



Paradoxical effects of the Internet from a consumer perspective

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Abstract

Purpose – The purpose of this paper is to discuss the Internet's paradoxical nature from the perspective of consumers.

Design/methodology/approach – First, it is discussed that negotiations between companies and consumers about their respective shares of power lead to different models of consumer power. Second, the paradoxical effects of technology on social relations and an individual's sense of identity and responsibility are discussed. These changes have altered not only consumer behaviour but also the relationship between producers and customers, in the sense that power shifts to consumers. The case of the international music industry is used as an example. This case embodies many of the studied aspects of the paradox concept and proves useful in the development of implications for companies and their strategies.

Findings – The paper finds that while negotiations between companies and consumers about their share of power lead to different models of consumer power, the effects of technology on social relations and individuals' sense of identity and responsibility lead to changes in consumption behaviour.

Practical implications – The paper identifies how business practices have changed in response to the changes in intellectual property matters and the power constellations between companies and consumers. The theoretical models presented in this paper represent different positions that companies and consumers can take and are helpful in explaining the current power struggles, such as file sharing activities, which on a more individual level also correspond to paradoxical effects of the Internet (social relations, deindividuation effects).

Originality/value – This paper takes a fresh look at the Internet's paradoxical nature from a consumer point of view. It is argued that some of the Internet's paradoxical effects stem from socio-political and socio-cultural changes, for example, a power shift from companies to consumers, and normative and anti-normative behaviours.

Keywords Internet, Communication technologies, Consumers, Empowerment, Social class, Postmodernism

Paper type Conceptual paper

Introduction

With the rise of the Internet, much effort has gone into developing strategies to successfully establish a company's web appearance (Huizingh, 2002; Lee, 2004; Martin, 2002) and to establish e-channels as new distribution modes (Wikström, 2005).

These changes have altered the relationship between producers and customers, in the sense that power shifts to consumers. Consumers gain in power relative to producers as the Internet offers access to information and enables the exchange of information, experiences, and allows for social interaction (Joines *et al.*, 2003; Pitt *et al.*, 2002; Szmigin, 2003). In short, the Internet empowers consumers in the shopping process (Storm, 2001).

Increasing Internet usage implies that consumers are acquiring the skills necessary for using information and communication technology (ICT) for their own purposes, which in turn causes a greater demand for better and more information search tools. Computer-mediated communication (CMC) represents a form of information exchange, mainly text-based in the form of e-mail, Internet chats, instant messaging, and bulletin



boards, which is based on networked personal computers and as such is limited to advanced technology (Hian *et al.*, 2004). The amount and type of information that consumers obtain is an important source of consumer empowerment (Pires *et al.*, 2006). The Internet “empowers consumers” and marks an important shift in bargaining power in favour of consumers by reducing the imbalance of information (Harrison *et al.*, 2006, p. 972).

The diffusion of new technologies is accompanied by a tendency to over-attribute effects to technology and under-attribute effects to the individual and the social context resulting in a simplistic view of the Internet and consumer behaviour (Spitzberg, 2006). However, research has not explored the intermediary role of the context on the relationships between the technology and the consumers. The Internet affects the social, cultural and political context which in turn affects consumer behaviour. When social relations and individuals’ sense of identity and responsibility are looked at, paradoxical effects of technology are evident. Supposedly, the Internet contributes to a possible loss of social relations. At the same time, it can encourage social interaction. Technology can offer an “escape” from company surveillance. Simultaneously, it promises consumers power. Paradoxically, technological means observe virtual activities and are accused of causing the demise of face-to-face relationships. Virtual technologies contribute to increasing possibilities, creating an independence from time and space, and shifting from social to virtual relationships (Boje, 2006).

This paper takes a fresh look at the Internet’s paradoxical nature from a consumer point of view. It is argued that some of the Internet’s paradoxical effects stem from socio-political and socio-cultural changes, for example, a power shift from companies to consumers, and normative and anti-normative behaviours.

In order to illustrate the Internet’s paradoxical nature resulting from socio-cultural and socio-political changes, in this paper the case of the international music industry is explored. This case embodies many of the studied aspects of the paradox concept and proves useful for developing implications for companies and their strategies.

The market for digital music is promising nowadays (Choi and Perez, 2006). Digital sales increased in value, from US\$400 million to US\$1.1 billion in 2005. In the top five digital markets: USA, Japan, UK, Germany, and France, 470 million digital single tracks were downloaded online or to mobile phones, a marked increase from 160 million downloaded tracks in 2004. Physical and digital recorded music sales fell by 3 percent in 2005. Record company’s sales of physical formats, in particular, fell by 6.7 percent in value and 8 percent in units. CD album sales fell by 6 percent in value and 3.4 percent in units (IFPI, 2006a)[1]. The rise in music downloads corresponds to an increase in other technological areas, such as broadband connections and mobile phone subscriptions. Nonetheless, John Kennedy, IFPI Chairman and CEO, explained the decrease in sales as being caused by “a combination of reasons, including digital and physical piracy, competition from other entertainment products and the shift in consumer spending to online and mobile” (DMEurope, 2006, p. 2).

