

THE ANALYSIS OF THE IMPACT OF MARKETING MIX TOWARD SOFTWARE PURCHASE INTENTION IN RELATION TO SOFTWARE PIRACY IN INDONESIA

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ABSTRACT

This thesis type is research with the subject of marketing mix. The study discusses issues of software piracy in Indonesia. Goal of this research is to provide information whether the marketing mix strategy (Product, Price, Promotion, Place) influencing consumer purchase intention that lead to reducing software piracy in Indonesia, and hope this thesis can be used by software principal to reduce piracy and get benefits from this strategy.

Literature of this thesis is taken mostly from International book, and several took from local book, local trusted magazine, and best internet source. Theory of marketing mix, purchase intention, software history, software piracy, type of piracy, and the legal use of software has been included to this thesis to give more understanding to the reader.

It took the field research on people who use pc / notebook and have used pirated software before, total of 19 questions have been responded by 100 respondents using accidental sampling. This thesis also examines the impact of marketing mix toward software purchase intention. Using regression analysis, it can be found that there are two variables: price and place that have positive correlation toward software purchase intention. The result of the study will help the principal company to create the right strategy to reduce piracy in Indonesia software market.

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BACKGROOUND

Information technology is a key driver in the globalization and growth of the world economy. The total worldwide software market has been estimated at \$154B in 2010 (\$59B of it was illegal), which means for every dollar spent on legitimate software in 2010, an additional 63 cents worth of unlicensed software also made its way into the market. Indonesia itself contributed to this lost around \$1.3 Billion, but however it is particularly problematic internationally.

Global software piracy has become an increasing concern to business and software developers throughout the world during the past two decades. Software piracy is defined as the illegal copying of software for commercial or personal gain. Software companies have tried many methods to prevent piracy, with varying degrees of success. Several agencies like the Software Publishers Association and the Business Software Alliance (BSA) have been formed to combat both worldwide and domestic piracy. Software piracy is an unresolved, worldwide problem, costing millions of dollars in lost revenue.

Nowadays, software piracy became part of our everyday life in Indonesia and this is very embarrassing when people can get pirated software easily in every Mall, IT Mall, through Internet, or even at the hawkers which people can buy it for only IDR 25,000 – IDR 50,000. (around US\$ 3 – US\$ 5).

People use pirated software everywhere; it exists in homes, schools, business, and governments. They have been using it for a long time and surprisingly they do not really understand if the software they use every day is illegal. BSA (Business Software Alliance) said the most case of piracy happened when people bought single copy of software and install it on multiple computers, especially in offices. According to study published by BSA in 2010, Piracy level in Indonesia is 87% and it cost \$1.3 Billion for business software application.

Actually, the phenomenon of piracy in Indonesia is not happen only for software, but also music, video, book, electronic, branded fashion, and many more.

Based on the background above, this research is intended to analyze further about marketing mix factors that influencing software purchase intention. This thesis is titled *The Analysis of the Impact of Marketing Mix Toward Software Purchase Intention in Relation to Software Piracy in Indonesia*

LITERATURE REVIEW

Pressman (2005, p. 36) defined 3 definitions of software, “Software is (1) instructions (computer programs) that when executed provide desired features, function, and performance; (2) data structures that enable the programs to adequately manipulate information; and (3) documents that describe the operation and use of the programs”. The definition of software regarding to Undang-Undang No. 19 tahun 2002 Pasal 1 ayat 8 Tentang Hak Cipta “Program Komputer adalah sekumpulan instruksi yang diwujudkan dalam bentuk bahasa, kode, skema, ataupun bentuk lain, yang apabila digabungkan dengan media yang dapat dibaca dengan computer akan mampu membuat computer bekerja untuk melakukan fungsi-fungsi khusus atau untuk mencapai hasil yang khusus, termasuk persiapan dalam merancang instruksi-instruksi tersebut”.

WIPO (World Intellectual Property Organization) Copyright Treaty number 4 stated: “Computer programs are protected as literary works within the meaning of Article 2 of the Berne Convention. Such protection applies to computer programs, whatever may be the mode or form of their expression” (www.wipo.int).

Software can be difficult to describe because it is virtual, not like computer hardware, software consist of lines of code written by computer programmers that have been unified into a computer program. Since software is virtual it is much easier and cheaper (often) to upgrade than hardware, but it is also one of the main reason why it is pirated.

Quoted from BSA website Software piracy is the unauthorized copying or distribution of copyrighted software. This can be done by copying, downloading, sharing, selling, or installing multiple copies onto personal or work computers.

Microsoft in their website says Software piracy is the mislicensing, unauthorized reproduction and illegal distribution of software, whether for business or personal use.

Moreover, Microsoft added type of piracy on the website, including : Hardisk loading, Mislicensing, Counterfeiting, Mischaneling, Internet Piracy.

To know about legalism, Quinn (2005, p. 146) explaining a 'legal' way to reproduce or copy a software which called "Fair Use". Fair use is the right given to a copyright owner to reproduce a work. It is legal to reproduce a copyrighted work without the permission of the copyright holder. Example of fair use including citing short excerpts from copyrighted works for the purpose of teaching, scholarship, research, criticism, commentary, and news reporting. No law has explained about this before, so we can say it is legal.

