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Article abstract

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The Attitude of Chinese Consumers toward Illegal Downloading of Music, Movies and Software in the United States

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Piracy of intellectual property, and especially unauthorized downloading of music, movies and software programs, causes significant loss of revenue to US firms. While the illegal downloading of intellectual properties by Chinese consumers has been the focus of various reports published in the popular press, not much academic work on the topic has been published. This paper, based on a review of the extant literature on this topic, is an attempt to further our understanding of this phenomenon. This paper proffers several testable propositions covering a whole gamut of downloading behavior by Chinese consumers and the causes thereof. The paper concludes with a discussion on the limitations of the study followed by directions for future research that could potentially deepen our understanding of this topic.

1. Introduction

Piracy, which refers to illegal obtaining and/or use of copyrighted materials, has been an age-old problem. This problem has become more acute and widespread in this digital age when copyrighted materials can be obtained with a simple click of a mouse in the comfort of a bedroom. Various types of piracy do exist in almost every country to various degrees. Although piracy may be common all over the world, it is piracy by Chinese consumers that has come under increased scrutiny by the media in the recent past (Wang and Zhu, 2003). Such interest in the behavior of Chinese consumers may have been caused by the sheer amount of revenue lost due to illegal and unauthorized downloading of copyrighted materials from the Internet by Chinese consumers. A Joint Working Group of the United States Trade Representative (USTR) estimated that the losses resulting from piracy of copyrighted materials reached between \$2.5 billion and \$3.8 billion in the United States (Tian & Chao, 2009). It is therefore imperative that we have a better understanding of Chinese consumers' attitude toward illegal downloading of copyrighted materials from the Internet, a practice that is often referred to as "softlifting" in the popular press.

In a comparative study involving US and Chinese students, Rawlinson and Lupton (2007) found that while Chinese students do not have much qualms about downloading software programs illegally, US students find it difficult to do so. Rawlinson and Lupton (2007) thus question whether the licensing models for intellectual property protection (IPR) designed for Western countries can be applied to the

Chinese communist society. Due to influence of collectivistic culture, it is often a challenge for Chinese people to comprehend the Western concept of and attitude toward piracy of intellectual properties. Chinese consumers, who are generally inclined to share intellectual properties (IP) with other members of the general populace, may find it difficult to understand that “sharing” or “copying” is viewed as a form of stealing by Western copyright holders (Piguero, 2005).

This study specifically focuses on the illegal downloading behavior of Chinese consumers concerning music, movie and software of from the Internet. Rawlinson and Lupton (2007) found that Chinese students engage in significantly higher levels of software piracy in China compared to software piracy by American students in the United States (US). The findings of Rawlinson and Lupton (2007) resulted in a number of comparative studies and business report on software piracy in China and the US conducted from various perspectives including culture, socioeconomic environment, as well as other differences that exist between Chinese and American students (for details, please see Schwabach, 2007).

While a large number of studies can be found on piracy of intellectual properties in China, most existing studies fail to identify the determinants that cause illegal downloading of music, movies and software packages by Chinese consumers. Other than discussing the political factors and cultural differences, previous literature, to our knowledge, failed to explore the factors that impact this phenomenon. To partially fill this void in the literature, this study examines certain determinants that are not found in the extant literature. Building on the theoretical framework of collectivism (Hofstede, 1984) and social representation (Moscovici, 1984), this study considers culture, education, income, reference group, and political awareness as predictor variables affecting the attitude and intention of Chinese consumers and offers a number of propositions which are discussed in the next section.

This study is important for a number of reasons. The findings of this study would have important implications for the Internet content providers, label music companies, software companies, and the movie industry. They are likely to gain a better understanding of the Chinese cultural influence on the downloading behavior of Chinese consumers residing in the US. Such an understanding would allow managers to craft policies that would benefit their firms.

2. Theoretical Framework and Propositions

Hofstede's (1984) individualism/Collectivism dimension captures the degree to which individuals are integrated into groups. In an individualistic society, the focus is placed on individual rights and personal achievements. In contrast, in a collectivistic society, individuals act mainly as members of a life-long and unified organization or group. According to the Hofstede's (1984) findings, the US, with a score of 91, is recognized as one of the most individualistic societies in the world. China, on the other hand, with a score of 20, has been classified as a collectivistic society. This cultural feature may affect Chinese consumers as a factor in making decision to download illegally music, movie and software in the US along with various other factors such as education, reference group, political awareness and income in China.

