retailer in Norway and Sweden. After one year, the service places as the second digital service used in Europe after iTunes (IFPI Digital, 2011). Spotify made its U.S. debut in July 2011. U.S. industry insiders anticipate the service will be as successful here as in Europe. The challenge is providing consumers with the disincentive to continue illegally downloading content for free.

The potential for subscription services is greatly constrained by the prevalence of unlicensed music available for download or streaming online (Recording Industry, 2011). The domestic recording industry loses more than \$300 million a year due to illegal downloads obtained from an abundance of decentralized peer-to-peer file sharing sites (Bockstedt, Kauffman, & Riggins 2005). Consequently, legitimate services are only

operating at a fraction of their potential, and will continue to, until something entices users to make the switch from illegitimate services (e.g., frostwire.com) (IFPI Digital, 2011).

Major labels, including Universal Music Group, Sony Music Entertainment, and Warner Music Group have taken strides to encourage the use of legitimate music services. Historically, labels spent millions trying to defeat illegal downloading, but have recently assumed a new strategy: compete by helping build the market for permissible services and download stores such as Spotify and Google Play (Ringen, 2011).

The Diffusion of Innovations theory (Rogers, 1995) is a useful model/theory to explain how technology diffuses through society. His theory seeks to explain how, why, and at what rate innovations disperse through cultures. Rogers (1995) clarifies, an innovation, particularly a new technology, is comprised of two components: a hardware and software aspect functioning interdependently. Although the software aspect of a technological innovation is commonly not recognized, it is often vital to the innovation's capability, and is becoming increasingly more apparent with the rise of the digital age and its associated software and hardware (Rogers, 1995).

Rogers (2003) asserts the importance of the software and hardware aspects to the functioning of the technological innovation. The software component is the information base of the technology; or the root of its functionality. Software includes the coded commands, manuals, and other instructions not visibly apparent to the consumer (Rogers, 2003). The hardware component is the physical device used to access the technology's capabilities and is easily identifiable to the consumer who tangibly interacts with it (Rogers, 2003). As technology advances and services and products continually reformat

to correspond with the digital environment, the software and hardware components of a technology become progressively distinct.

It is easy to apply the hardware/software innovation idea to the music industry. The hardware aspect dominated the industry with the introduction of 8 tracks, cassette tapes, compact discs, and mp3 players. Today, the focus has turned to software with the creation of such software including Spotify, iTunes, and Pandora, which are all Internet based.

The Diffusion of Innovations theory may explain how technology (hardware and software) is transmitted through society, but the theory of reasoned action explains how individuals decide what their behaviors might be. Fishbein and Ajzen (1975) explain an individual's attitude toward the behavior and the subjective norms of the possible behavior guide one's behavioral intent. This idea can be easily applied in the area of digital music. McCorkle, Reardon, Dalenberg, Pryor, and Wicks (2012) state, "we suggest that the user's ability and ease in accessing free and paid music will affect the decision to steal music" (p. 77). Those who have not downloaded music illegally before consider downloading music illegally as unfair (Taylor, 2004). So now, the innovation is going to be diffused through society, and there may be a process individuals go through in order to make a decision to adopt the technology (innovation-decision process), as well as compare the behavior choices they have available (theory of reasoned action; unethical/ethical behavior to download or not download pirated music). And finally, the individual will have to make an ethical decision. The contingency model of ethics (Ferrell & Gresham, 1985) provides a framework to understand the ethical/unethical decision-making process.

This study applies all three frameworks to the digital music industry. First, it examines how innovative consumers are in general. Then it examines their attitudes and involvement levels toward piracy and illegal downloading of music. Finally, it examines how ethical perceptions impact their likelihood of downloading music illegally. It also examines how past illegal actions predicts perceptions of business ethics and future pirating behavior. The goal is to gain an understanding of how individuals' innovation choices impact their attitudes, behaviors, and ethical decision-making in the area of digital music.

Chapter II

“The Napster Effect” Digital Distribution Changes the Music Industry

The end of the millennium indicated the end of more traditional hardware forms of music. Traditional music consumption forms included the vinyl record of the 1940s, stereo 8 cassettes in the 1960s, the compact disc of the early 1980s, and the first mp3 player of the late 1990s (Bellinghausen, 2009). Although portable players for compact discs, cassettes, and digital music files existed, access to music was limited to the hardware aspect of the technology (Rogers, 2003). It also introduced the Internet as the distributor of music as a digital good (Bockstedt, et al., 2005). Music consumption was no longer subject to its device. Music players were no longer the solitary focus of music consumption when Napster started. Napster introduced the potential of software programs in the music sphere. It started online music consumption.

Napster

In 1999, Napster established itself as a peer-to-peer, music sharing service tailored specifically for the trading of music files (Segall, 2012). Napster’s digital distribution format specially functioned as a music search engine linking users to a large library of user-provided mp3s, which offered an array of music selection, more than any brick and mortar store offered (Taintor, 2004). Napster users were able to upload songs they owned and had purchased on a compact disc, and in turn, download any digital music file from the entire Napster community. The service became popular as consumers were drawn to its variety of free content, in addition to its interface. After one year, it reached 20 million users, making it the fastest-growing software of its time (McCourt &

Burkart, 2003). However, the peer-to-peer sharing program attracted copyright infringement.

Napster posed a serious threat to the music industry, which relied on physical compact disk sales (or other hardware) for a bulk of its revenue. The RIAA (Recording Industry Association of America) took legal action against Napster for unlawfully offering copyrighted music for download (Business: How, 2003). After just two years, Napster was shut down by court order under *A&M Records et al. v. Napster*, which established the online intellectual rights of entertainment corporations (McCourt & Burkart, 2003). Napster lost the case because it used “central servers” to track the music each user made available for download, making the company responsible and ultimately guilty of “contributory infringement” (Business: How, 2003). However, Colbert, Tomiuk, Hwang, and Menard (2003) did not find Napster’s closing to increase consumers’ intent of purchasing compact disks.

After Napster’s shutdown, other peer-to-peer file sharing services emerged, including Aimster, Rapster, Kazaa, and Gnutella. These programs do not use the centralized servers Napster used; therefore they do not violate “contributory infringement” (Taintor, 2004). Napster’s influence became known as “The Napster Effect” (Pepitone, 2011). (See Figures 1-1 & 1-2)

Apple

The year 2001 instituted the beginning of the Apple reign with the introduction of the iPod and iTunes digital jukebox ("ipod + itunes timeline"). These technologies promoted the idea individuals could transfer and convert all of their compact discs to their desktop computers in digital format. Apple really combined the hardware and

software components of technological innovation. Once amassed, the user's music catalogue could be accessed from the computer, ripped to recordable compact discs, and played on the portable iPod.

In 2003, Apple released the most successful online music store to-date, with the launching of the iTunes Music Store (Taintor, 2004). At the onset, iTunes offered 200,000 songs at 99 cents each and sold more than one million digital songs the first week ("ipod + itunes timeline"). The potential for digital music distribution happened because of iTunes' success. "In less than one week we've broken every record and become the largest online music company in the world," as said by Apple CEO Steve Jobs ("ipod + itunes timeline").

The structure of iTunes allotted an autonomous value to the individual song, for what was the first time in history. The single file, or song, emerged as the likely future unit of currency within the industry, as opposed to an entire compact disc. Numerous devices (and accompanying software) supporting digital music formats including the Dell JukeBox, Windows Zune, and new generations of the Apple iPod surfaced in the market (Bockstedt, et al., 2005).

Smartphones

The year 2007 brought about another surge in the digital music sphere: the introduction of the Apple iPhone ("ipod + itunes timeline"). Once again Apple pushed the technological innovation by altering how consumers perceived hardware and software. The iPhone integrated cellular phone and Internet technology with that of the portable music player. The iPhone instigated the rise of smartphone demand; and by 2011, roughly 44 percent of Americans use smartphones; a 144 percent increase from 2009 (18

percent) (Horn, 2011). With more U.S. consumers using smartphones on a regular basis, the demand for Internet music streaming services is increasing.

Smartphone applications have made more services available and has helped increase the popularity of music downloads (IFPI Digital, 2011). The smartphone now serves multiple functions, including that of a music listening device supportive of digital formats. Smartphones exploited the hardware-software joint capability and for the first time underlined the capability of software. The smartphone effectively combined the technology component of iTunes with the hardware component of the iPod, in addition to a multitude of other innovative technologies (e.g. camera, Internet, GPS), into one device. This multifunction capacity of the smartphone increased user productivity and was quick to receive attention in the digital marketplace. The rise in smartphones is undoubtedly a catalyst behind the digital music uprising (Segall, 2012).

