

Customer Loyalty: A Case Study of Spotify

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ABSTRACT

The development of computer gadgets has changed the way we listen to music. This study examines the influence of electronic customer relationship management on customer loyalty. This research was conducted using a causal research framework that enabled the authors to understand a causal relationship between research variables. In this research, the authors attempted to (1) understand both independent and dependent variables in marketing phenomena, (2) examine the causal relationship between the two variables, and (3) test the causal relationship hypothesis. To this end, a survey was addressed to 30 the music streaming service Spotify. Data analysis was performed by means of SPSS 22. The result of data analysis shows that electronic customer relationship management has a significant influence on the loyalty of Spotify users. How we enjoy music has changed in a simpler way, marked by the emergence of several online streaming music players. As people get busier, music streaming services become very viable alternatives for music listeners. One of the biggest players in the music streaming industry is Sweden-based Spotify AB. Based on the results of this study, it is very important for Spotify to provide a good E-CRM to maintain the loyalty of its users, whose number is the biggest in the world.

Keywords

Customer Loyalty; E-CRM

INTRODUCTION

In the era of the industrial revolution 4.0, it is a trend for the industry to combine automation technology with cyber technology (Maulani & Hamdani, 2019). Through the Internet, almost every computer is interconnected to each other. The computer size is also getting smaller. As the challenges are getting tougher, industries are required to use such things as the Internet of Things, Big Data, Cloud Computing, Artificial Intelligence dan Machine Learning in order for them to survive the competition (Hamdani & Maulani, 2019) (Wulan Ayodya, 2020). The development of computer gadgets has changed the way we listen to music (Achmad & Saputro, 2015)(Netti & Irwansyah, 2018). In 2018, 15.2% of all internet users in Indonesia are recorded to use the Internet to access music online (Asosiasi Penyelenggara Jasa Internet Indonesia, 2018). This shows that music marketing is also developing in digital form (Dewantara & Agustin, 2019). Spotify is an online music provider with the highest number of users, more than 500 million (Google, 2020).

Table 1. Number of Music Streaming Application Users

Application	Number of Users
Spotify	500M+
JOOX Music	100M+
Shazam	100M+
Deezer Music Player	100M+
SoundCloud	100M+

The high number of music streaming application users shows good marketing performance (Winata, 2010). This is what motivates the authors to conduct a study on Spotify users as part of consumer behavior studies. A consumer behavior study can be defined as the study of the processes involved when consumers choose, buy, use, and feel satisfied with a product or service (Mooij, 2019). Previous studies show that customer decision to use the Spotify platform is influenced by several factors such as cooperative products, external control personality (Lin et al., 2020), income, consumer value (Qureshi et al., 2020) information quality, system quality, service quality, and trust (Kaur & S.Gopinathan, 2020).

Customer loyalty refers to a consistent relationship between the customer and the company (Djati & Darmawan, 2005). In the relationship between customers and companies, there are many demands from customers on the company. A previous study shows that electronic customer relationship management has a relationship with and influence on the loyalty of internet-based services users (Fitriana, 2017).

LITERATURE REVIEW

E-CRM

The independent variable in this study is electronic customer relationship management (E-CRM). Basically, E-CRM is a communication tool to facilitate relationship-building by offering uninterrupted service offerings to customers (Lam et al., 2013). E-CRM is the use of technology to reach and meet customer desires. It is an applied CRM (Lee-kelley et al., 2003)(Sigala, 2011)(Rahayu & Irawan, 2019). CRM is the process of managing individual customer information and all customer contact points in detail and careful manner to maximize customer loyalty (Kotler & Keller, 2009). The E-CRM dimension consists of technology integration, organization support, environmental pressure, and customer knowledge (Liu et al., 2012). E-CRM is done to serve customers in a better way, retain valuable customers, and improve analytical skills in an organization (Fjermestad & Jr, 2003)(Khaligh et al., 2012). A previous study mentions that customer relationships could improve customer loyalty (Harrigan et al., 2011). Therefore, the authors determine customer loyalty as a dependent variable.

Customer Loyalty

Essentially, marketing experts believe that customer loyalty is more than just repurchasing behaviors (Hajdukiewicz, 2016). It's an attitude, rather than behavior (Tanford et al., 2012). Loyalty can be thought of as a psychological process and closeness to brand commitment (Casalo & Flavia, 2007). The perception of consumer behavior in the form of customer loyalty can be understood as the frequency of using certain services in a certain category compared to the total services provided by customers in that category (Shankar et al., 2019). Loyalty results from using services and may be affected by usage experience (Levy, 2014). As a consequence, loyalty has been considered as a key factor for achieving company success and sustainability (Casaló et al., 2008). Customer loyalty is characterized by not switching to other services of the same type, having high usage intensity, making a repeated purchase, and willing to recommend (Beerli et al., 2004)(Siddiqi, 2011)(Rambat Lupiyoadi, 2013)(Afsar et al., 2014)The research hypotheses were formulated based on previous studies and relevant theories. What follows are the proposed hypotheses:

H₀: E-CRM has no significant influence on customer loyalty.

H₁: E-CRM has a significant influence on customer loyalty.

