



Exploring Consumer Behavior and Its Impact on Spotify Customer Loyalty among Generation Z in Indonesia

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ABSTRACT: This study examines consumer behavior toward Spotify Customer Loyalty among Generation Z in Indonesia. Using a quantitative approach and SEM analysis with SmartPLS 3, the study found that consumer behavior factors, including Brand Image, Price, Digital Service Quality, and Advertising, have a significant positive influence on Purchase Decisions, which in turn have a significant positive impact on Customer Loyalty. Consumer behavior contributes 59% in the moderate category. These findings recommend that Spotify enhance its marketing strategies through engaging advertisements to strengthen customer loyalty among Generation Z in Indonesia.

KEYWORDS: Consumer Behaviour, Customer Loyalty, Purchase Decision, Advertising, Brand Image

INTRODUCTION

The development of technology in the 21st century has accelerated rapidly, particularly in the fields of technology and digital information, with internet access now easily available worldwide. This digital advancement facilitates access to information and services, introducing new innovations that significantly transform communication methods and foster connections between digital technologies and their users. In Indonesia, internet users have grown exponentially, with a survey by the Indonesian Internet Service Providers Association (APJII) reporting 221,563,479 internet users in 2024 out of a total population of 278,696,200 in 2023. This digital evolution has had a profound impact on various sectors, especially the creative and entertainment industries, revolutionizing the way people consume music in the digital era. Music enthusiasts can now access their favorite tracks effortlessly, creating significant opportunities for digital music service providers to expand their market reach.

Digital platforms, such as online music streaming services, have simplified how music lovers access a wide variety of genres, artists, albums, and even podcasts. According to Marvellyno (in Ragana et al., 2024), audio streaming, or music streaming, is a technological innovation that enables users to stream audio content directly over the internet. As audio streaming grows increasingly popular as a medium for accessing music, podcasts, audiobooks, and other audio content, service providers charge subscription fees to sustain their operations. Habibi (2020) highlights that personal expenditures on music subscriptions represent a growing opportunity in the audio industry. Data from MIDiA Research (GoodStats, 2024) reveals that Spotify, as the pioneer of global music subscription services, maintained its leading position in the third quarter of 2023. Spotify reported 210 million subscribers, which increased by 14% to 239 million in the first quarter of 2024, making it the first music streaming platform in the world to surpass 200 million subscribers (GoodStats, 2024).

According to Kumparan Media (2023), Generation Z views music as a medium for social expression, using it not only for entertainment but also as a platform to voice opinions on social and environmental issues. Spotify's brand image has gained considerable attention, ranking 65th in the "100 Best Global Brands 2024," where no other music streaming competitors made the list (Interbrand, 2024). Spotify offers a variety of subscription plans at competitive prices, providing superior quality and features compared to its competitors. Pricing significantly influences customer loyalty, as it reflects the perceived value of a product or service and aligns with its quality, thereby fostering loyalty (Leke et al., 2023). Service quality, as noted by Herdiyani & Suyanto (2023), is crucial in evaluating whether the provided digital or electronic services meet consumer expectations.

One of Spotify's revenue strategies as a digital music streaming service is through advertising. Fajri et al. (2021) define advertising as a form of non-personal communication, delivered through mediums like television, radio, newspapers, and magazines, to promote an organization, product, idea, or service. Spotify's non-premium users frequently hear persuasive advertisements designed to encourage them to upgrade to premium accounts.



Purchase decisions represent the stage where customers decide to buy, use, and consume the goods or services offered (Kotler & Keller, 2016). Previous studies, including Adnan et al. (2020).

LITERATURE REVIEW

Brand Image

According to Kotler (2016), brand image is defined as the customer's perception of a brand formed from the messages and experiences they have with the brand, resulting in an image in the customer's mind. In simpler terms, brand image refers to the impression or perception of a brand that exists in the customer's mind. To establish a positive and strong brand image, the delivery of products or services must be consistent and repetitive to reinforce the brand's identity in the consumer's perspective.

Price

Kotler (2016) also defines price as the value of exchange, which can be converted into money or other goods as compensation for the benefits derived from a product or service at a specific time and place. Price competitiveness with competitors provides an advantage for companies, as it can encourage an increase in consumer purchasing decisions it present the total value paid by customers in exchange for the benefits of owning or using a product or service (Indrawati).