Consumers are quickly realizing the benefits of being able to access music content on-demand over multiple devices (Hadley, 2012). This has resulted in a considerable shift towards access-based music consumption models. By 2010, the industry continued to evolve as a vast range of licensed digital services emerged including download stores akin to iTunes (e.g. Amazon MP3), video music sites streaming services (e.g. VEVO), free-to-user sites (e.g. playlist.com), Internet radio (e.g. Pandora) and the subscription-based model (e.g. Spotify) (IFPI Digital, 2011).

Subscription Services and Social Media

In 2010, the music subscription model made major advancements to its joint hardware-software capability, and attracted more than 10 million subscribers worldwide (IFPI Digital, 2011). Subscription services now possess the computing technology

necessary to support quality streaming over an Internet network. Subscription services such as Spotify, Deezer, and Slacker enable users to stream on-demand, and do so through two tiers of service offerings: a free advertising-supported steaming service or a premium ad-free paid-for service (IFPI Digital, 2011). The subscription-based service model has become the fastest growing area within digital music today, experiencing a 65 percent increase of global subscribers in 2011 (Hadley, 2012).

Social media is playing a central role in the growth of subscription services, because it gives users easier access to music selection and interaction with peers (Hadley, 2012). Today the majority of subscription music services have partnered or integrated with the existing social networks including Facebook, Twitter, and Google + (Hadley, 2012).

In May 2010, Spotify launched its Facebook integration. Facebook users, who opted to use the Spotify feature, can now experience music in a new way. The integration enables users to search through their Facebook friends' playlists, see what they were playing in real-time, and send and receive tracks with one another through the integrated, virtual interface (IFPI Digital, 2011). The integration fosters a collaborative and interactive environment, where users are able to get recommendations from friends and create playlists together (Spotify, 2012). This social integration has proven highly popular among the masses and seems to signal the trend of the future: the capability of software outshining the capability of hardware, and further establishing its independence (IFPI Digital, 2011). The deviation of the software and hardware aspects of a technology will likely accelerate as time passes and the capacity of the Internet market expands.

Industry Implications: Legality Concerns / Online Piracy

Prior to Napster's introduction in 1999, compact disc sales served as the single source of revenue within the industry. Revenue streams have since multiplied from a single stream to hundreds. There is a demand for individuals preferring specific songs rather than a whole compact disc or album. This can be known as the "unbundling shift" (McCorkle, et al., 2012). The unbundling preference has caused the music industry to change its strategies (can attribute some of this to iTunes). Also, the multitude of revenue sources makes firm regulation within the digital music market a challenge, and considerably vulnerable: "newly easy to enter, attractive to attack, and difficult to defend" (Bockstedt, et al., 2005, p.4).

A 2006 survey indicates several problems facing the music industry: 74 percent thought compact disc prices were too high; 30 percent believed downloading music without permission was the same as stealing the product; and 61 percent who had practiced illegal downloading behavior in the past did not care if it was copyrighted (Hiatt, 2006). If one has never illegally downloaded music he or she will perceive the behavior as unethical and unfair to the music industry (Taylor, 2004).

The total sales of U.S. compact disks were more than 420 million units in 2008, a 45 percent decline from 2000. However, downloads of singles increase 27 percent (more than 1 billion units) and download of digital albums (32 percent, more than 65 million units) in 2008 (Callan, 2009). More than 29 million American legally acquired digital music in 2007 (McCorkle, et al. 2012). However, "millions have stolen digital products rather than obtaining them legally" (McCorkle, et al., 2012, p. 73).

Digital music piracy exists on a vast scale and continues to grow globally as illegal peer-to-peer file-sharing networks and additional illegal distributors remain prevalent (IFPI Digital, 2011). Illegal activity is not new, however, there has been a shift from an indirect process (where an intermediary steals the product – piracy, breaks copyright infringement) and sells it to a consumer via the black market (McCorkle, et al. 2012). The market has moved to a direct process, “in which the consumers steal directly from producers or resellers and share with other consumers” (i.e., peer-to-peer networks)” (McCorkle, et al., 2012, p. 73).

Online piracy occurs when individuals obtain copyrighted material via the Internet, most commonly through peer-to-peer bittorrent sites which break down the copyrighted file into small “bits” for exchange among users in a randomized order so everyone participates in the overall file sharing load (Segan, 2011). This indirect routing allows the illegitimate services to “get around” the copyright law, and not held liable for what is being exchanged through their system. Refer to Figure 1-1 for an illustration.

The prevalence of bittorrent networks is due to the vague copyright law. It is not easy to recognize when the law is being broken (Segan, 2011). A fine line exists between illegal and legal when it comes to file sharing (Segan, 2011). Copyright theft is also a difficult concept for many to grasp because nothing is being physically taken so the act seems to have no “market impact” (Segan, 2011).

The lack of knowledge and disregard of copyright law has contributed to the decline in industry revenue in recent years (IFPI Digital, 2011). Even with the latest increase in the digital music sector, the net worth of the recorded music industry continues its decline, further illustrating that emerging subscription based or other

licensed services have yet to be truly successful in restoring the business (IFPI Digital, 2011).

The defeat of Napster in 2001 marked the end of unregulated Internet market exchanges through a centralized server. However, peer-to-peer services using a decentralized server in which users swap files on a one-to-one basis are still available. The question remains what the new and flourishing platform for music distribution will be, and what flexibility and sharing of roles between creators, publishers, and consumers will be permissible (McCourt & Burkart, 2003). Internet-based subscription services, offering unlimited streaming capability, are a prospective answer to this long discussed query. Digital piracy and the lack of adequate legal tools to fight it, remains the biggest threat to the music industry (IFPI Digital, 2011).

There are several theories that can help guide this research. The first is the Diffusion of Innovations theory explaining how a technology moves through the stages of adoption, as well as the innovation-decision process (Rogers, 2003). Another theory is the theory of reasoned action (Fishbein & Ajzen, 1975). This theory examines the social and ethical effects regarding illegal downloading of intellectual property (Gopal et al., 2004; Taylor, 2004). The contingency model of ethics also supports the idea certain characteristics of the individual and the opportunity to engage in a behavior impacts decision making (Ferrell, Gresham, & Fraedrich, 1989). The ethical implications of digital piracy can be divided into three ethical issues: whether it causes harm to others (Fullerton, Kerch, & Dodge, 1996), the social acceptability of piracy, and personal ethical beliefs (McCorkle, et al., 2012). All three of these frameworks/theories guide the current study.

Chapter III

Theory and Predictions

There are many individual factors that determine how/if one may adopt a technology. There are several models examining the behavioral intent of individuals, the role of ethics in the decision making process, not to mention how a technology and innovation diffuse through society. This chapter examines the theory of reasoned action to gain a better understanding of how attitudes and subjective norms guide an individual's decision to act in a certain way. It then examines the contingency theory of ethics to gain an understanding of the ethical process and framework guiding decisions. Finally, the chapter ends with an explanation of the Diffusion of Innovations theory framework in order to explain how hardware and software is adopted based on individuals progressing through the innovation-decision making model.

Theory of Reasoned Action

Fishbein and Ajzen developed the theory of reasoned action. They state "People consider the implications of their actions before they decide to engage or not in engage in a given behavior" (p. 5). People will form intentions to perform or not perform behaviors based on attitudes toward the behavior and others' opinions (Sheppard, Hartwick, & Warshaw). Fishbein and Ajzen predicted a behavioral intention would predict an act, unless "intent changes prior to performance or unless the intention measure does not correspond to the behavioral criterion in terms of action, target, context, time-frame, and/or specificity" (Sheppard, et al., 1988).

The behavior intention would be a function of one's attitude toward the behavior and the subjective norms of the possible behavior (Fishbein & Ajzen, 1975). Attitude

toward the behavior is defined as “a person’s general feeling of favorableness or unfavorableness for that behavior” (Ajzen & Fishbein, 1980, p. 327). Subjective norms are defined as a person’s “perceptions that most people who are important to him think he should or should not perform the behavior in question” (Ajzen & Fishbein, 1980, p. 327).