The behavior of Chinese consumers could be explained by the collectivistic feature manifested by Chinese people's belief that a product/service created by a producer should be shared by every member in the society free of charge. In the context of this study, the producers include musicians, artists, software

programmers and their companies who paid patent fee and other cost of content production (Nwogugu, 2005).

2.1 Culture

Moscovici (1984) argues that culture is created by and through communication, and the principles of such communication is reflective of the prevalent social relations and norms. Hofstede and Bond (1984) posit that culture not only affects psychological processes, but also the sociological, political, and economic functioning of social systems. That is why culture carries so much weight as a factor in determining consumer behavior concerning downloading of music, movie and softwares.

It is generally held that piracy has been rampant in China throughout its history (Tian and Chao, 2009). In this paper, we posit that the Chinese cultural values influence not only the Chinese consumers' behavior concerning downloading of music, movies, and softwares in China, but also their "sharing for free" attitude even when they are abroad (Schwabach, 2007).

Schnittker (2002) investigated the acculturation of Chinese immigrants in the US cultural context to examine whether they adopt the practices of the host culture and abandon their native cultural practices that are inconsistent with the values of the host culture. Existing literature suggests that the effective adaptation can occur without fully abandoning the native cultural practice (Gans, 1997; Portes and Zhou, 1993; Rumbaut, 1997). Therefore, a successful adaptation relies on how an immigrant's characteristics interact with the condition of the host country (Zhou and Bankston, 1998).

Rumbaut (1994) noted that immigrants are often under pressure as some of their home country practices are mismatched in the host country. For instance, individualism embodied in the US culture is construed to be positively associated with modernization that is related to egalitarianism, independence, freedom of choice, competitiveness, autonomy, etc. Collectivism, on the other hand, had influenced the Chinese culture to promote de-individualization, obedience, conformity, interdependence, etc. (Tripathi and Leviatan, 2003).

Moscovici's (1984) summary of the theory of social causality offers the attributions and inferences individuals make in transition. The previous studies discussed how the immigrant group slowly relinquish their traditional cultural values and ethnic practices in favor of perceivably more beneficial host-country cultural behavior (Bruner 1956, Keefe and Padilla 1987; Porter and Washington 1993). Later, Schnittker (2002) demonstrate that the process the immigrant changing the traditional culture happens in a series of phases, starting with the use of ethnic practices and language, and then a bicultural way is merged and the full adoption of host-culture practices is culminated. Therefore, we propose:

P₁: Culture has an influence on Chinese consumers' illegal downloading behavior of (a) music, (b) movie and (c) software.

2.2 Education

Since the 1949 Communist Revolution in China, it has been a common practice in China to spread knowledge through copying of books rather than paying attention to the pursuit of royalties (Schwabach, 2007). This educational system was encouraged by the grass-root sharing and copying of the

works for publication without considering legal protection of creativity. China faced its historical and social challenges to update the traditional Chinese perceptions of property because piracy is not just individual behavior; instead, it is a social phenomenon that embodies the conflict of Chinese traditional education with “civilized culture”. Anderson (2007) showed that it took the US over a century from 1790 to 1891 to officially pay attention to foreign copyrights. It was only after 1891 that the US government recognized the necessity of protecting its Intellectual Property Rights (IPR) at home and abroad by changing its attitudes toward copyright protection.

In this study, we argue that perception about intellectual property can be changed through education, which consequently, would result in behavioral changes among people. Education, in a broad sense, is any act or experience that has a formative effect on the mind, character, or physical ability of an individual. In its technical sense, education is the process by which society deliberately transmits its accumulated knowledge, skills, and values from one generation to another. We therefore propose that:

P₂: Education has an influence on Chinese consumers’ illegal downloading behavior with respect to (a) music, (b) movie and (c) software.

