DIGITAL CUSTOMER RELATIONSHIP MANAGEMENT IN MUSIC INDUSTRY

Sony Music – an Internet Company?

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Abstract
Digital customer relationship management in music industry – research studied customers and customer behavior in an online environment. Digital customer relationship management (CRM) was researched from the music industry perspective. Customer communication in online environment is studied in order to create new tools and opportunities to communicate with customers. Customer involvement, means of getting customers part of marketing and possibilities of crowdsourcing was studied in this research.

Qualitative method has been used in order to create valuable results. Methodology used is case studies. Tune, Anna Abreu, Sony Music website, Promocard and Open disk were used as case studies to bring the results into practice and to create a competitive edge for these products.

Research results show that customers have changed, which creates pressure in creating new communication models in an online environment with customers as well as new business models. Customers should be more involved with companies, and marketing should be created with the aid of customers. As there is no scarcity in online environment, the currency used in measuring success is attention. After attention is gained it can be monetized.

Recommendations for Sony Music offer innovative ways of benefiting from current technologies and assets, but also new possibilities in creating better customer relationships in online environment.

Keywords
Digital customer relationship management, CRM, music industry, direct to consumer, D2C, viral marketing, crowdsourcing

Miscellaneous
This thesis is done in cooperation with Sony Music Entertainment.
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1. INTRODUCTION

"It has always been a competitive edge to listen to customers; now it is a requirement." (Sterne 2008)

When the world changes, people change with it. The changing economy of music industry forces customers to amend and adapt to new ways of consuming music. As the role of the customer is changing, the value of customer relationship management (CRM) in online environment increases. The aim of this research is to study how to develop digital regular customer systems and manage customer relationships.

To keep business thriving in this rapidly changing environment where customers are product savvy and selective, new perspectives can be brought to business operations via digital customer relationship management. This research studies the concept of digital CRM from a music industry perspective and offers ideas and solutions on how to develop CRM thinking and digital CRM planning in an organization in a manner that also generates profit and creates value to both, the customer and the organization. Companies are beginning to think in a more customer-oriented way as they work towards building CRM operations to match the future requirements. This research studies how customers behave and have changed during recent years, what customers need and how the communication between customers and companies can be further developed.

Consumers are active online and spend more time and effort on entertainment than ever before. The world has faced new generation called digital natives. What can be done to use those technology savvy first adapters in building an artist brand by executing digital CRM actions? This research studies the possible tools that could be offered for consumers to become efficient marketers for a company. How to measure digital CRM results in an online environment is also a topic discussed and developed.

The following research questions have been identified:

- What is the role of the customer?
- What tools could be used in customer relationship management?
- How to measure digital CRM results?
This thesis is done in cooperation with Sony Music Entertainment.

2. MUSIC INDUSTRY - PAST, PRESENT AND THE FUTURE

Music business is changing. The first major shift took place when music performances became entertainment for the masses. Until then, music had only been entertainment of the royalty. Next, the industry faced sheet music, which was even referred as “the death of music industry”. The question of whether people would still attend concerts if they could play the music themselves became current. Big and important times were at hand in the music industry. (Dubber 2007, p.89)

Technologies developed and first records were made. Industry built on sheet music was facing its death again. The following development brought boycotts, lawsuits and charges of piracy: radio was invented. Being able to hear music without buying records seemed like an attack towards the industry. At this point, the ideology changed. The music industry started to see further developments as strengths and possibilities. Radio became the strongest promotional tool and driver of music sales, until synchronization. Monetizing music via movies and commercials become quickly the fastest and best way to make money. (Dubber 2007, p. 90-91)

Every time the music industry faces a change the balance shifts. The power shifts to the new player, which takes over the markets. One thing that all of these changes have in common is that each time the customer got more power and possibilities to consume music. Whether it was the possibility to play music at home made possible by sheet music or the possibility to hear music without buying records which was enabled by radio. These changes have empowered the customer to the point where customer can no longer be taken as part of the masses. (Dubber 2007, p.91) The future seems more customer-oriented in the music industry than ever before (Alanko 2008). “We are going towards future where customers buy services instead of individual songs. Music becomes like electricity” (Valtanen 2008).
3. DIGITAL CUSTOMER RELATIONSHIP MANAGEMENT

3.1. THEORY

Customer relationship management (CRM) is the ongoing process of developing and managing the relationship between customer and company in order to create a long-term relationship where the customer decides to continue the mutually beneficial transaction. (Tuominen 2006) In this relationship, the customer is in control, which means that the company does most of the work in order to create a long lasting relationship. (Bergeron 2004, p 1-5)

Customer relationship management is used to improve customer satisfaction but also to create long-term customer loyalty. CRM processes are valuable for companies in order to guarantee future business as well as to enable business growth. For an organization, customer satisfaction as well as customer loyalty are both factors that can keep business operations profitable but also offer a competitive edge for the company. Customer relationship management is an important part of public relations. An organization that is known for good and effective CRM can use it in their advantage in branding and marketing. Companies and their public image and brand are more judged by company behavior than by their words, which create the need for well managed and planned customer relationship management. (Bergeron 2004, p. 8, 40)

Customer relationship management can be used as a tool by organizations to transform their business to be more customer-friendly. (Tuominen 2006) CRM information, such as customers purchasing habits is valuable for companies as it enables them to become aware of customer actions. The term CRM can be used to describe the overall customer relationship management process and its assets, but also it can refer to single CRM software. CRM software generally measures customer behavior and actions in an online environment. CRM software is often used to measure the amount of visitors a website has monthly or to create statistics of from which countries the visits are from. (Bergeron 2004, p. 1-6)
Analytical customer relationship management is the process of analyzing customer information as well as customer behavior. (Dyche 2002 p. 13-15) Analytical CRM means the process of collecting basic customer information such as name, company name and contact information and with the collected information creating a customer register. In addition more sophisticated information can be gathered. This sort of information includes Internet communication information, such as the length of customers visit on a company’s website, from which site the customer entered the webpage and customers ip address. This information can be used to create information about client value. (Raheem 2008b)

Customer relationship management is an asset for a company and an important aspect of the online business that should be taken into consideration when planning business operations. Implementing digital CRM software in company’s online environment can reveal great deal of information about customer behavior as well as offer insights on how customers act in company’s viral environment. With the aid of gathered customer information company can turn their business operations more customer oriented and better meet customer needs in the future thus improving their public image and increasing profitability. (Davey 2008)

Digital customer relationship management can be divided in to two sub categories based on whether or not it includes software. CRM software can be used to collect customer behavior information as well as to measure results after implementing a digital CRM processes online. Using CRM software online to monitor customer behavior can be very efficient tool for a company, if measured results can be properly interpreted. CRM software can measure customer behavior based on their actions on company website. This information can be used to create better user interface in online environment. In addition CRM software’s can offer valuable information about customer segments. (What is CRM? 2008)

According to Davey (2008), the results can be used to increase customer satisfaction to offer better customer service and to build user interface in products or services. Getting to know customers should not be considered as irrelevant for business, but as an opportunity to develop promotional and marketing strategies to better meet customer needs as well as to discover new needs arising from customers and gain new business models for future. (Davey 2008)
As CRM information is followed on the websites, the successfulness can be measured in the amount of customer profiles collected and the richness of customer profiles. Following traffic on websites is in vital importance for companies. When traffic is followed on weekly basis, the marketing results can be better-monitored and marketing efforts improved. In the end, the traffic can be monetized and strategies developed. (Jaerkel 2008) Internet has huge amounts information available aside CRM softwares, such as forums, fan sites, which offer valuable and powerful results. That kind of information combined with data received from CRM software can aid in creating more tangible strategies to improve communication with customers. (Benthal 2008)

3.2. PRACTICE

“Twitter\(^1\) as a form of CRM” (Leonhard 2008)

As digital technologies develop, it is valuable to update existing CRM tools and operations to better manage current situation and competition. As part of business has shifted to online environment, it is important to be introduced to the topic of digital customer relationship management. Digital customer relationship management can be described as a tool in online environment, which will improve customer management processes in a company. Digital CRM aims at increasing customer satisfaction.