RESEARCH METHODOLOGY

This research is a quantitative research, the background of this research is the number of people who buy pirated software or buy genuine software but using the illegal license. However, they indirectly do not realize it and think that it is legal. Several factors may influence this, but in this case, the marketing mix (Four Ps) which consist of Product, Price, Place and Promotion become the possibility in triggering the software piracy.

Research method is designed and developed to figure out factors that influence the consumer's willingness to buy original (non-pirated) software through reseller. The research is using survey as the tools to collect data in order to test hypothesis (Pradhono, 2010) also research survey is used to find information about consumer opinion, perspective and from demographic side.

Survey with questionnaire was distributed and developed to respondent that represent the population sample. The population was selected to provide accurate and relevant information regarding to the willingness to buy original software from reseller. The target of

respondent in this study is software users, commonly everyone right now is a software users.

The measurement for this questionnaire is using Likert scale as below:

Table 1. Likert Scale

Degree	Score
Strongly disagree	1
Disagree	2
Agree	3
Strongly Agree	4

The hypothesis in this research refers to the analysis of marketing strategies toward purchase intention and software piracy level. Therefore, the hypotheses are as follow:

- Hypothesis 1: Product strategy will influence purchase intention that lead to reduce software piracy level in Indonesia
- Hypothesis 2: Price strategy will influence purchase intention that lead to reduce software piracy level in Indonesia
- Hypothesis 3: Place strategy will influence purchase intention that lead to reduce software piracy level in Indonesia
- Hypothesis 4: Promotion strategy will influence purchase intention that lead to reduce software piracy level in Indonesia

ANALYSIS AND DISCUSSION

In collecting the data for this study, the writer conducted the research in two stages. First stage, the questionnaires were distributed to 30 respondents, then tested the validity and reliability. Once the questionnaires were fixed based on the results validity and reliability, the distribution of the second stage got better results. The distribution of the second stage of the respondents was conducted in person or by utilizing an online survey that is www.kwiksurvey.com for facilitating

the writer in getting the quick results. The number of questionnaires was 100 respondents after the writer eliminated 17 respondents because their answers didn't meet the qualification.

The writer chose the sample as the respondent who have owned one of this device (PC, Notebook, Netbook). From 100 respondents, the writer presented data of respondents based on gender, age, education, occupation, monthly income, and experienced of using illegal software. Below is the summary of the survey:

Table 2. Summary of the survey

Respondent Profile	Category	Total Respondents	Percentage
Gender	Male	67	67%
	Female	33	33%
Age	< 20	2	2%
	21 - 25	34	34%
	26 - 30	53	53%
	31 - 35	8	8%
	36 - 40	3	3%
	> 41	0	0%
Education	SMA	8	8%
	S1	73	73%
	S2	19	19%
Occupation	Student	6	6%
	Employee	70	70%
	Entrepreneur	16	16%
	Housewife	2	2%
	Others	6	6%
Monthly Income	< IDR 2,000,000	10	10%
	IDR 2,000,000 - IDR 4,999,999	32	32%
	IDR 5,000,000 - IDR 10,000,000	41	41%
	> IDR 10,000,000	17	17%
Illegal Software Experience	Yes	100	100%
	No	0	0%

Based on the analysis of product, price, place and promotion influence to software purchase intention, it can be concluded as below:

From the analysis of product, it was found that the product doesn't have significant influence on software purchase intention. This influence results obtained by regression analysis which showing a significant level of .903 and which is above the maximum error tolerance limit of 5% or 0.05. Thus, H1 is not supported by the data

This can happen because several reasons as follows:

1. Consumer (User) feels that illegal software has fulfilled all their needs and they feel they don't need to spend extra penny to buy original software which has "almost" the same basic features with illegal software
2. Consumers do not consider product too much, the most important thing for them is price (gap between original and non-original software is high)

From the analysis of price, it was found that the price has significant influence on software purchase intention. This influence results obtained by regression analysis which showing a significant level of .000 and which is below the maximum error tolerance limit of 5% or 0.05. Thus, H1 is supported by the data. The final result shows that price have significant relationship toward software purchase intention. From the analysis of place, it was found that the place has significant influence on software purchase intention. This influence results obtained by regression analysis which showing a significant level of .013 and which is below the maximum error tolerance limit of 5% or 0.05. Thus, H1 is supported by the data.

The final result gathered from the survey is place does have significant relationship toward software purchase intention. This can happen because several reasons as follows:

1. Software can be found easily anywhere (the distribution of original software can be found not only in IT mall, but also in a modern channel like Gramedia, Office 2000, Pazia Shop, Best Denki)
2. Users usually buy IT product to a place which provide all IT product. In Jakarta area, IT mall such as Mangga Dua, Ambassador, Ratu Plaza could be a good example

From the analysis of promotion, it was found that the promotion doesn't have significant influence on consumer motive. This influence results obtained by regression analysis which showing a significant level of .592 and which is above the maximum error tolerance limit of 5% or 0.05. Thus, H1 is not supported by the data.