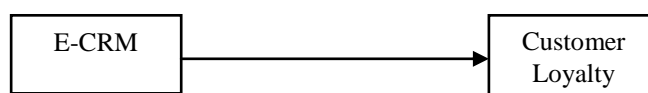


Figure 1. Hypothesis Development

METHODS

This research was conducted using a causal research framework that enabled the authors to understand a causal relationship between research variables (Suhartanto, 2014). In this research, the authors attempted to (1) understand both independent and dependent variables in marketing phenomena, (2) examine the causal relationship between the two variables, and (3) test the causal relationship hypothesis. To this end, data were collected through a survey from a sample using a structured questionnaire (Suhartanto, 2014). The questionnaire as a data collection technique is done by giving a set of questions or written statements to respondents to be answered (Sugiyono, 2006). The target population was Spotify users who are believed to reach 500 million worldwide. Because of limited access, the authors only collected data from 30 respondents. However, this number is still in the appropriate sample size range from 30 to 500 (Roscoe, 1975). To provide an ideal population limit, the unit of analysis of this study includes paid and unpaid users.

DATA ANALYSIS

Data analysis was performed using the bivariate regression analysis as the collected data are interval metrics. The interval scale allowed the authors to carry out arithmetic calculations. The measurement had no real zero value using the Likert scale of strongly agree, agree,

neutral, disagree, and strongly disagree. The bivariate regression predicts the relationship between an independent variable and a dependent variable (Suhartanto, 2014). Data analysis was performed by means of Statistical Product and Service Solution (SPSS).

RESULTS

The first analysis was performed to determine the regression coefficient between each dimension of E-CRM and that of customer loyalty. The result is summarized in Table 2.

Table 2. Regression Coefficient

Dimension		Regression Coefficient	Standard Error	t _{value}	Sig	Note
X	Y					
Constant		3,125	1,096	2,851	0,006	
Technology integration	Constancy	0.924	0.169	3.716	0.036	Effect
Organization support		0.895	0.176	3.845	0.036	Effect
Environmental pressure		0.972	0.147	4.149	0.035	Effect
Customer knowledge		0.951	0.166	3.852	0.035	Effect
Constant		2,119	0,951	2,229	0,029	
Technology integration	Repurchase	0.960	0.171	3.836	0.034	Effect
Organization support		0.921	0.184	3.517	0.034	Effect
Environmental pressure		0.892	0.172	3.519	0.034	Effect
Customer knowledge		0.889	0.189	3.807	0.034	Effect
Constant		2,809	1,122	3,721	0,033	
Technology integration	Usage Intensity	0.875	0.191	4.295	0.031	Effect
Organization support		0.926	0.179	3.632	0.040	Effect
Environmental pressure		0.879	0.175	4.148	0.040	Effect
Customer knowledge		0.781	0.179	3.655	0.040	Effect
Constant		2,870	1,340	2,395	0,016	
Technology integration	Willingness to Recommend	0.902	0.174	3.673	0.039	Effect
Organization support		0.923	0.176	3.944	0.039	Effect
Environmental pressure		0.930	0.182	3.698	0.039	Effect
Customer knowledge		0.690	0.190	4.656	0.039	Effect

The second analysis was done to measure the relationship between E-CRM and customer loyalty. The result is summarized in Table 3.

Table 3. Model Summary

Model	R	R Square	Adjust R Square	Std. Error of the Estimate	Durbin-Watson
1	.669 ^a	.516	.337	1.637	2.131

a. Predictors: (Constant), E-CRM

b. Dependent Variable: Customer Loyalty

Table 3 shows an R-value of 0.699, indicating a strong relationship between E-CRM and customer loyalty (Akdon, 2010). The R² value of 0.516 is the coefficient of determination

between E-CRM and customer loyalty. This value means that customer loyalty is influenced by E-CRM as much as 51%. The other 49% is influenced by factors other than the studied independent variable. The third analysis was carried out to figure out if the four dimensions of E-CRM simultaneously affected customer loyalty. The result is presented in Tabel 4.

Table 4. ANOVA

Model		Sum of Square	Df	Mean Square	F	Sig
1	Regression	8057.090	1	8057.090	105.806	.000 ^a
	Residual	4873.577	28	76.150		
	Total	12930.667	29			

- a. Predictors: (Constant), E-CRM
- b. Dependent Variable: Customer Loyalty

E-CRM is said to have a significant influence on customer loyalty if the significance value is $0.00 \leq 0.05$, which is the case of this study. This result is assumed to be able to be widely applied outside the focus of this research. Furthermore, this result is in agreement with that of a previous study (Akdon, 2010).. Based on the results of the analysis, all dimensions of E-CRM are influential in customer loyalty. Technology integration describes the user-friendliness and attractiveness of Spotify application, organization support illustrates the convenience for users to prepare a separate space to look for new things in the application such as new songs or old songs, recommended radio, or just looking at other people's playlists, environmental pressure illustrates the curiosity of users for the long-term use, and customer knowledge illustrates how Spotify users can immediately use it.

DISCUSSIONS

The battle to win customers is getting stronger everyday due to the current business environment, characterized by an increasingly aggressive competence. Companies which concentrate on their customer's needs and wants are in a better situation to achieve long term success than those who do not (J & K, 1993)(Kotler, 2000)(Levitt, 1960)(Webster, 1988)(Bhanu & Magiswary, 2010). In view of that, many firms have invested or are planning to invest large amounts of money to implement Customer Relationship Management System (CRM) to win the battle in the increasingly competitive environment. CRM system can improve business intelligence, better decision making, enhanced customer relations, and good quality of services and product offering(Roh et al., 2005). This paper therefore, seeks to explore the literature review to ascertain the relationship between E-CRM and customer loyalty performance.

CONCLUSION

How we enjoy music has changed in a simpler way, marked by the emergence of several online streaming music players. As people get busier, music streaming services become very viable alternatives for music listeners. One of the biggest players in the music streaming

industry is Sweden-based Spotify AB. Based on the results of this study, it is very important for Spotify to provide a good E-CRM to maintain the loyalty of its users, whose number is the biggest in the world.

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