3.2.1. Customer relationship management in music industry

Throughout the history of music industry, the requirement for customer relationship management has increased. Until now, the decisions made in music industry were often based on feelings and companies haven’t spent time on researching the developing areas enough. Well conducted researches can increase the profitability of business and aid in directing resources in a field that requires development and that has great prospects. As industry and economy develops, the requirement for customer-oriented way of doing business increases. Content industries are transforming from selling products to offering added value to customers. (Manner 2008)

\(^1\) Twitter is a free social messaging utility for staying connected in real-time. (Twitter 2008)
“Music companies don’t let the customers get involved. Companies want to control what customers listen and share,” explains Leonhard (2008). CRM is used to build customer relationships. In music industry, recording companies haven’t had direct relationships with customers as records have been sold through stores and advertising has been done though magazines and TV. The music industry is now heading towards D2C (direct to customer) ideology, where companies are working towards creating and maintaining a direct relationship with their customers (Leonhard 2008).

3.2.2. Digital CRM in Sony Music
In music industry, decisions are often based on feelings and emotions. This is one of the reasons why music companies haven’t done extensive researches about customers. The changing economic situation and changing consumption habits are starting to change this in to direction where research could be considered as valuable tool in launching products as well as an asset in marketing (Table 1).

Table 1. The objectives of customer relationships management in Sony Music. (Jaerke 2008)
At the moment Sony Music uses Google analytics as the digital CRM software. Google analytics\(^2\) is a tool that is used to follow customer behavior. The data shows how many visitors both unique and total, the website has had and from which countries the visitors are from. Currently, the effort that Sony Music Entertainment puts in digital CRM is low (Table 2). (Alanko 2008)

Table 2. The scope of customer relationship management in Sony Music. (Jaerkel 2008)

3.2.3. D2C (direct to consumer)

Direct to consumer (D2C) is a term that is used to describe customer focused communication as well as business where companies are in direct contact with their customers (Table 3). Uli Jaerkel (2008) from Sony Music UK & Ireland describes D2C as a direct two-way communication between the customer and the company. D2C is about knowing the customer and being able to offer and sell tailored products and services as well as rewarding customers for their engagement and loyalty. In the end, D2C is about direct transactions and customer relationships. (Jaerkel 2008)

\(^2\) Google analytics is a free of charge customer tracking system in online environment. (google analytics)
Table 3. What does D2C mean? (Jaerkel 2008)

To reach these D2C goals and to be able to gain full benefits, Uli Jaerkel presents following aspects as the key in reaching these goals. Sony Music must improve marketing efficiency, build relationships with the end user as well as to close the loop with them, to provide high value products, entertainment, goods and services around artists, demonstrate to artist that Sony Music is the best in-class at marketing music to end customers as well as to diversify revenue streams (Table 4, Table 5). (Jaerkel 2008)

Table 4. Sony Music’s direct to consumer objectives. (Jaerkel 2008)
Table 5. Benefits of implementing direct to consumer. (Jaerkel 2008)

\[ D2C = \text{access to content}. \text{In the future retailers provide guidance in to what to listen and what to purchase. Retailers offer lifestyle support.} \] \] (Leonhard 2008)

3.3. CASE EXAMPLES

3.3.1. Case: Trainers’ House
Trainers’ House is a Finnish company that develops and integrates digital aspects to companies in order to establish business growth. One of their assets is digital customer relationship management system. Trainers’ House backtraces their client’s customers via their ip addresses in order to know from which company they are from. Then the company knows who have been to their clients’ website and their client can offer services directly those people who visited their website. Trainers’ house uses Google optimization and their digital CRM system generates the results quickly, which are the reasons why the company is leader in digital CRM software business in Finland. (Raheem 2008b)
3.3.2. Case: Nokia Comes With Music
Nokia Comes With Music is a current example from the world of digital CRM, says Kimmo Valtanen (2008). Nokia Comes With Music is an interesting new service that offers value to customer from a new perspective. Combining music with mobile phones and PCs will offer customers a different kind of possibility to consume music. Nokia Comes With Music offers Nokia device buyers a year of unlimited access to millions of tracks. After the year of unlimited access to music, customers can keep the music they’ve listened. (Nokia 2007)

"We set out to create the music experience that people are telling us they are looking for - all the music they want in the form of unlimited downloads to their mobile device and PC. Even if you listened to music 24 hours a day, seven days a week, you would still only scratch the surface of the music that we're making available. Comes with Music fulfills our dream to give consumers all the music they want, wherever they want it, while rewarding the artists who create it." Anssi Vanjoki, Executive Vice President and General Manager, Multimedia, Nokia. (2007)

Nokia Comes With Music enables customer to get access to millions of songs from all kinds of artist. Customers can discover new music and artists can offer their music to wider selection of people and possibly get new audiences. This service is a leader in developing customer oriented business models and in offering customers the choice on how to consume music. (Nokia 2007)

3.3.3. Case: iTunes
“iTunes has successfully implemented digital CRM” (Alanko 2008) iTunes is Apple’s digital media player application that enables its users to organize, browse and listen to music. Via Internet iTunes can be connected to the iTunes Store where music, videos etc. can be purchased online. iTunes can be also used as an interface to manage contents on Apple’s devices, such as iPod and iPhone. (What is iTunes? 2008)
Apple’s applications and products are known to be innovative, easy-to-use and to have an excellent user interface. Apple by being able to offer all products and services needed to consume entertainment can offer customers a great music consumption experience. (Kahney 2002) “Good example of well performed digital CRM is iTunes. They have a service that works well and they have product innovations in both; service and product.” (Valtanen 2008) From CRM perspective, Nokia Comes With Music and iTunes are two different kinds of examples of how customers can be approached, and how loyal customer relationships created. Both of these services offer added value to customer.