E-Service

Digital service quality to the customers overall assessment and evaluation of the quality services delivered through digital electronic means in virtual markets. Martini et al., (2016) define service quality as the provision of services through electronic media without direct human intervention from the service provider.

Advertising

According to Kotler and Keller (2016) advertising is define as any paid from of non-personal presentation and promotion of ideas, good or services by an identified sponsor. Advertising can take place thorough various media, including print meda such as newspapers and magazines, broadcast media like radio and television, netword media and electronic media such as audio recordings, video recordings and websites.

Purchase Decision

Purchasing decision is the stage where customers decide to buy a product or service. This process involves identifying their needs, searching for information about the product or service under a specific brand, evaluating alternatives to solve their problem and making a final purchasing decision (Kotler, 2016).

Customer Loyalty

Implementing the right strategies can foster customer loyalty. One effective way to build customer loyalty is by establishing a positive image for the company or organization (Enggarwati et al., 2017)

HYPOTHESIS DEVELOPMENT

Relationship Between Brand Image and Customer Loyalty

Brand image is a form of brand association that is created and embedded in the customer's memory, serving as a reference for customers to make repeat purchases of the brand. It is believed that brand image can foster customer loyalty to the brand through the products or services it offers (Rangkuti).

H1: There is a significant positive influence of brand image on customer loyalty

Relationship Between Price and Customer Loyalty

According to research by Khair et al. (2023), price influences loyalty, as customers tend to compare the price of one product or service with others before making a purchase decision.

H2: There is a significant positive influence of price on customer loyalty.

Relationship Between E-Service and Customer Loyalty

Khair et al. (2023) further explain that if the service quality received or perceived by customers meets their expectations, the service quality is considered good and satisfactory. If the service quality exceeds customer expectations, it is regarded as an ideal quality.



H3: There is a significant positive influence of digital service quality on customer loyalty

Relationship Between Advertising and Customer Loyalty

Advertising is one of the tools or media used to increase product or service identification with a specific brand. Zhao et al. (2022) state that improving advertising efforts can enhance customer loyalty.

H4: There is a significant positive influence of advertising on customer loyalty.

Relationship Between Purchase Decision and Customer Loyalty

Purchase decisions made by consumers are influenced by economic, technological, political, cultural, product, price, location, promotion, physical evidence, people, and process factors. Repeated or multiple purchase decisions can maintain customer loyalty to the product or service (Rachmawati, 2016).

H5: There is a significant positive influence of purchase decisions on customer loyalty.

METHODOLOGY

Measurement

In the data collection process, variable measurement will be conducted to produce accurate quantitative data. A scale is a tool or mechanism used to differentiate one variable from another in research (Sekaran & Bougie, 2009). According to Indrawati (2015), the dimensions of these variables are determined using an interval measurement scale, which considers all arithmetic operations. The function of the interval scale is to serve as a symbol for distinguishing a condition, ordering the quality of characteristics, and indicating distance or intervals. One example of an interval scale is the Likert scale, which is employed in this study using five response options: Strongly Agree (5), Agree (4), Neutral (3), Disagree (2), and Strongly Disagree (1).

Sampling and Data Collection

This study employs a non-probability sampling method, which does not provide equal opportunities for all members of the population to be selected as samples. The specific non-probability sampling technique used in this research is purposive sampling. Indrawati (2015) defines purposive sampling as a technique for selecting certain members of the population based on convenience to serve as samples that can provide the information needed for the research. In this study, the purposive sampling method is applied because the sample is determined based on specific characteristics while excluding criteria that do not meet the study's requirements. This ensures that the respondents are aligned with the objectives of the research. A total of 421 respondents will be sampled in this study, with the following criteria: (1) Generation Z, with a minimum age of 17 years, (2) Residing in Indonesia, (3) Having used and subscribed to Spotify's online music streaming service for at least one month.

Data Analysis

According to Whitteaker and Schumacker (2024), the SEM (Structural Equation Modeling) framework formulates assumptions about the relationships between a set of measured variables, where these variables form constructs and establish relationships between different constructs. Hair et al. (2019) explain that two steps are involved in using SEM-PLS for hypothesis testing. To confirm the validity and reliability of the measurement model, the first step is to evaluate the measurement theory or outer model. Once the measurement model is confirmed, the structural theory or inner model is then tested. This is because the structural theory cannot be confirmed if the measurements are inaccurate or unreliable. Hence, validating the measurement model is a prerequisite before proceeding to test the structural model.