The Fishbein and Ajzen model can explain behaviors such as taking diet pills, condom use, etc. Their model does not examine/predict the outcomes and events from the behaviors (Sheppard, et al., 1988). Therefore, the model has a limitation because it does not distinguish between a goal intention and a behavioral intention (Sheppard, et al., 1988).

The Fishbein and Ajzen model focuses on the idea a single behavior will be performed, and does not include the idea consumers may choose along alternative behaviors (Sheppard, et al., 1988). So, when this model is applied in most situations it will not work because consumers usually have multiple choices instead of one. Originally, Fishbein and Ajzen (1975) stated thoughts and feelings toward alternative behaviors would only influence behavior if they also influenced individuals’ attitudes. They extended their original model into the choice domain (e.g., Fishbein, 1980; Fishbein & Ajzen, 1980; Ajzen, 1980).

Individuals may “assess their attitudes and subjective norms toward each alternative and select the one with the most positive attitude and subjective norm. Based on this choice, they form an intention to perform that one alternative and subsequently perform the behavior” (Sheppard, et al., 1988, p. 327).

Chang (1998) states the theory of reasoned action and its extension (theory of planned behavior) are useful in predicting behaviors. These theories had not been applied

to in the area of unethical behavior. He found “the theory of planned behavior is better than theory of reasoned action in predicting unethical behavior” (p. 1831). “Perceived behavioral control is the most important predictor of intention to use illegal software copies” (p. 1831). However, it is important to note if individuals do not know where to obtain the illegal software to copy it, then their intent to perform the action is lower, opening doors for the theory of reasoned action (Chang, 1998).

The Contingency Model of Ethics

As Ferrell and Gresham (1985) state the framework for examining ethical/unethical decision making is “multidimensional, process oriented, and contingent in nature” (p. 88). The contingency framework “demonstrates that multifaceted factors affect the likelihood of ethical actions by individual decision makers. Individual factors (including knowledge, values, attitude, and intentions) are posited as interacting with organization factors (including significant others and opportunity factors) to influence individuals involved in an ethical/unethical decision-making dilemma” (Ferrell & Gresham, 1985, p. 88).

The oldest approach to the study of ethics is the study of moral philosophy (Ferrell & Gresham, 1985). The teleological assumption of ethics deals with the “moral worth of behavior determined totally by the consequences of the behavior” (Ferrell & Gresham, 1985, p. 89). The choice is based on what is best for all those impacted by the decision. The deontological approach stresses “the methods or intentions involved in a particular behavior. This focus on intentions is consistent with marketing theories of consumer choice...which specify behavioral intentions as a cognitive precedent of choice behavior” (Ferrell & Gresham, 1985, p. 89).

The *rights principle* examines the minimum level an individual's levels of satisfaction impact potential outcome. Moral rights are not the same as legal rights. There are two criteria for judging an action. The first, "every act should be based on a reason(s) that everyone could act on... The second criterion is that action must be based on reasons the actor would be willing to have all others use, even as a basis of how they treat the actor (reversibility)" (Ferrell & Gresham, 1985, p. 90).

Perhaps the principle most applicable in the area of illegal downloading or pirating of music is the *justice principle*. This principle has three categories: distributive, retributive, and compensatory (Ferrell & Gresham, 1985). The distributive category assumes equals should be treated equally and unequals should be treated unequally. Retributive justice involves the blaming and punishing of persons doing wrong. "The person must have committed the act out of free choice and with knowledge of the consequences" (Ferrell & Gresham, 1985, p. 90). The punishment has to be consistent or proportional to the wrongful action. Compensatory justice is "concerned with the compensation for the wronged individual. The compensation should restore the injured party to his/her original position" (Ferrell & Gresham, 1985, p. 90). All of these apply standard to judge the behavior/act (Ferrell & Gresham, 1985). Another reason this approach "fits" the area of illegal downloading or pirating is the idea ethical/unethical behavior is learned from others.

Differential association theory (Sutherland & Cressey, 1970), assumes unethical/ethical behavior is learned. Zey-Ferrell, Weaver, and Ferrell (1979) found differential association with peers predicted unethical/ethical behaviors more so than an individual's ethical belief system.

The contingency framework for ethical decision includes the basic elements: “a) individual’s cognitive structure – knowledge, values, beliefs, attitudes, and intentions; b) significant others in the organizational setting; and c) opportunity for action” (Ferrell & Gresham, 1985, p. 92). It is a process-oriented framework. This ties back to Taylor (2004) or Chang (1998). Taylor states if one has not performed illegal downloading (or an unethical behavior in the past), then he/she will consider it an unethical behavior for others to engage in. Whereas Chang (1998) states if individuals do now know how to obtain illegal music or how to use a program or software to obtain illegal software, the individuals lose their intent to behave in an unethical way.

Technology Conditions Social Change

The immediate nature of modern society, in conjunction with technological developments of the digital era, has led to an apparent shift from ownership to access across all forms of entertainment (Hadley, 2012). The Internet has become the prevailing channel of communication; and has shaped the very fundamentals of human existence (Rogers, 2003).

Canadian media scholar, Marshall McLuhan, a lifelong critic and analyst of communication media’s impacts on both individuals and society, was a *technological determinist*, believing technology is the main cause of social changes (Rogers, 2003). McLuhan (1962) stated “All media, from the phonetic alphabet to the computer, are extensions of man that cause deep and lasting changes in him and transform his environment” (p.13). The adoption of such services, which cater to the trends of modern culture and technology, can be anticipated. In its most extreme form, technological determinism proposes new technologies transform society at every level, including

institutions, social interaction, and individuals and the prime movers of history (Chandler, 2010).

In 1960, McLuhan forecasted the emergence of a global village; in the sense a village represents the notion of a small space in which people can communicate quickly and be very aware to happenings (McLuhan, 1962). It is with this concept McLuhan gained prominence amidst the emergence of the Internet and digital age, which seems to promote the idea of an integrated global community. As McLuhan (1967) stated, “‘Time’ has ceased, ‘space’ has vanished. We now live in a global village... a simultaneous happening” (p. 63). Consumers desire immediate satisfaction amidst their existence in the global village and seek innovative products and services facilitating fulfillment.

Internet technology allows users from different geographic locations to communicate instantaneously for little to no cost. The Internet facilitates communication both in an interpersonal one-to-one process and a one-to-many process, similar to that of the mass media (Rogers, 2003). The Internet eradicated the concept of space between communicators and has significantly affected the rate of diffusion of innovations (Rogers, 2003). This idea can be illustrated by Internet viruses, which can travel the world and infect millions within a single day (Rogers, 2003).

Diffusion of Innovations Theory

The world is constantly evolving, as are the products and services utilized on a daily basis. Technology’s fleeting progression makes it difficult for humans to be consistently knowledgeable (Recording Industry, 2011). By the time the mainstream individual adjusts to a certain modern innovation, an alternative improvement is already available (Segan, 2011). Consumers are tirelessly inundated by the media with claims of

the best, newest versions of products and services. When an individual encounters such a claim, he or she will either achieve mutual understanding or reject and diverge from the message (Rogers, 1993).

Communication is the process in which individuals create and share information with one another in order to reach a shared understanding of some idea or concept (Rogers, 1995). This implies communication is a two-way process of convergence as individuals exchange information in order to move toward reciprocated understanding (Rogers, 1995). Some might consider diffusion to be a one-way, linear act achieving a certain effect, such as an agent persuading another to adopt an innovation. When the pre and post events of the entire process are considered, however, a two-way means is evident (Rogers, 1995).

Diffusion involves a degree of uncertainty, or information, where information is actually a means of reducing uncertainty. Thus, a new technology can be seen as an embodiment of information to decrease the degree of uncertainty in the cause-effect relationships involved in accomplishing a desired result (Rogers, 1995).

A new technology, synonymous to an innovation, typically encompasses two distinct components including the hardware and software aspect (Rogers, 2003). The hardware element embodies the technology as a physical object, usually identified as the device and its various electronic constituents, whereas, the software element includes the fundamental information to operate the instrument (Rogers, 2003). Though both components can exist and function discretely, many technologies necessitate the capacities of both interpedently (Rogers, 2003).

In addition to altering levels of uncertainty pertaining to a particular cause-effect relationship, diffusion of a technological innovation also creates social change. Social change is defined as the process by which alteration occurs in the structure and function of a social system (Rogers, 1995). When a technological innovation is either adopted or rejected this changes society. There are four elements that predict if an innovation will diffuse through society.