Those who own the copyrights employ massive public announcements to protect their goods against infringement. In April 2006, a Europe-wide campaign began tracking down illegal music downloaders. More than 2,000 lawsuits were reported, identifying people facing fines of 2,000 GBP (Prigg, 2006). More than 5,500 legal cases against uploaders were reported in 18 countries outside the USA, leading to fines of several thousand euros each (DMEurope, 2006); others report the occurrence of 20,000 legal cases (IFPI, 2006b).

Socio-political and socio-cultural changes leading to the paradoxical nature of the Internet

Presented in the following are the effects of both socio-political and socio-cultural changes that lead to the paradoxical nature of the Internet. As outlined in Figure 1, the first set of paradoxes refers to the company-consumer relationship. The idea is that the Internet moderates this relationship by allowing consumers to learn about companies' activities and products whilst companies are able to distribute their products by means of the Internet. The second set of paradoxes derives from the interplay between consumers and the effect of computer-related technologies on the individual consumer. Knowledge about these sets of paradoxes helps companies identify possible problems. With respect to the music industry, such insights could give rise to managerial and strategic implications in order to create mutually beneficial relations in the digital age.

Socio-political changes

Paradoxical effects from socio-political changes are found first of all in the company-consumer power relation as moderated by the use of the Internet (see also Figure 1). The Internet enables the company to gain more control over consumers, but also consumers achieve more empowerment. Secondly, the technology *per se* is perceived as beneficial and awkward at the same time.

Power relations

The Internet is regarded as technology that conveys the idea of a power-shift (Spears *et al.*, 2002; Yamin and Sinkovics, 2007; Jean, 2007) and increases liberation. Liberation through the Internet enables people to choose one's identity and audience and go beyond local boundaries. Virtual communities or other common activities, such as

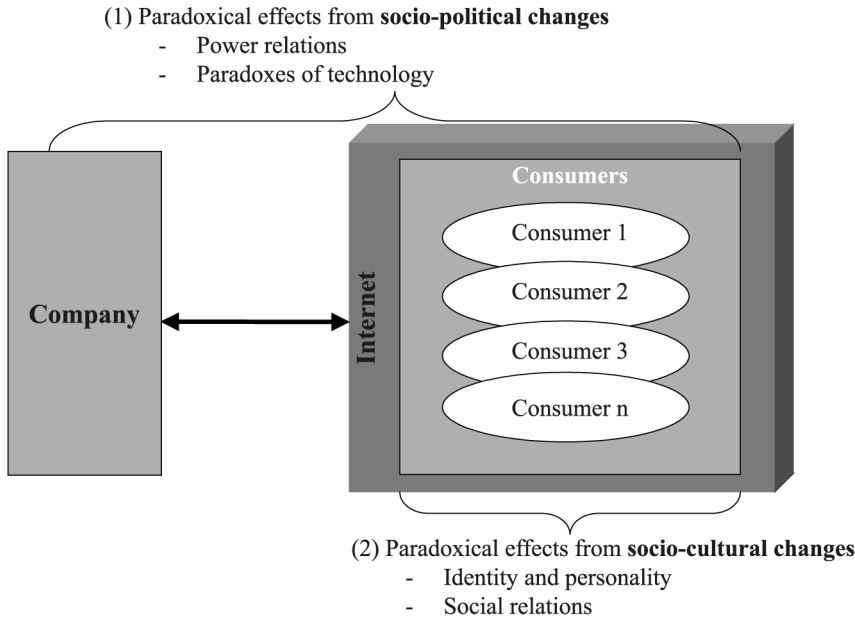


Figure 1.
Internet's paradoxical
effects from (1)
socio-political and (2)
socio-cultural changes

file-sharing, provide sources for solidarity and empowerment. Anonymity on the other hand allows users to “play” different people and roles and to go beyond status levels, for example, by being able to block status-related clues (Spears *et al.*, 2002).

However, less positive voices indicate that power is still very centralized, even though hierarchies have become flatter. Directives and legislation regarding online behaviour are more in favour of producers than consumers. While for consumers, for example, “music wants to be free”, the record industry limits that freedom through lawsuits, etc., and views music as a commodity that has to be paid for (Denegri-Knott, 2004, p. 88). The social exclusion of disadvantaged groups from technology as well as surveillance due to digital “imprints” left behind when using ICT carry a notion of control that is beyond one’s own choice, hence, offering a paradoxical view (or a “Janus-faced character”, Spears *et al.*, 2002, p. 100). CMC’s characteristics “are double-edged in that although they allow us to transcend power relations, they can also function to reinforce them” (Spears *et al.*, 2002, p. 100).