3.3.4. Case: P!nk
William Bentall (2008) named P!nk’s website as an example of good CRM implemented by Sony Music. In P!nk’s website fans can generate content by uploading pictures in different categories (Pink 2008):

- Cell Phone Concert Shots
- P!nk and Me
- Me and My Friends at the Show
- Collectible Gallery (Collected P!nk related items, such as tickets stubs, promos, T-Shirts)
- Fan Art Gallery
- Fantastic Fans
- Look-alikes

Fans can also post reviews of P!nks new album Funhouse on the site, discuss on the forum, download P!nk wallpapers, buy music and talk about coming P!nk shows. (Pink 2008)
4. VIRAL MARKETING

Viral marketing or word-of-mouth -marketing (WOM) is marketing where the marketing message or information moves from people to people and spreads like a virus. Viral marketing is the oldest form of marketing, since before other medias all marketing spread verbally. With Internet, viral marketing has become more efficient than ever, due to the fact that with Internet messages can spread to millions of people in just matter of hours. What makes it more efficient and interesting is that digital messages such as videos, images and writings, remain in social Internet services such as in You Tube and blogs even when the first epidemic is over. (Salmenkivi & Nyman 2007, p. 234-238)

When implementing marketing campaign online the costs are rather small compared to marketing campaigns executed in other medias. What makes viral marketing difficult is that people have already seen everything. The marketing message needs to be original, creative, and innovative or something out of the ordinary to arouse interest in consumers. Viral marketing works the best when the product is interesting and different from competitors. (Salmenkivi & Nyman 2007, p. 234-238)

“You gain some, you lose some” William Simcoe (2008) on viral marketing and e-commerce. From customer point of view, viral marketing can seem on some occasions intrusive. When customers spends time online, there comes a moment when their contact information will be asked. This will most likely happen when the customer is ordering something, e.g. a newsletter or buying a product. That is the moment when customers often face the conflict. They gain something, a new product or a newsletter, but they also lose something, their privacy online. When they hand in their contact information, such as e-mail address, they might start getting unwanted e-mails from companies advertising their products and services which results in customers becoming more careful in their actions online. (Simcoe 2008)

“More independence, more access” (Simcoe 2008) Internet has enabled customers to have better means of communication and searching for information. From CRM perspective, customers get more independence and access which often results in

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3 YouTube is the leader in online video, and the premier destination to watch and share original videos worldwide through a Web experience. www.youtube.com
treating customers differently in online and offline environments. In online environment customers’ space can be more easily invaded and they can be better followed. (Simcoe 2008)

Building corporate image in online environment is valuable for companies and should be part of viral marketing. When consumers talk about a company on Internet's discussion forums or on sites where products are recommended, it matters what people say. If a company has a good reputation and brand image, the discussions on forums can increase sales and bring in new customers. Especially if a company has invested on the CRM aspect, consumers are the first to notice. If current customers are not happy with the product, they will be sure to let everyone else know it. It is the same in the offline environment. Maintaining customers happy keeps companies in business, but to go further, creating brand loyal regular customers will increase business. (Bergeron 2004, p. 1-14)

4.1. SONY MUSIC – AN INTERNET COMPANY?

As Internet as a media offers possibilities that other medias don’t, it becomes vital to concentrate efforts in Internet. Internet offers direct communication possibilities with consumers, which in the end translated in to valuable information. As physical CD sales are declining and TV advertising is losing its benefits compared to the costs, focusing in to the digital aspect of business can be a valuable opportunity. As record companies are transforming in to music companies could the next step be becoming an Internet company? (Jaerkel 2008)

4.1.1. Sony Music corporate image
In the 15th annual Music and Media conference in 2008, Sony BMG was named the Best Record Company in Finland. This is the third time in a row that Sony BMG has received this award. Music and media industry professionals gave the votes.

"Being the biggest record company and the most loved record company at the same time is something our team should be very proud of. People voted for us because of our company culture and our reputation. The artists, media and the retailers are our customers and we need to treat them well. Our culture is
to treat everyone with respect every day and we've proven that this is a very successful business formula. People want to do business with and create new opportunities with those who have a good reputation." (Kimmo Valtanen after the 2nd win in 2007)

4.1.2. Artist and Sony Music
Radiohead, when they decided to release their new album without the help of record company, created discussion on the importance and value of record companies to artist (Table 6). These kinds of situations create a pressure for music companies to show their value and need to remain relevant in the industry. Sony Music is expert in creating artist brands and in creating superstars. They also aim at becoming a leader in developing new revenue streams and business models to become more relevant in the industry and to continue in creating value to artists. (Jaerkel 2008) Examples of expertise in creating artist brands are Britney Spears and Anna Abreu. Britney Spears it at the moment Internet’s most searched person in the world and Anna Abreu is Finland’s. (Valtanen 2008)

Table 6. The change in the markets. (Jaerkel 2008)

As customers need to be involved in marketing, so do the artists. As music companies are starting to offer 360° deals to artist, the full benefit of those deals can be taken only, if both the artist and the company are committed. Only artists who are ready to get really involved have the possibility to get most out of viral marketing by becoming part of it. (Leonhard 2008)
4.2. CASE EXAMPLES

Many factors affect whether viral marketing will succeed. The most important factor is the products or brands current image and the product’s attractiveness in the eyes of the target audience. It is important to connect the product to this moment and see how the product is current at the time. In viral marketing, the marketing messages can be presented in a more fun, different and shocking way to gain audience. As Internet differs drastically from other medias due to its interactivity, viral marketing messages can be quite strong in receiving attention. (Salmenkivi & Nyman 2007, p. 234-238)

4.2.1. Case: Chocolate Rain
Chocolate Rain is a song that became a viral epidemic during summer 2007. The home made video of the song, written and performed by 25-year old student Tay Zonder, was posted on YouTube on April 22, 2007. Within six months, the video received over 30 million views on YouTube. (YouTube 2007a) Chocolate Rain was ranked as the hottest viral video of the summer 2008 by CTV.ca (2007). Utalkmarketing.com ranked Chocolate Rain as the number 2 viral video in the world (2008). In YouTube Awards in 2007, the video won the music category. (YouTube 2007b)

“I move away from the mic to breathe in” Tay Zonder (2007) The video features Tay plainly singing the song and playing piano. As he sings he sometimes leans away from the microphone to breath. When he does this, a text saying “I move away from the mic to breath in” appears. This sentence quickly become known around the world and was the topic of many parodies. (Sarno 2007) Chocolate Rain is the perfect example of viral effect. The video started as a student’s home made video that he put on YouTube but it grew in to international phenomena. Tay Zonder, the song and the video draw huge media attention. Chocolate Rain has shown how something that starts up as a home video can turn into a viral epidemic, but also how full of possibilities Internet is as a marketing channel.
4.2.2. Case: MySpace
The Guardian: “If MySpace were a country, it would be 10th biggest in the world, just behind Mexico” (Leonhard 2008)

MySpace is social networking site that offers networks of personal profiles, blogs, photos, music and videos. The international networking site is used by teenagers and adults. MySpace was the most popular social networking site in the US in 2006, when MySpace reached the 100 millionth accounts created. MySpace still attracts daily 230 000 new visitors to the MySpace.com site. (Sellers 2006) Musicians can create profiles on MySpace where they can upload music in mp3’s. MySpace has massive amount of users and it is free of charge and everybody can create a profile. Due to these reasons, MySpace is often experienced as a very appealing place to do marketing. (What’s MySpace? 2008)

5. CUSTOMERS

In this research the customer means the end consumer who consumes the music and purchases the products.