This can happen because several reasons as follows:

1. The character of Indonesian population tends to be price sensitive. Thus, they are more concerned about price than the promotion, although sometimes the campaign has its own role.
2. Promotion is less effective in delivering the message so the users don't feel intrigued by the message
3. Promotion for using original software is less intense than promotion for the product itself. Moreover, by looking at software piracy rate in Indonesia which is 87%, we need to concern and take action for this issue.

Table 3. The summary of the hypothesis:

Hypothesis	Hypothesis Statements	Sig.	Significant/ Not Significant
H1	Product strategy will influence purchase intention that lead to reduce software piracy level in Indonesia	.903	Not Significant
H2	Price strategy will influence purchase intention that lead to reduce software piracy level in Indonesia	.000	Significant
H3	Place strategy will influence purchase intention that lead to reduce software piracy level in Indonesia	.013	Significant
H4	Promotion strategy will influence purchase intention that lead to reduce software piracy level in Indonesia	.592	Not Significant

CONCLUSIONS AND RECOMMENDATIONS

Based on the analysis of the data on the analysis of the impact of marketing mix toward software piracy level in Indonesia in relation with software purchase intention, the author can conclude that:

1. In the analysis, the significance of the relationship between product (X1) with software purchase intention (Y) can be concluded that the product (X1) does not have significant effect on software purchase intention (Y). Thus hypothesis H1, which states “Product strategy will influence purchase intention that lead to reduce software piracy level in Indonesia” is not acceptable.
2. In the analysis, the significance of the relationship between price (X2) with software purchase intention (Y) can be concluded that the price (X2) does have significant effect on software purchase intention (Y). Thus hypothesis H2, which states “Price strategy will influence purchase intention that lead to reduce software piracy level in Indonesia” is acceptable.
3. In the analysis, the significance of the relationship between place (X3) with software purchase intention (Y) can be concluded that the place (X3) does have significant effect on software purchase intention (Y). Thus hypothesis H3, which states “Place strategy will influence purchase intention that lead to reduce software piracy level in Indonesia” is acceptable.
4. In the analysis, the significance of the relationship between promotion (X4) with software purchase intention (Y) can be concluded that the promotion (X4) does not have significant effect on software purchase intention (Y). Thus hypothesis H4, which states “Promotion strategy will influence purchase intention that lead to reduce software piracy level in Indonesia” is not acceptable.

Based on the research and discussion above, there are few things that can be guideline to analyze the impact of marketing mix toward software purchase intention in relation to software piracy in Indonesia. Thus, the writer tried to give some recommendations that can be used by the principal of software (Microsoft, Adobe, Symantec, Apple, etc.) Those recommendations are as follows:

1. In order to reduce piracy level in Indonesia, the principal should prioritize two of these marketing mix strategies first, which are: Price, and Place. From price, the writer recommends adjustment in

the product features, the product should be relevant to Indonesia citizens need, minimize or delete features that not needed by Indonesian, such as Windows Media Center in Windows 7. By erasing it and the other application that not needed for people in Indonesia it will give effect in reducing price, this thing also related with writer's second recommendation which is localizing the language for Indonesia, it would prevent other countries importing software from Indonesia, so erasing some application which affecting the price would not be a problem for principal, and this could reduce piracy level in other countries.

The additional recommendation for price strategy is principal should support special discount for government institution, BUMN, cyber cafe (warnet), public and private schools.

2. In order to reduce piracy level in Indonesia using Place strategy, the writer recommends several things. First is educating the sales person to offer a genuine software, Sales person is very important in influencing customer's mindset, by offering and explaining the benefits of using original software it will reduce customer's intention to buy illegal software.

The second recommendation for place strategy is by disciplining the mall tenant not to sell illegal software. Currently, IT Mall in Jakarta, Surabaya, Bandung, Yogyakarta, Solo, Semarang and some other cities that has been visited by the writer, still selling an illegal software inside the IT mall and the IT mall's management did not do something to prevent it. If IT Mall Management do something about it, the writer believes it would give a significant contribution to reduce software piracy level in Indonesia.

3. Above all recommendation, collaboration between principal and police, BSA, and other institution are still needed, important, and will give another significant impact to reduce software piracy level in Indonesia. Applying penalty for reseller if caught doing piracy, the penalty could be a financial penalty or non-financial penalty. Penalty (punishment) would give deterrent effect to reseller. For example: (1) If they are caught selling illegal software, it will reduce their rebate aggressively; (2) If principal find out at a user's desktop or laptop, and then illegal software was installed then principal would offer the user a legal software, whereas the cost is charge to the reseller who installed that illegal software.

The Afterwards

This study took 100 respondents and most of the respondents came from Jakarta area. Thus, it is still not yet describes the entire hypothesis. The writer suggests finding more respondents in order to get more accurate result. Moreover, this study only took computer software as the main issues. For further analysis, the writer hopes to see another research from mobile phone software with greater respondent and deeper investigation.

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