Companies such as EMI, Sony BMG, Universal, and Warner, are the big players in the music industry and determine current power negotiations in the global digital music market (Choi and Perez, 2006). In addition, there are digital platforms that offer music legally, such as iTunes and eMusic. Consumer power is represented by those persons who purchase legitimate copies or files and share digital music illegally, but also by organizations and consumers who act against the music industry, such as “Pirate Bay” in Sweden, “Boycott RIAA”, “Downhill Battle”, or “Music Activism”. There are currently more than 60 organizations that defend privacy and freedom online. Their websites include documentation about legislative action that concerns free speech (e.g., First Amendment Cyber-Tribune, Internet Free Expression Alliance) and privacy issues (e.g., Electronic Privacy Information); others consist of public discussions and speeches arguing in favour of a free Internet (e.g. Global Internet Liberty Campaign, Computer Privacy Digest). Another group of organisations encourage consumers by offering advice for “safe surfing” (e.g., the anonymizer, Encryption Policy Resource Page, Freenet, Privacy.net) (Denegri-Knott, 2004).

Consumers have become powerful actors and according to Szmigin (2003, p. 62) are “beginning to take over the marketplace in small but significant steps”. Without a doubt, today’s producer-consumer relationship is a changed one. The increasing shift in power is regarded as beneficial for consumers (for example, Denegri-Knott *et al.*, 2006; Gabriel and Lang, 1995; Shankar *et al.*, 2006; Szmigin, 2003). In general, this view states that consumers obtain power through their ability to choose, and thus become empowered consumers. Consumers, in this respect, weaken the once powerful position of “want-makers” (Denegri-Knott *et al.*, 2006, p. 951), i.e. economic, social, and cultural institutions that once controlled consumers by disapproving of the possibilities for free choice and power.

Consumers use their power in four different ways (Denegri-Knott, 2006):

- (1) control over the relationship as power;
- (2) information as power;
- (3) aggregation as power; and
- (4) participation as power.

Consumers gain “control over the relationship as power” and delimit the degree of contact in an online context, for example, by installing the appropriate software. While in an offline context it is fairly time consuming to avoid relationships with producers, in online situations, consumers can do so effortlessly. However, producers are increasingly becoming aware of the loss of control and are imposing ever more directives on consumers to allow cookies or force them to display their identity in order to obtain products (Denegri-Knott, 2004, 2006). Information is easy to access online, it increases consumers’ bargaining power and, thus, it is “power”. The entire decision-making process is facilitated and in addition, consumers are able to learn about business practices (Denegri-Knott, 2004, 2006). It comes as no surprise that information acquisition is the most common activity of consumers in the Internet (Penz and Kirchler, 2006; Sinkovics and Penz, 2005). With the Internet, the users relate to computers as a socio-technological system (Burton, 2002), making use of “aggregation as power”. Compared to offline aggregations of consumers, online gatherings are much less time-consuming, and are not dependent on time or place (Denegri-Knott, 2006). Online communities are common forums for consumers to gather and exchange experiences, for example, on the latest music releases or artists. Finally, when consumers engage more actively, their “participation” can be viewed as powerful. Consumers access the opinions and evaluations of others, which enables them to reduce risks and gain more control over consumption activities (Harrison *et al.*, 2006; Pires *et al.*, 2006). At the same time, consumers produce content (Denegri-Knott, 2004), as can be seen in increased numbers of web logs, blogs, etc.

Three theoretical perspectives – based on political and social theory and existing concepts in consumer and marketing research – are developed to explain these forms of consumer power (Denegri-Knott, 2006; Denegri-Knott *et al.*, 2006). The perspectives are:

- (1) the consumer sovereignty model;
- (2) the cultural power model; and
- (3) the discursive power model (Denegri-Knott *et al.*, 2006).

The models of consumer power are appropriate for explaining illegal file-sharing and activities in illegal peer-to-peer networks and for developing strategies to turn these activities into legal ones.