During the recent 10 years the music industry has transformed drastically due to digitalization. The way music companies’ value their customer has changed and created pressure to develop customer management systems in order to create better customer relationships and loyal customers. “The way we see customers has changed significantly. Still about 10 years ago the customer was the masses. It was enough to create a hit song for that target group and the business was good. A hit song meant a sale.” Valtanen explains. Now the customer is more critical, their purchasing habits and behavior have changed as well as their purchasing decisions. The classical AIDA model used to work since the distance between D (desire) and A (action) was short. Now we need to create direct contact and face the customer, create contact points, such as in gigs and via Internet in online environment. (Valtanen 2008)

4 The traditional AIDA (Attention, Interest, Desire, Action) model of the purpose of marketing and communication leading to direct sales.
The role of the customer has changed in music business because of the Internet and
digitalization. In today’s environment it is no longer a successful business strategy to
sell blindly as much as possible. Companies are required to get to know the customer
in order to keep business thriving and offer what customers want. (Valtanen 2008)

Customer sees company’s visible parts such as website, customer service, employees,
products and services as one entity and it should be considered as one entity by the
company, otherwise the customer might receive an unsynchronized image of the
company. The core idea behind CRM is to coordinate every aspect of the company to
work together in order to create an overall valuable series of experiences, products
and services for the customer. The aim is to know what customer wants and then
fulfill that need better than competitors. (Bergeron 2004, p. 9-12)

5.1. DIGITAL NATIVES

“Digital natives may download 10,000 songs only to actually listen to a total of 40 or
50 per month.” (Leonhard 2008) People who have grown up with digital technologies
such as computers and Internet can be called digital natives. The way these consumers
see the digital environment and its possibilities differs quite drastically from digital
immigrants, people who grew up without digital technologies and who adapted to
them later. (Leonhard 2007)

"Facebook and MySpace are the new email" (Tarzian 2008, p. 20) Online applications
and services are part of digital natives everyday life. For businesses it is valuable to
keep in touch with these new customer groups and follow the developments and the
new platforms these digital natives use and take those platforms as part of marketing
and promotion. New developments create new target groups and new marketing
possibilities. (Leonhard 2007)

“Maybe it’s just my experience, but the visually impaired people I know are avid
consumers of music, and they are continually frustrated that the worst offenders in
terms of not being able to use their screen reader on a particular website are often
music businesses.” (Dubber 2007, p. 76) These kinds of smaller and quite specific
target groups are valuable when planning viral marketing and should be taken in to
consideration.
5.1.1. Case: Maslow: Hierarchy of needs
Abraham Maslow’s hierarchy of needs describes human needs and human behavior. With few adjustments, Maslow’s theory can be well implemented in the modern society. (Raheem 2008b)

Table 7. Maslow’s Hierarchy of needs.

![Hierarchy of needs diagram]

There are five levels of needs in the hierarchy. The first level, biological and psychological needs, describes the very basic life needs human has, such as air, food, drink and shelter. The second level is called safety needs and it entails protection, security and stability needs. The third level includes belongingness and love needs such as family, relationships and work group. The fourth level, esteem needs, means achievement, responsibility and reputation. The fifth and the highest level is self-actualization, which consists of personal growth and fulfillment. (Kotler, Wong, Saunders, & Armstrong 1999, p. 246-247)

In modern society, people behave essentially in the same way as Maslow described in the 1940’s since the basic human needs have not changed. What have changed are the technologies surrounding people, which has some affect to people’s actions and wants. Digital CRM is used to feed those emotions that Maslow describes in his Hierarchy of needs. (Raheem 2008b) Maslow’s Hierarchy of needs creates a framework that can be used in identifying different social and economical groups and

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5 Abraham Maslow is a humanistic psychologist and he is the creator of the hierarchy of needs.
their consumption behavior. Music industry best operates on areas where people have the ability to fulfill their basic needs described in Maslow's hierarchy. In areas where people don’t have possibility to even fulfill their most basic needs, their consumption habits are quite different. (Raheem 2008b)

5.2. CUSTOMER SEGMENTATION

Customer is often seen by companies as the last piece of chain, the one to purchase the company's product in the end. When looking customer from CRM perspective, it is considered as a company's resource in a same way as staff, products or organizational culture. To maximize the sales and profit, customer’s needs should be researched. Segmentation can be used to divide customers in to groups that share similar characteristics. (Rigby 2008) Segmentation can provide information about customer’s previous purchasing habits, but it does not provide data about the current or future purchasing habits. CRM based companies put an effort to familiarize themselves with the everyday life of their customers and keep constantly dialoging with customers through various channels such as blogs, social networking sites, communities and feedback forms.

Sony Music UK has created a new methodology in segmenting markets. The markets are segmented by using adaption time as a segmentation factor. (Benthall 2008)

![Customer Segmentation Diagram]

To the people who are in the indifferent group, music means little and approximately they buy only one album annually. This group consists of late adapters. In the middle in the megaphone, there are casuals and enthusiasts. The smallest group consists of super fans. They are the people who are part of street teams. This group should be super served with content. (Benthall 2008)

Traditional marketing theory has focused on attracting new customers and making sales. In today’s marketing environment the changes in economic and demographic factors as well as increased competition has lead to a situation where there are fewer...
new customers out there which creates high costs to attract new customers. It is five times more expensive to attract new customers than to keep old customers happy and create a lasting customer relationship with them. This is why the focus is shifting from attracting new customer to keeping existing customers happy. It is valuable for companies to create long-lasting customer relationships with their current customers and offer them value and satisfaction. Relationship marketing is the process of creating and maintaining a strong relationship with customers and enhancing that relationship and making it as valuable as possible. Successful relationship marketing results in high customer loyalty. (Kotler, P., Wong, V., Saunders, J. & Armstrong, G. 1999, p. 17, 483)

Emotions act a big part in customers purchasing process which is why it is in critical importance to guarantee good impression to customer about the product and the company. Even though the purchasing decision is made with emotions, the justifications of the purchase are done with logic. It is in vital importance to share the product details and how the product differs from competing products with the customers. The customer wants to compare and find the logical argumentation of why the product is the best. The aim in customer confrontations is to make a sale. If marketing manages to give customer positive feelings, the customer will buy products. If marketing represents negative emotions, the customer won’t purchase the product. (Raheem 2008a)

Current customers with current solutions represent the current sales (revenue). Current customers with new solutions enable to deepen customer relationships. New customers with current solution can increase business share. Developing customer relationships should be a priority for companies since by knowing the customers, companies can develop their business and through that deepen customer relationships as well as to increase business share. (Raheem 2008a)
5.3. MUSIC CONSUMPTION

People consume music and other entertainment more than ever before. A recent study by Taloustutkimus Oy (2008) shows that the legal download store business has grown and people buy more and more music online. The study also shows that piracy has not increased, but online piracy is much more common than physical piracy. 16% of the people interviewed for the study tell, that he or his family member has downloaded illegal music within the recent year. 3% of people interviewed have purchased an illegal copy of a record, movie or game in Finland within the recent year. And 5% has bought at least one pirate album from abroad. 5% of interviewees have shared illegal material online. 34% of 15-24 year old people reveals, that he or a family member has downloaded and 14% shared illegally material online. (Taloustutkimus Oy 2008)

Consumer attitudes towards piracy (Taloustutkimus Oy 2008):

- 75% of people interviewed are against of all kind of piracy.
- 24% approves bringing pirate products to Finland from abroad.
- 18% approves buying pirate products.
- 21% approves downloading illegally
- 15% approves sharing illegal material online.