2.3 Reference Groups

In search of psychological functioning, Moscovici (1984), through his Theory of Social Representation attempted to explain the historical creation of consciousness, such as common sense, social norm and peers’ opinion, and representation (Tripathi and Leviatan, 2003). Moscovici (1984) explained that people typically need to choose from among various alternatives and they are influenced by change in the situation and/or by changes in the relations with peers or people in a different environment. In this case, illegal downloading of music, movie and software may be caused by peer pressure or practices in social group and relationship network. This inclination that plays a part in downloading behavior is a function of reference group and may be influenced by moral teaching, family background, religious beliefs, stress, education and social networks. Nwogugu (2005) opined that all participants in illegal downloading Internet content have the same amount of knowledge and they do not necessarily experience minimal guilt or regret. Nwogugu (2005) also found that people who engage in illegal downloading of music, movie and software affirmed that their peers in the interaction have the same or lower moral values and will not report their delinquent behavior to the government authorities. We therefore hypothesize:

P₃: Reference group has an influence on Chinese consumers’ illegal downloading behavior of (a) music, (b) movie and (c) software.

2.4 Political Awareness

While Allport (1924) argued that the significance of social behavior is the same as that of non-social, namely, the connection of an individual’s biological maladjustment to his/her environment, Moscovici (1984) proposed an opposite direction and opined that the social and elementary non-social processes should be differentiated regarding political awareness and law application. Moscovici argued that the social processes do not imply the existence of social phenomena governed by their own politics

and/or law. Political parties can be considered collectively as corporate individuals who play a crucial role in creating political consciousness about using intellectual properties and copy-righted.

Chinese government has been under pressure by the US government to step up its enforcement for better protection of intellectual properties of US firms. Yu (2003) in this regard clarified several misconceptions referred to the phenomenon of copyright piracy. For example, some people argue that copyright piracy is merely a cultural problem and a necessary byproduct of authoritarian rule. In order to ensure a better environment for both domestic and foreign investors and to encourage more active inventions of creative works, the Chinese government has established and implemented several IP laws (Wang, 2004; Wang and Zhu 1983). However, as Mertha (2010) points out, the IPR enforcement mechanism in China is mostly based on non-binding arrangements. For example, an order given by a provincial government may be overturned by the National Copyright Administration of China (NCA). The NCA orders are supposed to be carried out by the provincial-level functional counterpart, the Copyright Administration. However, the provincial Copyright Administration may not always carry out such orders. Sometimes, the local government are unwilling to comply with the central government in Beijing due to lack sufficient incentives.

In the US, the Napster case illustrates some of the policy, technological and economic issues that are inherent in systems for illegal downloading. International companies or foreign government are hesitant to invest in research and development in countries which lack intellectual property protection, strong political awareness, and legal enforcement (Economists Intelligence Unit, 2004, as cited in Zhao, 2006). Individuals could assist businesses in developing and implementing policies to reduce software piracy and consequently, loss of revenue. As stated earlier, Chinese people frequently access illegal software than their American peers because they are more aware of legal penalties (Rawlinson and Lupton 2007). The plausible reason why Chinese consumers would not comply with US IPR laws when they are in the US is because they are seldom caught or punished for violating China's IPR laws when they are in their home country. Such illegal behavior may also result from their lack of awareness about US laws related to Intellectual Property Rights (IPR). Enforcing China's IPR laws with such 'one-eye-closed' and 'one-eye-open' attitude partly demonstrates how the lack of political awareness can result in poor enforcement of existing laws and thereby increase the incidence of copyright infringement. We therefore hypothesize:

P₄: Political awareness has an influence on Chinese consumers' illegal downloading behavior of (a) music, (b) movie and (c) software.

2.5 Income

Moscovici (1984) opines that it is economic rationale that drives a person's decision making and conflict resolution style. It can be argued that economic reason may also play a role in an individual's decision to download music, movies or softwares illegally. Using iTunes music downloading as an example, Schwabach (2007) pointed out that people do not want to listen to music when they have to pay, even if the payment involves a small amount of money. Even though illegal downloading of music, movies and softwares does not cost money, such downloading does require proper access to broadband. And this access to Broadband would cost money. The charge of accessing broadband in China accounts for a certain proportion of the household expenditure. With only 44.7% broadband connections per 100

residents in late 2014, compared to over 75% 100 households in the US (BBC, 2015). China therefore has a much lower percentage of people able to illegally download movies, music or softwares online. However, the practice of illegal downloading of copyrighted materials in China is pretty significant. Collective decision normally entails the utilization of common resources and political interaction, which is different from an individualistic perspective that consider such resources as individual property. Moscovici (1984) reminded that the individual is not a “given” but a product of society that forces him/her to become an individual and emphasize his/her individuality through his/her behavior in a system of relationships between “collective individuals”.