The Four Elements of Diffusion

According to Rogers (1995), there are four main elements in the Diffusion of Innovations process. These four elements include the innovation, communication channels, time, and the social system. Diffusion is the process by which an *innovation* is *communicated* through certain *channels* over *time* among the members of a *social system* (Rogers, 1995).

Innovation. The innovation is an idea, practice, or object *perceived* as new by an individual or other unit of adoption (Rogers, 1995). Perception is key; as it makes little difference whether the innovation is as new as its discovery. Something perceived to be new does not just involve new information; it can be expressed in terms of persuasion, or the decision to adopt (Rogers, 1995). There are five perceived characteristics of innovations that help explain its rate of diffusion including relative advantage, compatibility, complexity, trialability, and observability.

Relative advantage is the degree to which an innovation is perceived as better than the idea it supersedes, and the greater the perceived relative advantage of an innovation, the more rapid its rate of adoption (Rogers, 1995).

Compatibility is the degree to which an innovation is perceived as being consistent with the existing values, past experiences, and needs of potential adopters; ideas compatible with values and norms of a society will be adopted more rapidly in comparison with an idea that is incompatible (Rogers, 1995).

Complexity is the degree to which an innovation is perceived as difficult to understand and use; less complicated innovations will be more quickly adopted (Rogers, 1995).

Trialability is the degree to which an innovation may be experimented with on a limited basis; new ideas that can be tested will have higher rates of adoption as the innovation represents less uncertainty to the user (Rogers, 1995).

Observability is the degree to which the results of an innovation are visible to others; the more explicit and easy the results of an innovation are to recognize, the more quickly the rate of adoption will be (Rogers, 1995).

Communication channel. The second element of diffusion is the communication channel, the means by which the two individuals exchange a message (Rogers, 1995). Mass media channels including television, Internet, and radio, are typically the most rapid and efficient means of dissemination to potential adopters.

Time. The third element of diffusion is time. Time is fundamental to the concept of diffusion in three ways: (1) in the innovation-decision process by which an individual passes from first knowledge of an innovation through its adoption or rejection, (2) in the innovativeness of an individual or other unit of adoption, and (3) in an innovation's rate of adoption in a system, usually measured as the number of adopters (Rogers, 1995).

Social system. The last primary element of diffusion is a social system defined as a set of interrelated units that are engaged in joint problem solving to accomplish a common goal. Particular members of a social system (individuals, informal/formal groups, ethnicities, organizations, etc.) must cooperate to the extent of seeking to solve a common problem to reach a mutual goal (Rogers, 1995).

The structure of a social system can facilitate or impede the diffusion of innovations in a system (Rogers, 1995). Katz stated, “It is as unthinkable to study diffusion without some knowledge of the social structures in which potential adopters are located as it is to study blood circulation without adequate knowledge of the veins and arteries” (cited in Rogers, 1995, p. 171).

The social system can be broken down and examined in terms of its structure, system norms, and opinion leaders (Rogers, 1995). The structure of a social system refers to the patterned social relationships among the members of system; say a governmental agency for example, which provides some prediction of behavior and provides stability (Rogers, 1995). A more informal structure also exists beyond the formal framework of societies. This informal structure subsists among the infinite number of interpersonal networks within a social system, which administrate the interaction of members (Rogers, 1995).

Cultural norms among a social system also greatly influence the process of diffusion and the rate at which it progresses. Norms are established behavioral patterns among the individuals in a society (Rogers, 1995). Norms serve as a guide to “acceptable” behavior within a social system; they also lay the framework for expected behavior. As norms steer behavior among a community they hinder the diffusion process

(Rogers, 1995). The diffusion process also depends on an individual's decision to adopt a hardware or software.

The Innovation-Decision Process

The innovation-decision process explains how individuals decide to adopt the innovations. The innovation-decision process is comparative to a five-stage model proposed by James O. Prochaska. This model is referred to as the five stages-of-change or SOC and includes the precontemplation, contemplation, preparation, action, and maintenance stages (Rogers, 2003). As the individual progresses from step-to-step, the number of 'pros' increase as the number of 'cons' decrease; it is a changing decisional balance of expected costs and benefits (Rogers, 2003). The stages include: knowledge, persuasion, decision, implementation, and confirmation (Rogers, 1995).

Knowledge/ precontemplation: The first stage is knowledge/precontemplation. The individual passes through stage one when he or she gains *knowledge* and general understanding of the innovation and its functions (Rogers, 1995). It is during this phase individuals understand and recall messages pertaining to the innovation and its promoted effects (Rogers, 2003). The individual is also aware if any problems exist with adapting the innovation (Rogers, 2003).

Persuasion/ contemplation: Next, the individual either forms a favorable or unfavorable attitude toward the innovation. It is during this stage individuals will compare the innovation or problem with others and may accept the message of the innovation (Rogers, 1995).

Decision/preparation: The next stage is where a decision is made. A *decision* is made to either adopt or reject the innovation. Individuals will seek addition information

about the innovation and will establish the intention to adopt (Rogers, 1995). The intention to take action in the near future is apparent, yet lacks instigation.

Implementation/action: Step four then occurs when the individual *implements* the innovation into his or her daily life (Rogers, 1995). During the implementation phase, individuals have acquired all necessary information and begin to utilize the innovation on a regular basis (Rogers, 2003). Consistent usage endures. The individual has now taken action in order to overcome the existing problem (Rogers, 2003).

Confirmation/maintenance: In the final stage, an individual confirms his or her decision to adapt the new technology. Finally, the individual seeks affirmation on his or her decision to adopt/reject the innovation. During this step, the individual may reverse the decision if he or she experiences any disagreeing messages (Rogers, 2003). Adopters identify the benefits of using the innovation and begin promoting it to others. This final stage is when the individual continues and consolidates the behavior change (Rogers, 2003).

Individuals in a society do not follow through the innovation-decision process at the same rate. Some adopt at the very beginning, others are the last, and the rest lie anywhere in between these two extremities. Individual adopters are characterized into one of several adopter categories based on their degree of innovativeness (Rogers, 1995).

Adopter Categories

Innovators. These individuals are the first to try a new product in the marketplace. They consistently seek out new ideas and can be distinguished by their fascination with original ventures. Innovators must have considerable financial stability to compensate for the possible loss from an innovation that fails to penetrate the

marketplace. This individual must also be able to manage a great deal of uncertainty at the time of adoption. “The salient value of the innovator is venturesomeness, due to a desire for the rash, the daring and the risky” (Rogers, 1995, p. 264). These innovators act as gatekeepers to the local system by introducing new ideas to the system.

Early Adopters. These individuals serve as a role model to the other members in a society and are often responsible and looked to, to speed up the diffusion process (Rogers, 1995). They are typically the opinion leaders of a social system. Early adopters are more integrated with the local, mainstream social system as compared to the innovators. Potential adopters rely heavily on the opinions and evaluations made by the early adopters and likewise would be considered the “individuals to check with” before making a decision to adopt an innovation (Rogers, 1995).

Early Majority. These are the individuals who engage an innovation just before that of the average member in a system. Early majorities are most noted for being the link between the early and late adopters; thus, making them an important part of the diffusion process (Rogers, 1995). The early majority makes up nearly one-third of system members. The quote by Alexander Pope, “Be not the first by whom the new is tried, nor the last to lay the old aside” portrays the thinking of an early majority adopter (Rogers, 1995, p. 143).

Late Majority. Members in the late majority category adopt an innovation after the average member. The member’s decision to adopt is most likely the result of economic or peer pressure to do so (Rogers, 1995). These individuals are skeptical of innovations and wait until the degree of uncertainty is nearly zero (Rogers, 1995). This category is the largest of all categories, along with the early majority (Rogers, 1995).

Laggards. Last, are the laggards, the very last to adopt an innovation in a social system. Laggards are traditionalists who possess little to no opinion leadership in a system. They have a very lengthy innovation-decision process for which adoption falls significantly behind awareness and knowledge of a technology (Rogers, 1995).

Differences Between Earlier Adopters and Later Adopters

Summarizing past research in this area suggests three distinct differences between earlier adopters and later adopters because of socioeconomic status, personality variables, and communication behavior (Rogers, 1995).