Almost eight out of ten consumers ignore professional music reviews when looking for music purchasing guidance. A research conducted by e-commerce company Avail Intelligence shows that consumers seek music advice from social networking sites or from online music stores. 40% of the respondents appreciate the recommendations made by music stores or in social networking sites. The opinions of family, friends and other shoppers mattered to 41% of the respondents. Even though Internet has become very popular place to share information and opinions about music many still doubt it's effectiveness as a delivery platform. There is still a major difference in the amount of consumers who prefer CD's to who prefer downloads. 51% would still buy CD when only 25% opt for digital downloads. (Williams 2008)

"Retailers need a robust e-commerce strategy that incorporates social merchandising techniques if they are to take advantage of the interplay among shoppers and increase average basket spend." (Dr Rolf Elmer, chief executive at Avail Intelligence, 2008)
The demand for CD's is still quite high. The amount of online music shops has increased which results in increased competition. The study generally showed that the consumer is more informed than ever and that increases the pressure of personalization for the e-tailors to stand out. (Williams 2008)

“Boing Boing\(^6\) has more traffic than CNN” (Leonhard 2008) Websites that offer customers the possibility to get involved, such as Boing Boing, show that websites are not a place to look information, they are a place to meet. The destination becomes distribution. Company’s website should be a syndicated network of their content. (Leonhard 2008)

“Endless choice is creating unlimited demand” (Dubber 2007, p. 25) The more things are made available the more people consume. Digitalism has created extensive opportunities for companies in the content industries as they have the possibility to publish part of their products only digitally. Broadening the range of products available can create new revenue streams as well as bring in new customers as well as new customer segments. For companies in the digital environment, it is much more important to be found at the right time than to find constant place from Internet where to be reached at all times (Salmenkivi & Nyman 2007, p. 278-281).

5.3.1. Case: Google

Google is one of the world’s most powerful brands. People trust Google when they are making decisions. If people are looking for something such as news and music store, if they find it on Google, and preferably on top 10 searches, it is most likely that they enter those websites. Search engine optimization has become the foundation of viral marketing.

“Google search engine reaches as many decision-makers as Helsingin Sanomat and Kauppalehti together.” (Salmenkivi & Nyman 2007, p. 279-281)

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\(^6\) Boing Boing is a group blog. www.boingboing.net
5.4. CROWDSOURCING

“Made by customers” (Salmenkivi & Nyman 2007, p. 242)

Crowdsourcing is the process of outsourcing a task generally done by employees to the crowd in order to achieve a business goal. These kinds of actions are made possible by Web 2.0 by using collective intelligence in benefit of commercial corporation action. Crowdsourcing can be a valuable asset for companies and create customer loyalty, as customers get involved. Crowdsourcing should be considered as a powerful tool in using company’s assets, customers, in a new and innovative way. When crowdsourcing gives customers a change to create and develop something and they get properly rewarded for their effort, customer loyalty increases and companies have created an efficient and self-generating marketing machine, before known as the customers. (Salmenkivi & Nyman 2007, p. 242-251)

Being familiar of customer behavior in an online community can offer valuable information for companies when planning viral marketing strategies. Generally, the 90-9-1 rule on online communities apply, which means that 90% of people visiting communities are passive, 9% of visitors participate in some form and only 1% produces content. (Salmenkivi & Nyman 2007, p. 144-145) About 40% of music consumers appreciate their peers opinions in social communities online (Williams 2008), which is the reason why customers should be involved in marketing. Jim Stengel, Procter&Gamble, marketing director: “Young people believe much more likely to a stranger met in Internet than a TV commercial”, (Salmenkivi & Nyman 2007, p. 97)

Customers can be considered to be a company’s asset in the same way as staff or products, which is the reason why involving customers in marketing can be very beneficial for a company. When customer are involved in company’s actions customers feel like they can make a difference and have an affect to company’s products and services which will improve company image and brand as a company valuing customers and their effort.
The following factors demonstrate why to involve customers in marketing (Salmenkivi & Nyman 2007, p. 221-225):

- Involvement increases brand awareness and knowledge
- Communication with customers tells where customers are and what they are thinking
- Involvement and cooperation increases the habit of favoring the company's products and encourages customer to recommend products to others
- Anthill effect - benefiting from collective intelligence in company

To get customers involved in marketing, Gerd Leonhard offers insight in how to encourage customers. Offering customers highly valuable content to use, is the best way to get customers involved in marketing. As TV commercials as a tool of marketing is not so beneficial as it used to be, an era when marketing has to be created has come. (Leonhard 2008)

Customers can be a huge resource for a company. To be able to benefit from that resource requires research and customer knowledge from a company. By activating customers a company can increase product awareness in current customers as well as in potential new customers. To be able to activate people, knowing how they think and act is the key. To get customers active and to hype a product, appealing to their emotions is a good way to approach them. Customers should believe that they are getting something to themselves. (Raheem 2008a)

Intensive co-operation between customers and companies improve the effectiveness of every area in marketing. When customers are part of the company's actions, it improves customer’s brand awareness and makes advertising more efficient. For the company, it becomes easier to collect customer information and customers may end up creating valuable product development ideas. (Salmenkivi & Nyman 2007, p. 221-225)

Add Value (2006) researched how to build customer commitment. Previously competition was smaller and customers were more committed to companies and services. The research showed that in mobile business regular customer systems were considered by customers to have moderate effect on customer commitment. The price
and the brand had the biggest effect where as the service and products only had moderate effect. Improving CRM operations and creating the brand image will effect customer commitment. (Add Value 2006)

6. METHODOLOGY

This research aims at formulating a description about digital CRM as a concept and how it relates to music industry. Case study is the methodology used in this research. Anna Abreu, tune.fi with tune download shop, Opendisc and Sony music website are used as case studies in this research where the focus is on regular customer systems and how implementing digital CRM in customer communications can improve the business. The aim of this research is to offer basic information about digital CRM, as well as to study more deeply those cases. With the knowledge gained from the case studies, the aim is to create innovative ideas and possibilities that are implementable. The goal is to improve CRM in digital environment.

The following research task was formulated.

1. How to develop digital regular customer systems and manage customer relations

Background information was searched from books, magazines, and other publications, from Internet, blogs and news. These sources were used to seek information about CRM as well as music industry and about digital communications industry. Method that was used in this research is qualitative. Qualitative research was implemented by interviewing music, marketing and CRM industry professionals in order to gain up to date information from all related industries.

Three main research questions have been identified.

1. What is the role of the customer?
2. What tools to use in customer relationship management?
3. How to measure digital CRM results?
For deeper study of each case study the following sub-questions were formulated.

- What is digital CRM and how to apply it to music industry?
- How consumers and customers could help in marketing or in best case became part of it?
- What are the possibilities of viral marketing relating to digital CRM?
- How to collect CRM data and turn data into information and knowledge? How to benefit from CRM information and take advantage of it?
- What kind of regular customer systems could a company have in digital marketing?
- How can a music company improve its customer relations and create regular customers as well as to develop these contacts better in digital environment?
- How to get people interact and network in company's space and social communities and through that create loyal customers?

6.1. CASE STUDIES

The research is conducted by using case studies in order to create practical point of view to digital customer relationship management.

6.1.1. Tune.fi
Tune.fi is a blog about pop culture and entertainment held by Sony Music Entertainment. The blog is being updated on daily basis. Tune offers up to date information about artists and gigs as well as other areas of entertainment. Tune download shop is an online music store. When the sales of physical products were diminishing with mobile sales and digital sales were growing, the company started the development of B2B (business to business) systems to increase the business possibilities in digital content. Sony Music was building B2B systems and on the side tune download shop was created.
6.1.2. Anna Abreu
Anna Abreu is Finnish singer who became known from the Idols 2007 competition, where she reached the second place. Her first self-titled album was the most popular pop record of the year 2007 in Finland and it has sold over 84 000 copies. Her second album called NOW has sold over 25 000 copies. The album was released in October 2008.

