

ABSTRACT

The main concern from the economic perspective in limiting digital piracy is the use of digital products by violating forms of short-term End User License Agreements (EULAs) which are feared to cause a decline in the performance of industries providing these products due to decreased acceptance, loss of potential job creation opportunities, and tax revenue by the state.

In the long term, the concern is the low incentives for economic activities with high fixed costs (sunk costs) which are characteristic of the costs of producers of digital content products. Manufacturers' decisions to reduce the rate of technological growth will also result in not achieving socially optimal levels of technology and will lead to underprovision conditions both in quantity and quality.

By using the principle of expected benefit or marginal utility from the use of original and pirated digital products as the relative price of pirated digital products, the relative price of pirated digital products has accommodated all aspects of the characteristics of pirated digital products, namely the direct price of original digital products, the direct price of pirated digital products and the price difference between original and pirated digital products.

Apart from the characteristics of digital products, individual characteristics are also used as control variables in this study, namely gender characteristics, socio-cultural background, ethical standards, and knowledge of the consequences of using pirated software digital products. The special needs of digital software products make it relatively easy to identify groups of users of pirated digital software products. This condition explains the population selection, namely student groups within the campus environment. The selection of types of digital software products is specifically determined by considering the proportion of use and the need for such software is relatively high.

The research results show that the price of pirated products has a negative effect on the demand probability of pirated products. Meanwhile, gender characteristics have a significant effect in a different direction from the research hypothesis. As for the other individual characteristic variables, although they have a priori-appropriate influence, they have a weak level of significance.

An important conclusion in this study is that the relative price of pirated digital products built from information on the level of willingness to pay (WTP) of original software digital products can represent the difference in quality between the two products and become a relative price of pirated digital products. This proposition is believed to apply to other types of digital products on the market.

Keywords: Product Characteristics, Individual Characteristics, Relative Price, Willingness to Pay