Socioeconomic characteristics: Age is not a good indicator or difference between early and late adopters. Earlier adopters have more years of formal education than later adopters, are more likely to be literate than are later adopters, have a greater degree of upward social mobility than later adopters, and have larger units (farms, schools, companies, etc.) (Rogers, 1995).

Personality variables: Earlier adopters have greater empathy than later adopters. They are less dogmatic, have a greater ability to deal with abstractions, are more rational, and have greater intelligence than later adopters (Rogers, 1995). They also have a more favorable attitude toward change, are better able to cope with uncertainty and risk, have more favorable attitudes toward science, and are less fatalistic than later adopters (Rogers, 1995).

Communication behavior: Earlier adopters participate more than later adopters. They are more highly interconnected through interpersonal networks in their social system (Rogers, 1995). Earlier adopters act as change agents and have greater exposure to mass media communication channels and interpersonal communication channels than

later adopters (Rogers, 1995). They also seek information and have greater knowledge of innovations than later adopters (Rogers, 1995).

A standardized method of adopter categorization exists based on the S-shaped curve of adoption and normality (Rogers, 1995). Adopter categories are determined using the time element of the diffusion process. Typically, the adoption rate of any innovation resembles a normal bell-shaped curve when plotted over time on a frequency basis (Rogers, 1995). When the adoption rate is depicted on a cumulative basis, the result is an S-shaped curve. The S-shaped curve increases gradually at the beginning stages when few are adopting the innovation (Rogers, 1995). The adoption rate then increases to a climax point, where approximately half of individuals in the system have adopted, as seen in the bell-curve. The S-shaped curve “takes off” at a point known as the inflection point. It is at this point that interpersonal networks have been activated between peers in a system (Rogers, 1995).

Two statistics, mean and standard deviation, are used to determine adopter categories among a normal adopter distribution (Rogers, 1995). The earliest adopters, referred to as the innovators, consist of the top 2.5 percent of the distribution, or the mean minus two standard deviations. Next are the early adopters and early majority, followed by the late majority and laggards, which fall the right of the mean (Rogers, 1995).

Typically the following pattern in the adoption of an innovation is as follows: innovators (2 percent of population), early adopters (14 percent), early majority (34 percent), late majority (34 percent), and laggards (16 percent) (Rogers, 2005). It is of particular interest to learn how this theory pertains to the music industry and ideally gain

insight about where the industry is headed during a difficult transition time among the business structure.

Predictions and Research Questions

Rogers (2003) states the innovation-decision process explains how individuals decide to adopt the innovations. The model includes the stages: knowledge, persuasion, decision, implementation, and confirmation (Rogers, 1995). If individuals lack knowledge, or not persuaded by their peers or subjective norms, they may be less likely to adopt the technology. This coupled with the idea that individuals have to know how to obtain the technology before they adopt it (Change, 1998). Because technology in the digital age of music changes on any given day, one would believe those who are more innovative (or score higher on innovativeness) will be more likely to adopt new subscription music services. Because Spotify is a relatively new service that has been around long enough for participants to have heard about it, that is the specific technology studied. Therefore the following hypothesis is predicted:

H1: Innovativeness scores are positively related to using Spotify.

When examining the theory of reasoned action, one has to weigh his or her attitude toward the behavior and the subjective norms of the possible behavior before acting (Fishbein & Ajzen, 1975). McCorkle et al. (2012) found the greater “threat of personal harm (whether from criminal or channel risk), the less likely it is that a consumer will steal or illegally obtain music” (p. 82). However, Taylor (2004) found if an individual had never downloaded illegal music, this predicted his/her chances of doing it in the future, as well as perceptions of the behavior being unethical. Bhattacharjee, Gopal, and Sanders (2003) found women and older people were not as likely to illegally

download or pirate music. Finally, Kwong and Lee (2002) found individuals examined the relationship they had with the recording industry and perceptions of this relationship coupled with the intellectual property protection laws significantly hindered attitudes toward online music piracy. When all is said and done, it is an individual's attitude and perceptions of subjective norms of the behavior that predict if they act in a certain way.

Ethics also plays a role in the decision to adopt a technology or behave in a certain way. Gopal, Sanders, Bhattacharjee, Agrawal, and Wagner (2003) found the intention to simply swap music online was negatively correlated with ethical and moral dispositions of a person. d'Astous, Colbert, and Montpetit (2005) state the decision to swap or illegally download music was "founded on one's attitude toward music piracy, one's perception that important others want him or her to do so, and one's perceived capabilities to actually perform this behavior" (p. 307). d'Astous et al. (2005) found anti-piracy arguments did not deter behavioral intentions of illegally downloading or pirating music. However, Liao, Lin, and Liu (2010) did not find others' approval as a predictor of pirating software. They attribute this finding to the idea those carrying out the unethical behaviors will be the ones who are punished. This conclusion supports Venkatesh et al. (2003) who argue individuals will only comply with subjective norms when the "others" have the ability to reward them for the behavior. Attitudes and subjective norms predict a behavioral intent. There are mixed results examining the idea ethical considerations impact illegal downloading behavior. This study examines three dimensions of business ethics in order to parse out the mixed results of the previous research. Therefore this study posits the following hypotheses and research question:

H2: Attitude toward piracy and illegal downloading behavior positively predicts

illegal downloading behavior.

H3: There is a positive relationship between attitudes toward piracy and illegal downloading and perceptions of business ethics (moral equity, relativistic, and contractualism).

H4: Perceived issue involvement toward piracy and illegal downloading predicts perceptions of business ethics (moral equity, relativistic, and contractualism).

RQ1: Is there a negative relationship between past pirating behavior and perceptions of business ethics (moral equity, relativistic, and contractualism)?

Bhattacharjee et al. (2003) found women and older people were less likely to engage in music piracy. McCorkle et al. (2012) state “older consumers or higher-level music fans may have greater preferences for the high-quality CDs, record albums, or lossless-compression digital music files” (p. 81). Younger consumers may be satisfied with lower quality digital music files (McCorkle et al., 2012). However, age is not a good indicator or difference between early and late adopters of technology (Rogers, 1995).

Because of the mixed findings, this study poses the following research question:

RQ2: Does age predict a) attitude toward piracy and illegal downloading, b) involvement in the issue of piracy and illegal downloading, or c) piracy behavior?

Chapter IV

Methodology

This study applies three frameworks to the digital music industry. First, it examines how innovative consumers are in general. Then it examines their attitudes and involvement levels toward piracy and illegal downloading of music. Finally, it examines how ethical perceptions impact their likelihood of downloading music illegally. It also examines how past illegal actions predicts perceptions of business ethics and future pirating behavior. The goal is to gain an understanding of how individuals' innovation choices impact their attitudes, behaviors, and ethical decision-making in the area of digital music.

Procedures

Institutional Review Board approval was obtained before starting the study. An online survey instrument was developed in LimeSurvey, an online survey application. A link to the study was sent via Facebook to a convenience sample. The link was then passed on to others. This presented a non-probability, self-selected, volunteer sampling method coupled with a snowball sampling method since participants could forward the link to their friends. Participants implied consent when logging into the survey. Participants had four weeks to complete the survey from February 27, 2010 to March 27, 2012.

Respondents were told the study would take roughly 15 minutes to complete. Their answers were anonymous. Once they entered the survey, participants read an implied informed consent form. After proceeding, respondents answered a number of scale measures asking about their attitudes toward piracy, their music preferences, how

they listen to music, and their innovativeness. They then filled out demographic measures.

Participants

One hundred fifteen ($N = 115$) individuals participated in the online survey. Seventy-four participants (64.3 %) were women. The average age was 25.07 with a standard deviation of 8.78 and a range of 18 to 56 years of age. There were 5.2% freshmen, 8.7% sophomores, 16.5% juniors, 34.8% seniors, and 34.8% were not enrolled in college. The majority (79.1%) were Caucasian, while 17.4% were non-Hispanic White, 1.7% were Asian-American, and .8% were either African American or of mixed race.

Participants spent an average of 4.85 ($SD = 8.74$) hours listening to music per day. More than half of the sample (66.1%) did not use Spotify. Only 9.6% of the sample paid for the Spotify service (11 people). More than 35% of the sample used the computer most frequently to listen to music; followed by an ipod/mp3 player (26.1%), a smart phone (20.0%), and a car stereo (15.7%). Fifty-four percent (54%) of the sample use iTunes all of the time. Two percent (2%) use MOG, Rdio, or Rhapsody, subscription-based, fee services. Forty-seven percent (47%) of the sample use Pandora (an Internet radio service) all of the time. Forty-six percent (46%) of the sample use YouTube for listening purposes.