Anna Abreu’s website consists of news, biography, discography, diary, gigs, gallery, forum, fan club sections and it includes a link to merchandise store Poppikauppa. Anna Abreu has really active fans. Her fans gather in IRC-gallery, artist website, Suomi24 forums and other discussion forums to discuss about her and her music. Following what Anna’s fans talk online gives a good view of how active fans are and what kind of things they are interested in. Knowing what fans talk about now and what they will talk about in the future can be used as an advantage in developing regular customer systems and online marketing.

Tune.fi vs. artist site
Tune.fi and artist’s sites differ in the way messages are communicated to customers as Tune.fi offers news about music and entertainment in general and artist site only news about the artist and other artist related content.

At the moment being a fan of only a certain artist is diminishing and consumers are becoming fans of genres, which makes the communication to customers more difficult than before. Artist site alone is not enough to pass information to customers since customer’s decision to enter artist site won’t come as easily as before. This results in diminished communication to customers which creates the need for mass niche marketing and mass customization. As the aim is to create loyal fans and customers, tune and artist site can work closely together. When consumers go to tune to read latest news, all the news should have a link to the artist site it is regarding and this way direct traffic to the artist site.
6.1.3. Opendisc

Opendisc is an additional exclusive package that comes with some new albums. When inserting the CD to a computer, you can click the Opendisc logo and access the online environment, which is available for the album buyers. Opendisc is easy to use and offers variety of additional information about the band or artist. It offers exclusive information, such as latest news, interviews, photos, demos, live and acoustic performances, Q&A (question and answer) and other assets only available in Opendisc environment. Opendisc CD’s can be recognized from the Opendisc logo that is on the back cover of CD’s. Inside the cover of those CD’s are a small flyer that has the directions on how to use that feature and how to access the Opendisc environment. (Jaerkel 2008)

Opendisc is a CRM tool as it collects customer profiles as well as encourages communication between customers and the artist (Table 8). Customer engagement is high due to the fact that the communication is between the artist and the customer, not between customer and the record company.

Table 8. What is Opendisc? (Jaerkel 2008)

[Image of What is Opendisc? diagram]

Opendisc is a powerful CRM channel for Sony Music. Opendisc offers the possibility to create continuous relationship with customers. Biggest weakness that Opendisc has at the moment is the content. To maintain Opendisc environment interesting it would require constantly new content. Opendisc is also quite product oriented.
Opendisc format will be developed and a new version will be introduced, called Opendisc Connect. This version allows customers enter the Opendisc environment without inserting the Opendisc CD to their computer first. Also cross promotion possibilities will be developed to make Opendisc as efficient marketing and CRM channel as possible. A feature that still requires development and effort is the content. The question is how to guarantee the constant flow of new content to the customer. Without constantly offering new content the Opendisc does not encourage customers in to constant communication. In the end, content translates in to traffic. (Jaerkel 2008)

**Sara Bareilles Opendisc**

Sara Bareilles is an American singer-songwriter, who released an album called Little Voice, which includes Opendisc feature. Opendisc includes videos, audio content, pictures, links as well as Q&A section. (Sara Bareilles Opendisc 2008)

Video diary includes a video greeting from Sara where she explains what fans can get from entering the Opendisc environment: exclusive content and up to date information. The Opendisc also includes video where she is in radio for an interview and a video of her and her band in car when they hear the song called Love song for the first time. Sara Bareilles’ Opendisc also offers audio content, such as a live- and acoustic versions of her hit single Love song. In addition video material is available and fans have the possibility to watch Love song music video. Opendisc also offers access to Gallery feature that includes pictures. (Sara Bareilles Opendisc 2008)

Opendisc encourages communication between the artist and fans, as well as communication between fans. At the Q&A (question and answer) section fans can ask questions from Sara Bareilles, see what other fans have asked from her and vote for favorite questions among those. Sara’s Little Voice album’s Opendisc includes links to official site, forums and Facebook, which are available to encourage fans to spend time online with the artist. (Sara Bareilles Opendisc 2008)
The Script Opendisc
The Script is an Irish band, which released its first studio album named The Script in fall 2008. When entering the Opendisc environment, the band welcomes album buyers to an exclusive Opendisc environment via a video. In the video section the band shares the stories behind their songs and lyrics. This video section also includes music videos from the band. Audio section includes live audio tracks of their songs. The Script also has Q&A-, Gallery-, and Links sections. (The Script Opendisc 2008)

6.1.4. Sony Music
Sony Music’s local website has about 150 000 visitors a year, which means about 12 500 visitors a month. Promocard is Sony Music’s digital promotional tool that is used to send new singles and albums digitally to press and radios.

7. RESULTS

7.1. FROM CONSUMERS TO CUSTOMERS

"We convert consumers into customers through compelling brand experience"
(Tarzian 2008, p. 32)

In today’s world where competition between companies is increasing and customers have more knowledge and choice in selecting products and services, companies must spend more time than ever on thinking how to build long lasting customer relationships. To succeed in attracting new customers and maintaining the current customers, company should focus on becoming more customers oriented.

Customers can be inventive product developers, efficient product experts or widely spread marketing machine. (Salmenkivi & Nyman 2007, p. 222) Customers should be more involved with the business. By benefiting from customers collective intelligence it would be possible to raise business in to a new level and create new revenue sources. When people get involved, they follow the artist with new intensity. Also to get the contact information from each fan is important. When the product is ready, customers are ready to buy it.
From customer to friends
“Forget product – sell relationship.” (Dubber 2007, p. 89)

With the aid of Internet, customers have become a marketing machine for companies. The reason why it is important to look after and maintain this marketing machine is that the company cannot affect marketing results directly or to how the company is described and presented by the customers.

From product to experience
Instead of offering products to people, companies can offer experience. In this world full of opportunities and information due to the Internet, customers have already seen everything. Selling a product is not enough and companies should start selling emotions, dreams and offer experiences to customers. Companies can become "consumer experience companies".

From visibility to find ability
“Having a website is not a promotional strategy. If you’re going to have a website, you need to have a promotional strategy.” (Dubber 2007, p. 32)

If customers want to know more about something, they can “google” it. It’s not enough that companies have a website or ads on other sites, if no one can find it. It is more valuable to be easily found than to be seen. “A recent UK survey by Google showed that Internet vs. TV attention now was 164 minutes for the Internet and 148 minutes for TV.” (Leonhard 2008)

To get customers communicate in company’s online environment and to activate them, the company should have a good online presence and a good forum where people can gather and talk. Checking every comment and post before it can be published makes customers often feel like they are restricted, which will drive the conversation about the company elsewhere. A proper amount of censorship is good, but it is valuable to trust the customers and let them publish their thoughts freely. This way the customers feel like they have the power to discuss about what they want and they will most likely keep the discussion going.
To get customers in the companies online environment to discuss is another issue. To attract customers there, using an online customer relationship management system can be helpful. If customers benefit or get rewarded from coming to the website, they might come to the site again. If a company wants to get traffic to their website, reward could be a good method to do that. Offering active participants something will encourage others to become active. 90-9-1 Rule on the communities apply.