Consumer sovereignty model. According to this perspective, consumers’ empowerment derives from the freedom “to act as rational and self-interested agent” (Denegri-Knott *et al.*, 2006, p. 963) and grows from the combination of consumers’ resources and skills in order to compel producers to produce more efficiently, offer better and cheaper products, and increase social welfare. One example of consumer sovereignty is boycotts. Consumer boycotts are active forms of resistance with explicit causes, such as affecting corporate policies and damaging a company’s stock. Boycotts are carried out by individual consumers with the aim of motivating other consumers to refrain from making purchases in the marketplace, yet they do so by utilizing marketplace means (Friedman, 1999). With respect to the music industry, a boycott is, for example, when one simply downloads music for free rather than buy CD’s in order to express concerns about the proper use of artists’ intellectual property or expensive product pricing. Reasons for boycotts are numerous, ranging from ethical concerns about companies’ activities to rejections of western-style consumption (Friedman, 1999; Gabriel and Lang, 1995; Smith, 2001). Motivations for participating in a boycott

are a company's egregiousness combined with the belief that boycotting is an appropriate and effective tool. Boycotts serve to maintain or enhance an individual's self-esteem; they have an instrumental (i.e. achieving objectives) function and an expressive (i.e. publicising issues) function (Smith, 2001). High costs (products forgone, doubts about boycotts, lawsuits), however, reduce participation in the boycott (Ettenson *et al.*, 2006; Klein *et al.*, 2004).

From a more social-theoretical point of view, protests or boycotts signal emancipation from market influences, because these are perceived as restrictive. Being part of a protest system (Giesler and Venkatesh, 2005), consumers follow an "ongoing process of enduring 'outsider status' through communication" (Giesler and Venkatesh, 2005, p. 661).

Choi and Perez (2006) argue that it is piracy that drives innovation in the online technology sector. New technology such as file-transferring technology was used initially in an illegal way, following the consumer sovereignty model. Yet, it opened up technological possibilities for transferring files both legally and illegally. The motivations to develop new, illegitimate technologies reflect consumers' motivation to gain power. When companies like Microsoft and Novell started to charge for their software in the 1980s, consumers viewed this as breaking deeply rooted protocols in the relationship between companies and consumers. Boycott-like actions such as turning to Linux and Apache were the reaction.

Paradoxically, protests depend on everything they exclude. In the same vein, consumers become "entrapped in the very mechanism from which they seek to escape" by expressing anger or frustration at objects or channelling it via actions (Gabriel and Lang, 1995, p. 145). Consumers use existing resources to question authority and meaning. The marketplace, from where they want to escape, serves as a cultural resource; what is more, consumers do not need to leave the marketplace to resist (Giesler and Venkatesh, 2005).

Cultural power model. Consumers manage the disciplining power of the market by expressing resistance in consumption. They are viewed as active, creative, and agentic (e.g. Firat and Dholakia, 1998), and "take a creative approach to everyday life, where they resort to artisan-like inventiveness, trickery, and guileful ruse" (Denegri-Knott *et al.*, 2006, p. 959). The market is seen as a bundle of networks that are used to control and manipulate consumers. Consequently, consumer power consists of the creative adaptations and manipulations of the producers' intended meanings and uses of products rather than the pure rejection of objects characterized in the consumer sovereignty model. Consumers experiment with offered mass marketed objects in that they "transform", "undermine", "twist" them and "laugh at them" (following a description of native Americans' behaviour against Spanish colonialism by Gabriel and Lang, 1995, p. 139). In this regard, consumers, as an aggregate of well-informed and autonomous individuals, can offset individual producers. Using standardized objects in an unorthodox way challenges producers, marketers, and advertisers alike and entails rebelling against their authority. This form of passive resistance targets a disturbance of hegemonic order and not a rejection of products.

With respect to file-sharing, pirates and their communities are knowledgeable about technology and trends and usually adopt technology to serve their purposes at an early stage. They also build on the newly formed communities made possible via the World Wide Web (Choi and Perez, 2006).

Discursive power model. Discursive co-production of the market is a view that builds on the interactions and exchanges between producers and consumers. The producer-consumer relation is less antagonistic and more inclusive, facilitates knowledge creation, and constructs the context of consumption (Denegri-Knott *et al.*, 2006). This model builds on the work of Michel Foucault (e.g. Foucault, 1980), as well as Shankar *et al.* (2006) elaboration of the paradoxical aspects of choice that are attached to consumer empowerment. Influence occurs in two ways: Consumers are controlled by means of segmentation, targeting, or customer relationship management, and are composed as homogenous groups. Consumers themselves consume the appropriate brands or experiences and construct their identity or selves. In this respect, “not only are consumers expected to choose, but they are forced to choose in order to be ‘free’” (Shankar *et al.*, 2006, p. 1020). Power is, in this regard, “the relation between the regulation of consumers, by others and themselves” (Shankar *et al.*, 2006, p. 1020). What is paradoxical is that the freedom to choose turns into some sort of hyperchoice, i.e. with the chaotic, paralyzing nature of increasing markets to choose from, choosing what and when to choose, etc. Greater choice thus comes at the costs of not being able to control one’s behaviour, a feeling of regret or dissonance because of non-chosen alternatives, and information overload (Harrison *et al.*, 2006).