Almost half of the sample (43.5%) had more than 100 purchased songs in their music library. Eighty-three percent (83.5%) of the sample had illegally downloaded music in the past. Of those who had illegally downloaded music, 47.8% said they do not download illegally anymore, whereas 2.6% had downloaded illegally the past day.

Participants agreed with the statement artists deserve to be paid for their music ($M = 5.32$, $SD = 1.40$). They strongly disagreed with the idea they would refrain from purchasing a song until it was available for free ($M = 3.25$, $SD = 1.62$). They were neutral about owning a song they listen to on a regular basis ($M = 4.47$, $SD = 1.68$).

Measures

Domain Specific Innovativeness (DSI) was measured using a scale developed by Goldsmith and Hofacker (1991). The four questions were placed on seven-point, Likert-type scales. The questions were reworded slightly in order to fit the purpose of this study. Questions included: In general I am among the first in my circle of friends to buy a new technology when it appears; In general, I am the last in my circle of friends to know the latest technology; I will not buy a new technology if I haven't heard of/tried it yet; and I typically do not like to adopt technology before other people do ($\alpha = .71$, $M = 3.69$, $SD = 1.17$).

Consumer Innovativeness was measured using a scale developed by Manning, Bearden, and Madden (1995). The scale measures two aspects of consumer innovativeness: consumer independent judgment-making and consumer novelty seeking. Only the consumer novelty seeking items were employed in this study. The five questions were placed on seven-point, Likert-type scales. Items included: I often seek out information about new products and brands; I frequently look for new products and services; I seek out situations in which I will be exposed to new and different sources of product information; and I am continually seeking new product experiences ($\alpha = .95$, $M = 4.15$, $SD = 1.42$).

Attitudes towards piracy and illegal downloading were evaluated using six bipolar adjective pairs developed by Burgoon et al. (1978). Adjective pairs were measured on seven-point scale and included unacceptable/acceptable; foolish/wise; unfavorable/favorable; negative/positive; bad/good; and wrong/right. Reliabilities for initial attitudes were: $\alpha = .94$ for piracy ($M = 3.62$, $SD = 1.33$) and illegal downloading $\alpha = .94$ ($M = 3.74$, $SD = 1.35$).

Improving Evaluations of Business Ethics was also measured (Reidenbach & Robin, 1990). There are three dimensions including: moral equity (fair/unfair; just/unjust; and morally right/not morally right, $M = 3.31$, $SD = 1.32$; $\alpha = .89_{\text{piracy}}$; $M = 3.32$, $SD = 1.36$; $\alpha = .89_{\text{illegal downloading}}$); relativistic (traditionally accepted/unaccepted and culturally acceptable/culturally unacceptable, $M = 4.27$, $SD = 1.43$; $\alpha = .68_{\text{piracy}}$; $M = 4.42$, $SD = 1.43$; $\alpha = .65_{\text{illegal downloading}}$), and contractualism (violates/does not violate an unspoken promise and violates does not violate an unwritten contract, $M = 3.48$, $SD = 1.52$; $\alpha = .73_{\text{piracy}}$; $M = 3.59$, $SD = 1.49$; $\alpha = .71_{\text{illegal downloading}}$). The adjective pairs were placed on seven-point, semantic differential scales.

Personal involvement toward piracy and illegal downloading was also measured (Zaichkowsky, 1985). Six items of the PII was used in this study including: unimportant/important; of no concern/of much concern; means nothing/means a lot; doesn't matter/matters to me; insignificant/significant; and irrelevant/relevant ($M = 4.28$, $SD = 1.24$; $\alpha = .96_{\text{piracy}}$; $M = 4.14$, $SD = 1.33$; $\alpha = .97_{\text{illegal downloading}}$).

Chapter V

Results

The purpose of this research study is to understand how people listen to music amidst the digital era with certain consideration for attitudes, behaviors, and adoption of subscription services.

Hypothesis 1 predicted innovativeness scores were positively related to users using Spotify. A bivariate correlation was performed to test this hypothesis. Results indicate a positive relationship between Consumer Innovativeness scores and using Spotify $r(115) = .16, p < .05$. There is a significant, negative correlation between Domain Specific Innovativeness and using Spotify $r(115) = -.13, p < .01$. Therefore, Hypothesis 1 was supported. Innovativeness does positively relate to using Spotify.

Hypothesis 2 predicted attitudes toward piracy and illegal downloading would positively predict illegal downloading behavior. A linear regression was run to examine this prediction. Attitude scores for piracy and illegal downloading served as the predictor variables and previous illegal downloading behavior was used as the criterion variable. Attitudes toward piracy did not positively predict illegal downloading behavior ($\beta = -.02, p = .71$). However, attitudes toward illegal downloading did positively predict illegal downloading behavior ($\beta = .11, p = .01$). Therefore, Hypothesis 2 was partially supported. This supports the idea consumers find it more acceptable to download music illegally, but do not consider it ethical to pirate other forms of entertainment.

Hypothesis 3 predicted a positive relationship between attitudes toward piracy and illegal downloading behavior and perceptions of business ethics (moral equity, relativistic, and contractualism). Bivariate correlations were used to examine this

prediction. There was a positive relationship between attitudes toward illegal downloading and all dimensions of business ethics (moral equity dimension, $r(115) = .78$, $p < .01$; relativistic dimension $r(115) = .49$, $p < .01$); and contractualism $r(115) = .50$, $p < .01$). There was also a positive relationship between attitudes toward piracy and perceptions of all dimensions of business ethics (moral equity dimension, $r(115) = .79$, $p < .01$; relativistic dimension $r(115) = .51$, $p < .01$); and contractualism $r(115) = .53$, $p < .01$). Hypothesis 3 was supported.

Hypothesis 4 predicted issue involvement toward piracy and illegal downloading behavior would predict ethical perceptions. A linear regression was run to examine this prediction. Involvement scores for piracy and illegal downloading served as the predictor variables and scores on the dimensions of perceptions of business ethics (moral equity, relativistic, and contractualism) were used as the criterion variables. Involvement in the piracy issue did predict perceptions of the ethical dimensions of moral equity ($\beta = -.44$, $p < .01$), relativistic ($\beta = -.37$, $p < .01$), and contractualism ($\beta = -.33$, $p < .01$). Involvement in the issue of illegal downloading also predicted perceptions of the ethical dimensions of moral equity ($\beta = -.37$, $p < .01$), relativistic ($\beta = -.49$, $p < .01$), and contractualism ($\beta = -.43$, $p < .01$). Results indicate support for Hypothesis 4. Issue involvement predicts perceptions of ethics.

Research Question 1 inquired if there was a negative relationship between past pirating behavior and perceptions of business ethics. Results indicate there is no relationship between past pirating behavior and perceptions of business ethics (moral equity dimension, $r(115) = .09$, $p = .18$; relativistic dimension $r(115) = .14$, $p = .06$); and contractualism $r(115) = .04$, $p = .33$).

Research Question 2 asked if age would predict attitude toward piracy, attitude toward illegal downloading, involvement in the issue of piracy and illegal downloading, or piracy behavior. A linear regression was run to examine Research Question 2. Age served as the predictor variable and the others served as criterion variables. Age predicted attitude toward piracy ($\beta = -.04, p < .01$), attitude toward illegal downloading ($\beta = -.03, p < .05$), and piracy behavior ($\beta = -.02, p < .01$). Age did not predict involvement in the issue of piracy ($\beta = .01, p = .68$) or issue of illegal downloading ($\beta = .02, p = .21$). Those who were older had negative attitudes toward piracy and illegal downloading and were less likely to exhibit this behavior. Age does not impact how involved one is with the issues of piracy of illegal downloading.

VI

Discussion

This study applies three frameworks to the digital music industry. First, it examines how innovative consumers are in general. Then it examines their attitudes and involvement levels toward piracy and illegal downloading of music. Finally, it examines how ethical perceptions impact their likelihood of downloading music illegally. It also examines how past illegal actions predicts perceptions of business ethics and future pirating behavior. The goal is to gain an understanding of how individuals' innovation choices impact their attitudes, behaviors, and ethical decision-making in the area of digital music.