RESULT AND DISCUSSION

Respondent Characteristic

Based on the data obtained, the characteristics of respondents in this study are as follows: female respondents account for 53.2% of the total, with 224 respondents, while male respondents make up 46.8% of the total, amounting to 197 respondents. Regarding monthly expenditures, respondents belonging to Generation Z in Indonesia exhibit the following patterns: 46.8% (197 respondents) have monthly expenses ranging from IDR 2,510,000 to IDR 5,000,000, while 15.2% (64 respondents) spend between IDR 5,010,000 and IDR 10,000,000 per month. In terms of subscription types, 42.5% of the respondents are individual Spotify subscribers, while 25.4% use the weekly subscription plan. The family subscription plan is used by 16.9% of respondents, 11.9% subscribe to the student plan, and 3.3% use the duo subscription plan.



Structural Equation Model (SEM) Analysis

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Data Analysis

Outer model testing employed to examine the validity and reliability of the model. Testing this outer model is the first step to processing data with the PLS method. The results of the measurement model using SmartPLS 3 software.

Table 1. Loading Factor and AVE Result

Variabel	Item	Loading Factor	AVE
Brand Image	CM1	0.739	0.630
	CM2	0.794	
	CM3	0.821	
	CM4	0.768	
	CM5	0.843	
Price	HR1	0.881	0.757
	HR2	0.858	
	HR3	0.871	
E-Service	LD1	0.763	0.601
	LD2	0.825	
	LD3	0.710	
	LD4	0.776	
	LD5	0.721	
	LD6	0.847	
Advertising	IK1	0.776	0.700
	IK2	0.720	
	IK3	0.921	
	IK4	0.910	
Purchase Decision	KB1	0.937	0.802
	KB2	0.819	
	KB3	0.926	
	KB4	0.894	
Customer Loyalty	LP1	0.844	0.766
	LP2	0.913	
	LP3	0.866	

The next criterion is discriminant validity which aims to assess the level of variation between one construct and another. Assessing of discriminant validity is conducted through cross loading analysis. Each indicator has a value greater than 0.70, indicating that every statement indicator has a high correlation with its respective variable and is declared valid. Convergent validity can also be measured using the AVE (Hair et al., 2022). The AVE value is considered valid if it exceeds 0.5. Therefore, this measurement can be deemed to meet the criteria for convergent validity (Indrawati, 2015).



Table 2. Reliability Result

	Cronbach's Alpha	Composite Reliability
Brand Image	0.853	0.895
Price	0.840	0.903
Iklan	0.852	0.902
Keputusan Pembelian	0.917	0.942
Kualitas Layanan Digital	0.866	0.900
Loyalitas Pelanggan	0.846	0.907

A variable is considered reliable if the CR score exceeds 0.7 and the CA score is greater than 0.7 (Abdillah, 2015). In this study, the CR score for all variables exceeds 0.70, and the CA score for all variables also exceeds 0.70. This indicates that each variable demonstrates strong reliability. Reliability test are displayed in the table below.

CONCLUSION

The results of this research indicate that Tokopedia can enhance its strategies based on the variables studied. The following practical recommendations are proposed:

1. *Brand Image*

Spotify's brand image is well-regarded by its users. This is because Generation Z values the entertainment media they use. However, Spotify must consider that it does not always fully align with the preferences of Generation Z in Indonesia when it comes to using music as a form of entertainment.

2. *Price*

The **pricing** offered by Spotify is proportional to the quality of service experienced directly by its customers. The subscription cost for Spotify Premium is considered very affordable, even though competitors may offer lower prices than Spotify.

3. *E-Service*

Spotify's digital service quality is easily accessible and user-friendly for its users. However, Spotify should ensure that the information provided to customers is well-organized, such as the arrangement of songs, updated features, and other relevant details.

4. *Advertising*

Spotify's advertising effectively highlights the specific benefits of its music streaming service, which can only be enjoyed by Spotify Premium subscribers

5. *Purchase Decision*

Generation Z in Indonesia chooses to subscribe to Spotify primarily to listen to music. They feel confident in their decision to purchase and subscribe to Spotify Premium.

6. *Customer Loyalty*

Spotify consistently serves as the entertainment medium of choice for Generation Z in Indonesia to enjoy music. Additionally, users often recommend Spotify's advantages to others based on their personal experiences.

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