According to this view on power relations between companies and consumers, communities sharing files illegally migrate to become customers of legitimate technology. As a consequence, companies’ business models change and take advantage of new market opportunities and innovations introduced by pirates. Independent consumers, intrinsically motivated to gain power, force commercial software developers to raise their standards (Choi and Perez, 2006). The challenge for the recording industry thus comes from the value-creators whose potential for innovation is the basis for their new business model, followed by an assertion of power by pirates (“free music”) and the legal system (lawsuits against file sharers).

Napster is a prominent example of a music-file sharing community that was challenging business models and finally converted to a legal file sharing network (Choi and Perez, 2006). Napster set the scene for technology-to-come based on its quality, convenience, and variety. As such, it reflects the discursive power of consumers who engage in new technology based on their needs and eventually create a new market (Choi and Perez, 2006). Figure 2 illustrates how pirate-consumers challenge business models of music firms in the digital age, following the discursive power model.

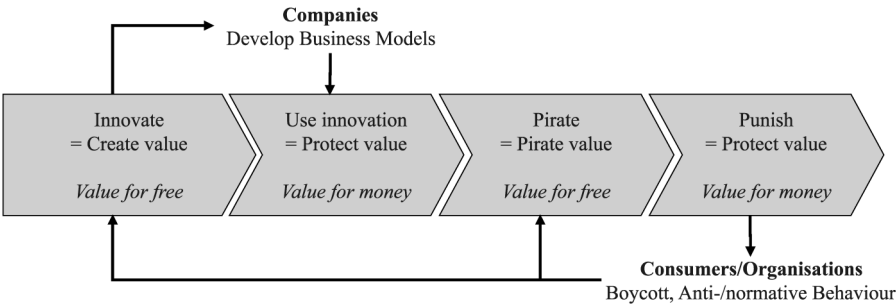


Figure 2.
Pirate-consumers
challenge business models
of music firms in the
digital age

Source: Adapted from Choi and Perez (2006)

Napster is not only viewed as the start of a peer-to-peer revolution (Choi and Perez, 2006), but as a paradox of consumer emancipation because it is distinct from the mainstream only at first glance (Giesler and Venkatesh, 2005). Consuming music for free and not as a commodity does not liberate consumers from the marketplace. Resistance, as in the form of sharing files, simply happens by using the available resources provided by the marketplace.

Peer-to-peer networks, such as Napster, allow users worldwide to share music-files (Asvanund *et al.*, 2004; Becker and Clement, 2006), but this is only made possible by technological innovations such as broadband connections and appropriate software. These are so-called “critical mass networks” (Becker and Clement, 2006, p. 8) because they require a high number of users (i.e. a critical mass) to obtain the anticipated positive network externalities effect. Larger networks provide more value to users than smaller networks due to the increased download speeds that derive from a decentralized server capacity (Asvanund *et al.*, 2004). On the contrary, negative network externalities for users of the network are caused by consuming and not providing network resources, that is, by downloading only. The crucial issues here are the number of freeloaders (downloading only) and the number of users in the network. Studies have shown that network size is bounded because the marginal value of additional users in larger networks declines. In addition, freeloading worsens with group size (Asvanund *et al.*, 2004) and p2p networks have already started to install barriers against freeloading (Becker and Clement, 2006).

Paradoxes of technology

While the discussion so far focused on the relationship between company and consumers – mediated by the Internet – in this section the effects of technology on the individual consumer and the consequences on the dynamics of social relations are highlighted.

The Internet leads individual consumers to confrontations with technology’s paradoxes. These paradoxes are seen to derive from two interrelated forms of experiences: expected ones and experienced ones. While the first form refers to quality expectations and the Internet’s consequences, often in the form of having a convenient, comfortable shopping experience with control over information flow, etc., the latter refers to actual Internet experiences. A paradox refers to the fact that “something is X and not-X at the same time” (Mick and Fournier, 1998, p. 125) and that equilibrium is not possible. One rather broad paradox is consumers’ participation in a global “cybermarketscape”, which is identified by Storm (2001) and called the “global-local” paradox. This refers to the dilemma of constructing and crossing invisible borders that are self-imposed by consumers, yet, at the same time, are assumed to be non-existent, as illustrated by the global nature of the Internet. Mick and Fournier (1998) identified eight central paradoxes of technological products (see Table I) that seem appropriate to analyse the paradoxical nature of the Internet.