Findings indicate innovativeness scores positively relate to the use of Spotify, in accordance with Hypothesis 1. However, the hypothesis was only partially supported as only one form of innovativeness, consumer innovativeness, was positively correlated with the use of Spotify and the other, domain specific innovativeness, was negatively correlated with Spotify use. The positive correlation of consumer innovativeness supports the idea one more innovative in their consumption would be more likely to consume new technologies.

However, domain specific innovativeness correlated negatively with Spotify use, suggesting the type of innovator one is (specifically regarding a new technology) does not influence if/when one will adopt a technology. Domain specific innovativeness is not the reason behind using Spotify and upholds the existence of other motives (possible ethical motives). While the two correlations contradict one another, the negative

correlation has a considerably weak -0.13 correlation. It is important to note only 34 people (33.9%) of the sample use Spotify and that mean scores were neutral.

Only a small portion of the sample, nearly 34%, reported to have adopted Spotify and regularly employ its services. Considering the abovementioned results, those who have used Spotify scored higher on consumer innovativeness. A small percentage of Spotify users view themselves as being somewhat innovative (slightly above normal). This may suggest Spotify is diffusing slowly among the early adopters and some of the perceived characteristics effecting rate of diffusion may be hindering the process. This finding may indicate the characteristics of relative advantage, compatibility, and complexity (Rogers, 2003) may not be reasons for adopting Spotify.

The music industry has been subject to an ongoing problem, losing approximately 10 percent in revenue each year for the past several years, due much to the primacy of online music piracy (Oberholzer-Gee & Strumpf, 2012). This illegal act has been greatly facilitated by the Internet environment, which enables users to easily send and receive digital music files for free. The growing problem is prompting many research inquiries concerning the consumer logic behind pirating behavior.

Attitudes toward piracy (in its broadest sense) and the particular act of illegal downloading were predicted to positively forecast illegal downloading behavior. Hypothesis 2 was also only partially supported. Attitudes toward piracy did not predict illegal downloading behavior, however, attitudes toward illegal downloading did. Interestingly, consumers do not judge illegal downloading to be an illicit act of pirating. The popularity of file sharing on the Internet promotes such an attitude: file sharing has become a regular online activity with more than 300 million files being exchanged in the

U.S. every month (Oberholzer-Gee & Strumpf, 2012). The absence of physical distance, and low cost of file-duplication has made file sharing appealing to music consumers worldwide (Oberholzer-Gee & Strumpf, 2012).

Little is known about attitudes toward online piracy; however, these attitudes are considered a likely reason behind one's intention to illegally download. The theory of reasoned action supports this reasoning, as it claims people will develop intentions to carry out a behavior based on their preexisting attitudes towards the behavior (Sheppard, et al., 1988). Individuals who had a less permissive attitude toward illegal downloading (deem it a more significant issue) consider the implications of their actions before they make decisions and predict, as Hypothesis 2 does, attitudes influence their behavior (to not download illegally).

The false perception that music is a public good also supports a lax attitude toward illegal downloading. A public good is one in which once provided is very difficult to prevent other consumers from consuming it, and many (Bhattacharjee, et al., 2003). Once a music file is created, compression and duplication technology together with the capability of the Internet enables users to consume the good without actually having to pay for it. These consumers are commonly referred to as "free-riders" (Bhattacharjee, et al., 2003).

The diffusion of digital music files has increased due to its facility to greatly decrease information uncertainty regarding commercially available music (Bhattacharjee, et al., 2003). As information uncertainty is a significant factor in one's likelihood and rate of adopting an innovation, this supports the incidence of increased adoption of online music consumption in general (Rogers, 1993). Uncertainty has been reduced amid the

global village of the Internet, which enables users to access information (uncertainty reducing) effortlessly and has significantly impacted the rate of diffusion of many innovations, including online music consumption — particularly illegal online music consumption (Rogers, 1993, McLuhan, 1962). While the current study discovered attitudes toward illegal downloading predict illegal downloading behavior, this further suggests more information to decrease uncertainty is required of licensed services.

Past studies have found attitudes to be an important factor in predicting unethical behaviors such as cheating and stealing (Oberholzer-Gee & Strumpf, 2012). Accordingly, this study explores attitudes toward unethical behaviors specific to music consumption (i.e. illegal downloading) and how/if attitudes affect other ethical perceptions. A positive relationship (Hypothesis 3) between attitudes toward piracy and illegal downloading and the perception of business ethics (moral equity, relativistic, and contractualism) was discovered. The relationship indicates consumers' perceptions of business-related ethical decisions are associated with their attitudes toward piracy and illegal downloading. This suggests individuals who possess more negative attitudes toward these criminal behaviors also perceive the behaviors to be more immoral.

The *rights principle* explains individuals will judge an action based on its universality (Ferrell & Gresham, 1985). The correlation between ethical perception and attitude toward piracy and illegal downloading supports this reasoning; as one would develop a corresponding attitude with that he/she considered to be unethical in universal business situations. He/she would form attitudes in line with what ethically he/she perceives everyone should act on.

Hypothesis 4 was supported as issue involvement toward piracy and illegal downloading predicted the perception of business ethics. Those more invested in the issue perceived both forms of pirating to be more unethical. Results indicated consumers' attitudes and perceptions are corresponded positively. This finding fits among several of the presented theories regarding ethics and behavior. The contingency framework says multiple, diverse factors affect one's decision regarding an ethical dilemma, including the factors values and knowledge (Ferrell & Gresham, 1985). Those individuals who were more involved in the issue of piracy and illegal downloading positively predicted their perceptions of business ethics (relating to the illegal behavior). The traditional approach of moral philosophy suggests the moral worth of an act is determined by its consequences (Ferrell & Gresham, 1985). Individuals more invested in an issue may be more mindful of its consequences, and could influence their ethical perception of the issue.

It was questioned if individuals who had illegally downloaded before would perceive business ethics in a different way than those who had never partaken in the unlawful act. In answering Research Question 1; no relationship exists between past illegal downloading behavior and perceptions of business ethics. This finding does not assent with the premise of the reasoned action model, which suggests the behavior, is secondary to the individual's intentions to perform or not perform the behavior (Sheppard, et al., 1988).

Age did not predict one's involvement towards piracy or illegal downloading in the current study. This suggests older and more informed individuals regard piracy and illegal downloading to be more unethical. Previous research, specifically that of Bhattacharjee et al. (2003) indicates age to be one associated feature among those who

engage in online piracy. The current study supports the concept that those who illegally obtain music online are generally younger in age. As previously noted, it was discovered differential association more so predicts behaviors than an individual's ethical belief system (Zey-Ferrell, et al., 1979). Since younger consumers interact considerably through the use of social networks (as opposed to older consumers) a tolerant attitude toward piracy is ordinary among users. Especially being raised during the digital era, younger people rely heavily on what they learn in the online environment and on what seems to be the societal norm, in this case illegal downloading not being considered a "big deal." Results indicate age is negatively related to the likelihood to download illegally. Given younger people are generally more at ease with computer technology; this may suggest illegal downloading may increase in the future (d'Astous et al., 2005).

Limitations and Future Directions

With every research endeavor comes limitations within its procedure and findings. This particular study included considerable limitations. First, the sample was extremely limited due to strict time frame. The sample was assembled via convenience sampling and only included 115 total participants. More than 85 individuals who started the survey did not complete it. The sample was not particularly diverse, and was primarily limited to persons in their low to mid twenties. This study examined Spotify as a specific subscription service. It is the newest, is connected through social media, and so it seemed a logical choice. However, very few people used the service. Letting individuals select their own service to answer questions about may have worked better. A larger random sample would have been ideal.

Future inquiries on the consequences of innovation adoption will significantly expand upon the findings of this study and be of particular insight to music industry professionals. Studying consequences and after-effects of adopted innovations is difficult to accomplish. Such studies must take place over an extended period of time and include a large sample willing to partake for the entire duration of the study (Rogers, 1995).

It is evident from the findings of this study illegal downloading of music is prevalent and is regarded to be less unlawful than piracy in general (especially by the younger demographic) Music industry professionals can utilize similar research and its findings to better understand consumers' intentions to engage in the illegal downloading of music, which continues to stifle the industry year after year. By better understanding the music consumer's involvement and attitude toward the industry's main adversary, music distributors and providers will be more equipped to develop effective solutions in favor of the consumer.