Customers have been empowered by the digital revolution. Customers feel like they have a bigger selection of music available and they have the power to choose what to listen. But for most customers, what this digitalism has brought is bunch of online music stores, which gives the customer the power to choose where to buy music. Even though people have access to more music than ever via Internet, they still tend to listen to music that is on Radio and what their peers listen to. In the end, the music consumption habits have not changed as drastically as they could have.

Customers can sometimes know more about company’s products than the company’s employees. Customers have been taken as part of company’s marketing and product development. Customers have changed from passive to active and the role of customer has changed. The word customer is not the best one to describe the 21st century customer. Customers have become companies’ business partners and colleagues and customers want to feel like they are companies’ friends. Looking at a customer as a friend changes the way the communication is directed to the customer. Instead of sending a message to customer encouraging buying something, customers can be approached in a co-operative way, considering them as a friend and an important part of the company and it’s values. Together the customer and the company can achieve the commonly set goals.

7.1.1. Case: Mr. New York Times
Customers can be company’s best advocates. Companies understand how to include their customers in their business and how to turn their customers as their friends in an offline environment. In USA companies make few of their customers who represent the target group well company’s marketing machine and billboard. Companies offer their customers company’s branded products in exchange for the customer to continually talk about the company and look like the company representative. This kind of mutually beneficial transaction takes place between a company and a
customer. The company wants to cooperate with someone that represents their brand well and who is socially active and meets a lot of people. A student would like to do this in order to get free goods from the company, such as clothes and equipment. (Simcoe 2008)

For a small effort, companies can keep one customer happy. That customer then continuously keeps marketing the company. This is extremely important as recent studies show that customers are more likely to believe a stranger that a TV commercial. (Salmenkivi & Nyman 2007, p. 97) In the end, a company, such as New York Times, can create an ambassador to represent the company. The student becomes the company; the student becomes Mr. New York Times. The student will market the company in school, at work, with friends, mention the company name in discussions and always offer the company’s products as solutions. In the future, this mindset could be brought to online environment. (Simcoe 2008)

7.2. RELIABLE OPINIONS ARE POWERFUL TOOLS

Amazon recommends music to people based on purchasing habits of other people. Up and coming artist bought 100 of his own records from Amazon and at the same time 100 hit records. Now everyone who buys that hit record, also gets recommended to buy that artist’ own record.

A trusted recommendation is the best way to promote music. “Conservatively around 70% of what makes it to the media starts its life as a press release. Probably that figure is higher in reality.” (Dubber 2007, p. 11) Consumers are aware that most of what they know about a company and how they see that company, comes from the company itself. During the recent years customers have become more critical about companies’ press releases and advertisement and consumers ability to read media has improved. When attracting new customers becomes more difficult and time consuming, it is time to change strategies. It becomes important to spend resources in maintaining current customer relationships as well as maintaining proper corporate image. Having a good corporate image is having a good PR. Changes in the company image changes the customer loyalty and customers’ perspective of the company.

7 Amazon.com is an American e-commerce company that sells books, CD’s, DVD’s, video games, computer software etc.
Maintaining current customers and creating loyal customer relationships is valuable. Due to this it is vital for Sony Music to change business model to be able to directly communicate with the customer (Table 9).

Table 9. Changing the business model. (Jaerkel 2008)

“Over 80% of consumers wind up through commercials when watching recorded programs from TV.” (Salmenkivi & Nyman 2007, p. 106) When creating strategies to improve marketing efficiency, TV commercials are one of the most important aspects of marketing to consider. TV advertisement should direct people to purchase music. 50 % of consumers choose to get the music illegally. This means that 50 % of the money spend on TV advertising results in customers downloading music illegally and only the other 50 % translates to revenue. With these results, it must be reconsidered how valuable TV advertising is. (Jaerkel 2008)
As customer behavior has changed drastically during the recent years, it become vital for companies to spend more time on following customer behavior and their purchasing habits. Companies who have familiarized with customer behavior have a competitive edge in creating better marketing strategies and customer communication, as they are more aware of customer needs compared to their competition. When creating marketing plans companies should take in to consideration the affects that changed customer behavior has. When 80% of consumers skip the TV commercials, how much value do commercials offer to companies and can that communication be further developed.

7.3. DIGITAL ATTENTION

“The money goes to where the attention lies.” (Dubber 2007, p.93) It is no longer necessary to state that company has a digital aspect in business. That doesn’t mean that having digital environment (online music shop for example) available is not important, because it is. It is nowadays more important to find digital attention. As the music business is changing, there is a need to continue inventing new ways of bringing income in to business. (Leonhard 2008)

Gerd Leonhard has idea of what the revenue model could be in the future.

Exposure + discovery + community = revenue

"I believe that in the future iTunes will become the only major online music store where you can buy tracks and albums, and other smaller stores will be based on subscriptions. Mobile industry will diminish.” (Alanko 2008)

The topic of many debates, digital rights management (DRM) is one of the biggest problems that music companies are facing in digital customer relationship management, explains Marko Alanko. Content will always cost, we are going towards all you can eat subscription models in music stores. (Alanko 2008) “Attention is the new currency.” (Leonhard 2008).
“Get a decent conversation going, and you can turn your satisfied customers into your best advocates.” (Dubber 2007, p.79) Every website should have some action. On a website, customers should be able to do something, such as buy products, discuss in a forum or read a blog. The website should have something that encourages people to visit there and to come back again. Organizations web page is an important communication tool between the company and the customer. The key is to optimize the content in a way that best contributes to the sales and customer relationships. Content should be the starting point in planning an online strategy to put customer through successful sales cycle. Good marketing brings results so it is valuable to realize what the demands about the content are.

To create an efficient online environment for a customer, it is good to create a best-case scenario of how the customer behaves and purchases the product and describe the whole sales cycle and moment. How the content affects this? Does the content on web page enable easy purchase or not? Having enough informative content on the website is important. For recording company that is having enough information about the artists and products to convince people to buy and make them feel comfortable about the purchase process. Also as online music stores are a quite new phenomenon it is extremely valuable to have well detailed instructions on how to buy the music. In the online environment it is vitally important to create that same feel of "shop" as it is in the offline environment. Good content management and optimization is required online. This applies especially in the content industries selling albums and single songs online. It is important to share with the customer how the pricing is done. If customers buy each song separately they might spend more money than buying the whole album at once.

Viral stream team is a new tool used by Sony Music UK to activate fans to become a marketing machine and to spread information about artists. Customers can sign in to artist website and generate content. The aim in this is to create user generated content. Customers, artist fans, are encouraged to send a link to all of their friends. Each person receives an individual link to share with friends; those links can include something from video content, news or the possibility to purchase something. The activity of each person is tracked and based that information the people are rewarded. This way the customer becomes the extension of marketing. (Benthall 2008)
In UK, this approach to interact with customers was used in the marketing of Dido. Email was send to everyone on Dido’s fan register and the aim was to get those people forward the message to five of their friends. If a customer sends the message to all five people, they were rewarded. Customers who send the message to all five people were categorized as a hard-core fan. From 50 000 people, 400 send the message to all five people. (Bentall 2008)

“There’s nothing that encourages an ongoing economic relationship than gifts, rewards and incentives.” (Dubber 2007, p.79) Website and its content should change constantly to remain interesting and reward repeat visitors. Repeat visitors should be rewarded by offering gifts, wallpapers, ringtones or discounts. Even offering repeat visitors membership can be in it self a reward. By visiting a website regularly customers get offered special features and receive certain things, they wouldn’t normally get. Peter Maffay is German rock musician. His website has a rewarding system for active users which encourages people to participate when visiting the site. Rewards are offered based on activities people do on the site and on attracting new visitors to the site. By doing certain actions on the site, adding pictures, creating reviews, writing news, you get a certain amount of credits. (Bentall 2008)

Before the Internet, it was quite difficult to follow discussion people were having about company’s products. Now it is easy to follow conversations customers are having online, if knowing where the conversation takes place. Customers are never focused to wrong or irrelevant issues. If customers are focused on certain aspect, encourage them to discuss about that: get to know more about why is that certain aspect so important to customers.