According to the categories identified by Mick and Fournier (1998, p. 125), online shopping contexts evoke the paradoxes of competence/incompetence and control/chaos (i and iv, see Table I) by making information easily and globally available, yet they follow unfamiliar, “chaotic” forms of shopping, making people feel incompetent. When shopping online, consumers experience a new context, learn about innovations quickly (iii, Table I) and might miss dimensions from the physical shopping context with

	Technology means/is...		but also...
i	<i>Control</i> Facilitating regulation	⇔	<i>Chaos</i> Disorder, when broken
ii	<i>Freedom</i> Master-slave relationship	⇔	<i>Enslavement</i> Dependent on/addicted to technology
iii	<i>New</i> Most recently developed benefits	⇔	<i>Obsolete</i> Already/soon outmoded
iv	<i>Competence</i> Feelings of intelligence	⇔	<i>Incompetence</i> Feelings of ignorance
v	<i>Efficiency</i> Spending less effort/time Enabling doing things	⇔	<i>Inefficiency</i> More effort/time in activities Fear of technological complexity (manuals)
vi	<i>Fulfils needs</i> Solving current problems	⇔	<i>Creates needs</i> generating more work through technology
vii	<i>Assimilation</i> Human togetherness	⇔	<i>Isolation</i> Human separation
viii	<i>Engaging</i> Intrinsic enjoyment Flow		<i>Disengaging</i> Disconnection Passivity

Table I.
Eight paradoxes of
technological products

Source: Mick and Fournier (1998)

which they are familiar, such as touch-and-feel or the social (e.g. having fun in a store), and personal (e.g. service, bringing a product home) dimensions. Fear of isolation and alienation accompanies these experiences (see also vii – assimilation/isolation, Table I). With respect to the consumption of music, an entertainment product category that provides consumers with personal reward and pleasure (Pooler, 2003), the social and experiential dimension (Bhattacharjee *et al.*, 2006a) might fall short in the online context. Yet, these experiences do not come without paradoxical connotations. Avoiding the physical shopping context means escaping the hassle of waiting in lines, having to talk with shop assistants, and dealing with crowded shopping areas, etc. The Internet can, on the one hand, have an addictive effect on users, making people feel like “slave[s] to technology” (Storm, 2001, p. 255) and at the same time, allowing them to enjoy surfing wherever they want, whenever they want (ii – freedom/enslavement, see Table I). This relates to the paradox of getting into a flow experience (viii – engaging/disengaging, Table I) when using the Internet, for example through the design of a webpage that contributes to sensations of “flow” (e.g. Novak *et al.*, 2003). Flow is experienced during the navigation, i.e. searching, surfing, reading, clicking etc. if high challenges on the one hand are matched with high skills and efficacy on the consumer side (Novak *et al.*, 2003; Novak *et al.*, 2000).

The opposite effect makes individual consumers become disconnect from real time and environment. Furthermore, efficiency/inefficiency (v, see Table I) experiences derive from the possibility to make sound decisions based on the rapid and wide availability of information, which in turn can take up so much time that the process seems inefficient. Consequently, consumers’ sense of having solved a problem can

depend on the speed and access to right information (see vi – fulfils/creates needs, Table I) and its opposite to feel that the search process takes more time and effort than planned, ending up in not solved purchasing problems.

As illustrated in Figure 1, the second set of paradoxes derives from the interplay between consumers and the effect of the Internet on individual consumers. These effects derive from socio-cultural changes which will be discussed in the following. Knowledge of these changes helps businesses to better understand consumers and tailor their digital products and services accordingly.

Socio-cultural changes

In general, postmodern individualism has contributed to a so-called confused state of and disorder in consumption (Cova, 1996, 1997). Consumers seem to have become unpredictable in terms of consumption patterns (Brown, 1993; Burton, 2002; Cova, 1997; Firat *et al.*, 1994; Venkatesh, 1999b). Consumers like to play with identity and are at ease with multiple self images (Holt, 2002; Firat and Shultz, 2001). Resulting are fugitive self-images rather than consumption patterns that support a permanent identity (Burton, 2002; Venkatesh, 1999a). Consumers are increasingly acting according to a socially constructed reality – which is becoming more visible today – and its related experiences. As such it can be described as a virtual form of reality, a hyperreality, which stems from real world experiences or representations of reality and exists in the minds of individuals. Reality takes place in a simulated world, often in the virtual realm of the Internet, in the form of games, chats, and communities.

Online shoppers are, however, acting in a “lonely crowd” (Burton, 2002, p. 793). What is more, CMC causes unrepressed behaviour. Consumers seem to use remote shopping, such as the Internet, to purposefully avoid consumer culture. This provides evidence of an anti-social nature of these forms of shopping (Burton, 2002). The social effects are perceived as harmful if social ties are lost, and alienation from the “real world” occurs (Spears *et al.*, 2002). CMC does not mean that one is capable of dealing with complex tasks or social functions, which usually involve intense and elaborated communication, within a group, for example. The lack of non-verbal cues that are common in face-to-face interactions implies that CMC is more impersonal and reduced to a “lexical mode of interaction” (Hian *et al.*, 2004).