Conclusion

The present study attempted to evaluate consumers' attitudes toward ethical behaviors concerning digital music consumption, through the assessment of the theory of reasoned action and the Diffusion of Innovations theory. Results show attitudes towards illegal downloading positively predict illegal downloading behavior and the act of illegal downloading is considered to be more acceptable than other pirating behaviors. Younger consumers are also more likely to engage in the illegal downloading of music. These findings are important to consider when anticipating the outlook of the struggling music industry. Consumers' attitudes and motives behind illegal downloading should be investigated further to more effectively approach industry decline due to such behavior. If

researchers are able to determine why consumers illegally download music and consider the act more permissible than other forms of pirating, the music industry will be able to use this knowledge to their advantage and customize the business structure accordingly.

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Appendix A

Figure 1-1 *Later Distributed Services' "De-centralized Servers"*

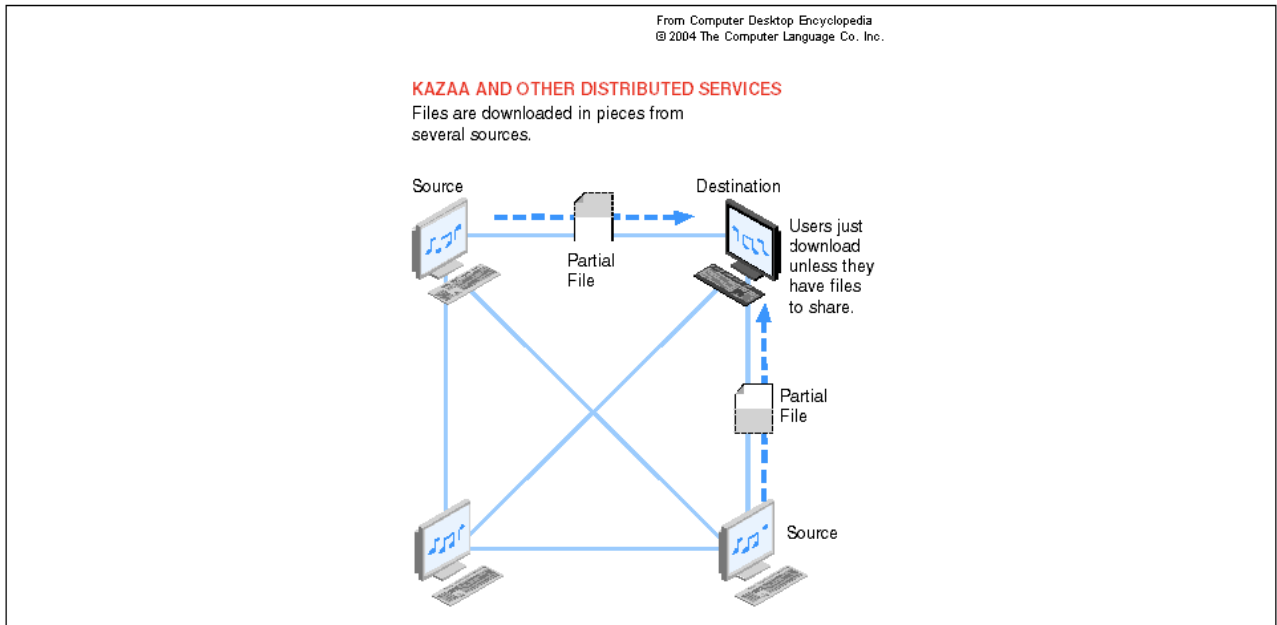


Image taken from the Computer Desktop Encyclopedia (www.computerlanguage.com)

Figure 1-2 *The Original Napster's "Centralized Server"*

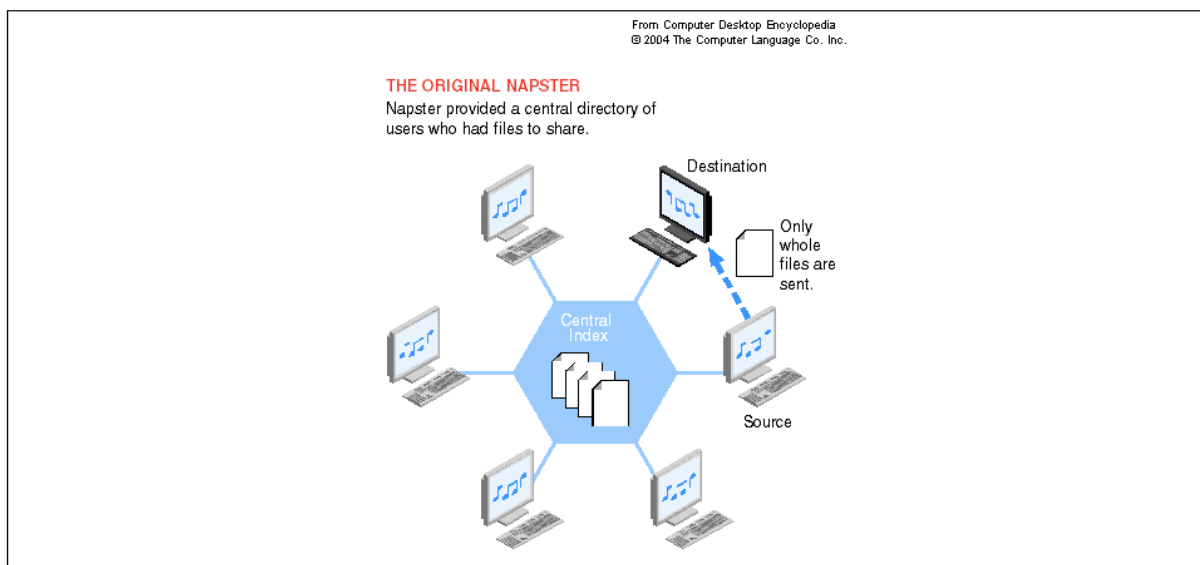


Image taken from the Computer Desktop Encyclopedia (www.computerlanguage.com)

Appendix B

Table 1 *Means and Standard Deviations of Variables*

<i>Variable</i>	
Domain Specific Innovativeness	3.69(1.17)
Consumer Innovativeness	4.15(1.42)
Attitude toward piracy	3.62(1.33)
Attitude toward illegal downloading	3.74(1.35)
Business Ethics	
Moral equity – piracy	3.31(1.32)
Moral equity – illegal downloading	3.32(1.36)
Relativistic – piracy	4.27(1.43)
Relativistic – illegal downloading	4.42(1.43)
Contractualism – piracy	3.48(1.52)
Contractualism – illegal downloading	3.59(1.49)
Piracy involvement	4.28(1.24)
Illegal downloading involvement	4.14(1.33)

Notes: Means and standard deviations (shown in parentheses) for the variables.

Respondents' attitudes were measured using six, bipolar adjective pairs developed by Burgoon and colleagues (1978). These pairs were listed on a seven-point Likert-type scale. Improving evaluations of business ethics were measured using a three-dimension scale developed by Reidenbach and Robin (1990). The adjective pairs were placed on seven-point, semantic differential scales. Respondents' personal involvement was measured using a six-item scale by Zaickowsky (1985).

Appendix C

Survey Measures

Domain Specific Innovativeness (Goldsmith and Hofacker, 1991)

In general, I am among the first in my circle of friends to buy a new technology when it appears

In general, I am the last in my circle of friends to know the latest technology.

I will not buy a new technology if I haven't heard of/tried it yet.

I typically do not like to adopt technology before other people do.

Consumer Innovativeness (Manning, Bearden, and Madden, 1995)

I often seek out information about new products and brands.

I frequently look for new products and services.

I seek out situation in which I will be exposed to new and different sources of product information.

I am continually seeking new product experiences.

Attitudes towards piracy and illegal downloading (Burgoon et al., 1978)

Unacceptable/acceptable

Foolish/wise

Unfavorable/favorable

Negative/positive

Bad/good

Wrong/right

Improving Evaluations of Business Ethics (Reidenbach & Robin, 1990)

Moral Equity Dimension:

Fair/unfair

Just/unjust

Morally right/not morally right

Relativistic Dimension:

Traditionally accepted/ unaccepted

Culturally acceptable/unacceptable

Contractualism Dimension:

Violates/does not violate an unspoken promise

Violates/does not violate an unwritten contract

Personal involvement toward piracy and illegal downloading (Zaichkowsky, 1985)

Unimportant/important

Of no concern/of much concern

Means nothing/means a lot

Doesn't matter/matters to me

Insignificant/significant

Irrelevant/relevant

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