In the extant literature, social representations is usually described as a “network” of ideas, symbols, images and metaphors, more or less intertwined loosely (Abric, 1988; Flament, 1989; Emler and Diskinson, 1985), which society or class a person can be associated with by the money they collected in the form of income.

Chinese society has a tradition of thrift and Chinese people are generally insecure with low income. Cultural and economic factors constrain ordinary Chinese people from engaging in shopping spree and extravagant lifestyle. However, for Chinese people residing in the U.S., they found that the cost of purchasing the copyright content online is much higher than their cost of downloading music, movie and software illegally. Therefore, they might still keep their habitual behavior in obtaining online content. Rawlinson and Lupton (2007) mentioned that most university students generally do not have much dispensable income to buy software. Furthermore, Kirkman, Osorio, and Sachs (2002) demonstrated that low income is relevant to software piracy, and concluded that under the cost comparison of purchasing software and pirating software, people in a limited financial environment usually choose the latter way to obtain the software. We therefore propose

P₅: Income has an influence on Chinese consumers’ illegal downloading behavior with respect to (a) music, (b) movie and (c) software.

2.6 Attitude and Intention

Attitude is defined as “a psychological tendency that is expressed by evaluating a particular entity with some degree of favor or disfavor” (Eagly & Chaiken, 1993, p. 1) while intention refers to desire to carry out an act. A Pew Internet & American Life Project (Winter 2005) survey of 1421 US adult Internet users report that about 30% respondents admitted that they used to be ‘file-swappers’ and they stopped illegal file-downloading and content-sharing due to the fears about getting into trouble as a result of lawsuits by Recording Industry Association of America (RIAA) (Nwogugu, 2005). In fact, infringement of IPR could be motivated by various social factors, habits, beliefs, and individual intention (LImayem, Khalifa, and Chin, 2004). We therefore hypothesize:

H₆: Attitude and intention have influence on Chinese consumer illegal downloading behavior of (a) music, (b) movie and (c) software.

3. Conclusion

The phenomenal rise of China as an economic powerhouse has naturally generated a lot of interest in the Chinese market and also in the behavior of Chinese consumers. The emergence of China as the second largest economy in the world signifies the importance of China as a major source of income for firms dealing in intellectual properties. The behavior of Chinese consumers would have repercussion's far and wide- beyond the borders of China. The propositions proffered in this paper would provide valuable lessons to managers as how to reduce the incidence of illegal downloading behavior of Chinese consumers.

3.1 Limitations

As is common in any exploratory study, this study also has several limitations. First, since not much empirical work is available on the topic, it is challenging to formulate testable propositions that are grounded in theory. Second, the downloading behavior may significantly vary across different regions of China and also across genders and different age groups. It is quite possible that the younger Chinese people, who have been more exposed to the West compared to older generation of Chinese people would exhibit different downloading behavior. This paper fails to account for such differences across age, gender and geographical regions. Third, consumer behavior changes with the level of economic development of a country. The stages of economic development of China was not factored into the analysis presented in this paper. These limitations can compromise the generalizability of the findings drawn from the literature.

3.2 Future Research

While this study does suffer from a few limitations identified in the previous section, these limitations also provide opportunities for future research that would improve our understanding of Chinese consumers' downloading behavior with respect to music, movies and software packages. A logical step for future researchers would be to collect data and empirically test the propositions proffered in the paper. Future researchers should also investigate if Chinese people exhibit different downloading behavior across age, gender and different geographic regions of China. There is large Chinese diaspora living in different parts of the world. It would be interesting to compare the downloading behavior of mainland Chinese people with people of Chinese extract in East Asia, USA and Europe. It would also be interesting to investigate if Chinese students who go to Australia, Europe, and North America for higher education show any change in their downloading behavior after being exposed to their host cultures for some time.

Illegal and unauthorized downloading of intellectual properties is a sensitive topic. Any study concerning piracy of music, movies, and softwares is likely to suffer from social desirability bias exhibited by the participants. Therefore, any attempt to empirically test the propositions should be carefully planned and executed. While much work is left to be done, it is hoped that this exploratory paper would throw some lights on our understanding of likely downloading behavior of Chinese people and what factors influence such behavior.

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