Against the argument that CMC and “differentiation guided the action of individuals” (Cova, 1997, p. 299), Cova argues, that people emerge as communities because of shared emotions, for example being against business practices of global companies, or fancying particular brands or TV-series, or they gather in communities because of a common involvement (politically, socially, environmentally). These groupings, so-called “tribes”, refer to identification with a community in a new sense: by means of technological means, independent of space and time. Tribes appear on the Internet in the form of communities or as discussion forums or as associations that care about music via “rituals”, for example – not in a sacred sense, but in a profane, market-related way such as dressing up as Star Wars warriors or indulging in community-friendly, but illegal file sharing activities (Cova, 1997).

According to Demetriou and Silke (2003), all illegal uses of web sources are caused by a combination of easy availability and deindividuation. Deindividuation is regarded as an effect of social groups and collective behaviour (Postmes and Spears, 1998). It is “a psychological state where inner restraints are lost when ‘individuals are not seen or

paid attention to as individuals' (Festinger *et al.*, 1952, p. 382). The loss of restraints can lead people to behave less normatively and more selfishly and more aggressively" (Demetriou and Silke, 2003, p. 214). According to Zimbardo (1969) and Diener (1980), it is not solely groups, but also psychological processes that contribute to deindividuation. Reasons are anonymity, loss of individual responsibility, arousal, sensory overload, novel or unstructured situations, and consciousness-altering substances.

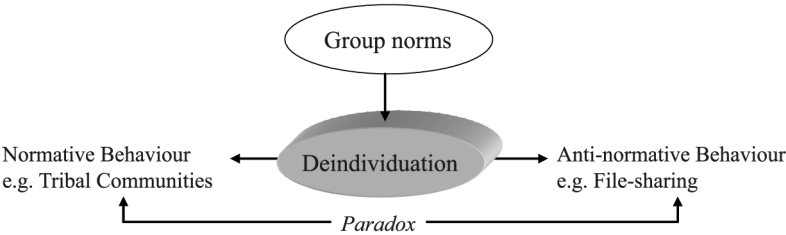
Hyperpersonal communication contributes to highly social and intimate experiences that one undergoes in an online context (Walther, 1996). From this perspective, environmental factors can lead to closeness in CMC interactions. Relevant factors are: receiver's idealization of the partner, sender's selective self-presentation, and reciprocity of interactions leading to a self-reinforcing process due to the interplay between idealization and self-presentation (Hian *et al.*, 2004). The hyperpersonal theory indicates that relations develop over time and that there are no negative effects from CMC as compared with traditional face-to-face interactions.

On the one hand, CMC facilitates liberation from social influences and inequalities. The social identification deindividuation model (SIDE) states that due to a lack of cues in CMC, individuals are not tempted to make inferences about other people's group affiliation (in-group versus out-group) and thus more personal communication can exist (Hian *et al.*, 2004; Spears *et al.*, 2002). However, deindividuation is also viewed as an outcome of normative behaviour. Along those lines, group norms contribute to a state of deindividuation. These norms emerge in specific contexts and give way to group conformity. Deindividuation, viewed from the SIDE perspective, can then be explained by sensitivity towards norms that prevail in a certain situation and are valid with regard to a social group that produces a certain social identity (Postmes and Spears, 1998). Deindividuation, for example with respect to online music consumption, can thus have two opposing, paradoxical effects, which are illustrated in Figure 3.

Discussion and conclusions

The focus of this paper was to explore an example of paradoxical effects of the Internet, for example, on the music industry, in which there are various groups of stakeholders. Socio-political and socio-cultural changes were found to be responsible for paradoxical effects: While negotiations between companies and consumers about their share of power lead to different models of consumer power, the effects of technology on social relations and individuals' sense of identity and responsibility lead to changes in consumption behaviour. In general, technology is held responsible for changes in the relationship between key stakeholders; i.e. authors, the industry in charge, and the

Figure 3.
Deindividuation as
outcome of two opposing,
paradoxical effects,
reflecting paradoxical
nature of computer
mediated communication
(CMC)



consumer; but technological improvements are also used to compensate for any shift in power so that the market for copyrighted goods continues to function (Suthersanen, 2006). Therefore, technology presents “both a threat and an opportunity to the copyright owner simultaneously” (Suthersanen, 2006, p. 231).

For the music industry, several implications emerge. From a socio-political point of view, the presented power models help to design appropriate activities: The article identified how business practices have changed in response to the changes in intellectual property matters and the power constellations between companies and consumers. The theoretical models presented in this paper represent different positions that companies and consumers can take and are helpful in explaining the current power struggles, such as file sharing activities, which on a more individual level also correspond to paradoxical effects of the Internet (social relations, deindividuation effects). Yet, while there exist models that can be used to explain the nature of the company-consumer relationships and contribute to a better understanding of socio-political changes, the socio-cultural changes need to be explored in more depth and breadth and positioned as major challenge to digital innovation projects. The paradoxical nature of technology and its use and/or neglect by consumers provides a fruitful and promising background for future studies on the power-model that technology-savvy, but often ambivalent consumers employ as guidance for their actions. As suggested by Bhattacharjee *et al.* (2006), the entertainment industry in general and the music industry in particular are well advised to understand current consumer activity on the Internet – the recording industry has suffered from a lack of innovation from the outset (Choi and Perez, 2006) – and turn it around to their practical and strategic benefit: without a doubt, there is significant sharing activity on the Internet. Peer-to-peer networks are technologically advanced digital components of a business’ economic success and should be acknowledged as such: Fostering pre-purchase sampling, for example, as a way of sharing and downloading music files for free could be one way of tackling these issues by signalling to consumers a willingness of the industry to engage in a cultural power model type of relationship. By respecting the cultural power model, companies can gain valuable insights into a consumer culture that otherwise would be difficult to grasp (Choi and Perez, 2006).

Heavy file-sharers, a segment identified by Becker and Clement (2006), often act as rebels because they feel obliged to provide substantial numbers of music files and make up for the losses incurred by freeloading consumers (meaning those who use the network but do not provide music files to improve download speed and size, see, e.g. Asvanund *et al.*, 2004). Consumers use boycotts to express their frustration and to revolt against authorities. One way of dealing with these consumer groups would be to impose group norms that they would follow deliberately as part of their search for positive social identity.

With regard to socio-cultural changes, activities that discourage consumers from participating in illegal peer-to-peer networks would be those that increase or initiate consumers’ awareness of freeloading on these networks and its negative consequences for the network. Increasing the perceived legal risks raises the implicit costs of individual users, according to Asvanund *et al.* (2004), and reduces the willingness to share (Becker and Clement, 2006). It is assumed that increased costs will likewise increase the tendency to freeload (Asvanund *et al.*, 2004) and reduce the perceived reciprocity of sharers because users do not want to support freeloaders (Becker and

Clement, 2006). In the long run, legitimate music purchases might be an attractive option for consumers (Asvanund *et al.*, 2004). The easier legal files are to access, the less attractive illegal peer-to-peer networks become due to the high legal risks but also higher quality of the files, spyware, etc. (Becker and Clement, 2006).

One commonly held idea by the music industry concerning intellectual property is that any illegal practice should be avoided and if discovered punished by legal means, treating its customers like criminals (Choi and Perez, 2006). Intellectual property and copyright law, however, entail a public purpose: “to stimulate activity for the general public good and to ensure public access to the products of such activities” (Suthersanen, 2006, p. 232). A balance between the interest of authors and their writings on the one hand, and “society’s competing interest in the free flow of ideas, information and commerce on the other” (Suthersanen, 2006, p. 232) must be maintained. The judgment in the case of Napster and shutting down its illegal version, which was “effectively destroyed by industry” (Suthersanen, 2006, p. 236) is criticized because of the negative motivation for new types of technology and business models. As Choi and Perez (2006) have illustrated and as discussed in Figure 3, the innovation process is unthinkable without innovative pioneers who advance technology.

In this sense, buzzwords such as “digital divide” (Spears *et al.*, 2002, p. 103) or “virtuality trap” (Yamin and Sinkovics, 2006, p. 340) reflect paradoxical facets of the Internet and shed a more problematic light on effects of information and communication technology (ICT). While acknowledging the advantages of e-commerce and other online-facilitated activities for the internationalisation of companies, they are, at the same time, “trapped” in this form of “virtuality” (Yamin and Sinkovics, 2006, p. 340). Excluding traditional ways of collecting insight into international markets, companies forego any information other than online accessible information and knowledge and deliberately isolate themselves from important markets (Yamin and Sinkovics, 2006). Similar traps can be observed with regard to the entertainment industry, which seems to be reluctant to follow a discursive or cultural power mode of integrating knowledgeable innovators to create value for them.

The case of the music industry has attracted lots of attention (see, for example Bhattacharjee *et al.*, 2005; Bhattacharjee *et al.*, 2006b; Gopal *et al.*, 2006; Gopal *et al.*, 2004) and serves as an example for a lack of openness towards the innovation process initiated by empowered consumers. Lessons learned from the above discussed paradoxical effects of the Internet could feed back to other areas of the entertainment industry, such as films, games, and computer software.

Note

1. International Federation of the Phonographic Industry (IFPI) represents the record industry worldwide with members in 75 countries and affiliated associations in 48 countries (available at: www.ifpi.org/).

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