7.4. FEWER CLICKS

“The fewer clicks required to do anything at your website, the more likely your visitors are to take that action. Exponentially. Think how important that is if you’re asking them for money.” (Dubber 2007, p.38) There are factors that make a webpage look visually interesting for a first time visitor, but if the goal is to get customer to visit the site again, the following things will most likely drive customers away.
Click 1: Skip intro
Websites that have an intro in the beginning are visually interesting and great if the aim is to get people only visit the site once. Websites that contain an intro work often slower and because of that are not available to people with slow Internet connection. Even people who created these websites are aware of this since they added the skip intro button. If the goal is to get traffic to the website, and preferably the people to visit the site repeatedly, an intro that comes every time the site is opened is not very user friendly.

Click 2: Music on/off
If website includes music, it should not start automatically when customers enter the website. Imagine how many people are listening music while browsing through websites.

Click 3: The Destination
What is the feature on a website that interests customer? If the site contains a forum, which is the reason people choose the site, is the forum in the front page? If it is not on the front page, that’s an extra click to the visitors.

Click 4: Finding Information
Is the website easy to use and clear? Is information easy to find and understand? Websites can be both, innovative and interesting looking as well as have a good user interface. If customers can’t find easily what they are looking for they will most likely leave the page.

Click 5: Zip file
When selling music online, for the customer a single zip file is better than 13 individual mp3’s. Fewer clicks.
7.5. DIGITALISM

“Digitalism makes it possible to try new things without strictly set aim.” (Salmenkivi & Nyman 2007, p. 292) Quite often companies experience digitalism as their enemy, as something to get used to. When thinking digitalism from a different perspective, considering it as an opportunity to grow business and to improve brand image, a whole selection of new possibilities can be identified and benefited from. Digitalism can be one of the biggest assets for companies in a long time. A decade or two ago, if a company had received an opportunity to try new things in order to grow their business, with low costs, it would have been like winning a lottery. With the aid of Internet, companies have the power to try new things with low costs online, and see what works best for their company (Table 10). The simplest ideas often bring the best results.

Table 10. Revenue opportunities. (Jaerkel 2008)
7.6. SCARCITY

“Attention is the basis on which success is measured online, because there is no shortage of the goods and services. But this is not to say that money is not part of the equation.” (Dubber 2007, p.49) Digitalism has brought big opportunities for businesses. One of the biggest advantages of digitalism is the death of scarcity. As there is no longer requirement of storage, products can be available for customers constantly and retailers don’t have to consider the products availability or distribution. “The death of scarcity in the online environment also means that super-serving niches is now a better market strategy than banking on hits. We’ve already discussed The Long Tail. Just to recap, it’s Chris Anderson’s fairly indisputable idea that the future of business is selling less of more.” (Dubber 2007, p.47) This also gives the online stores the opportunity to better serve customers as they have the possibility to offer material that is rare as it doesn’t take any space in storage and the seller doesn’t have to think about returning the products if it doesn’t sell. As the death of scarcity enables the possibility to better serve niches, it could also create a possibility to implement long tail ideology in viral marketing. Mass niche marketing could become a new viral marketing strategy. “People want variety” (Simcoe 2008).

7.8. HEAR/LIKE/BUY

“By far the most reliable way to promote music is to have people hear it. Repeatedly, if possible – and for free. After a while, if you’re lucky, people get to know and love the music. Sooner or later, they’re going to want to own it.” (Dubber 2007, p.14)

Marketing is a tool. Marketing is like a hammer that can be used to build something or to break something, depending how you use the tool. Marketing can be used to create profitable results. (Simcoe 2008) “Marketing is like a hammer. You can use the hammer to build a house or to hit people in the head” (Simcoe 2008). Opendisc can be used as a tool to offer people content and create loyal customer relationship (Table 11).
8. CONCLUSIONS

“It is not the strongest or most intelligent that survive, but the ones most adaptive to change” (Darwin).

As music industry changes as well as the demands of digitalism, the competition in the industry is not between the most intelligent and biggest companies, the competition is between companies that are most adaptive to change. Change is the factor that demonstrated companies’ ability to survive in the current markets.

“Hype prevents us from understanding what’s really going on, and to what extent.” (Dubber 2007, p.13) Digitalism makes it possible to try new things as well as it gives possibilities to create and test new revenue sources without high start-up costs and risks. It is valuable to focus on current ways of making business and current business models. In music industry, hype has always been present. In this moment where markets are changing and developing, it is important to see through the hype, and concentrate to the essential. Even though the development of business strategies is vitally important, current ways of making business should also be developed.
The results of this study show that the importance of digital customer relationship has increased drastically in recent years. This study has focused on theoretical information as well as on opinions and on ideas of professionals in music and CRM industries. The aim of this study was to discover ways to develop digital regular customer systems and manage customer relationships.

Customers are a company’s biggest asset. Digital regular customer systems can be developed by involving customers in marketing and by offering them rewards. Customer loyalty increases when companies reward their customers. Companies can improve their online environment by knowing customers and their needs. This will result in better digital CRM results. Customer behavior has a big impact on company’s digital CRM processes. The new generation known as digital natives has shown that it is vital for companies to communicate with their customers and offer experiences instead of products. Customers have become friends of companies. Measuring traffic on a company’s website is a one way to monitor the impacts and success of digital CRM implemented on a company’s website. Customer activity is another tool to measure success of digital CRM actions.

When 50% of the money spend on TV commercials translates in to 50% of TV viewers downloading music illegally, it becomes current to consider the value of the financial efforts put on TV marketing. The future big thing relating to digital CRM is MP3. Digital online music stores and services increase their level and offer new ways to buy and consume music. In the future the business will change as well as the music services and stores will change. Valtanen (2008) believes that we are going towards the future of customers buying services and not separate songs. Music becomes like electricity. We are heading towards subscription services. (Valtanen 2008)

John M. Richardson, Jr. said once: “When it comes to the future, there are three kinds of people: those who let it happen, those who make it happen, and those who wonder what happened.”
9. LIMITATIONS OF THE STUDY

Digital customer relationship management is quite new aspect in many industries, especially in the field on music. Due to this, there are not many studies done on how digital customer relationship management can be implemented and with which tools. As the topic is new, there is limited amount of theoretical information available which makes it difficult to create theoretical framework for this research as such. This research examines digital CRM from different perspectives as well as uses case studies to create practical examples on digital CRM and its benefits in music companies and in business.

10. RECOMMENDATIONS

This section presents ideas and practical examples based on the results of the study as well as recommendations.

10.1. COMMERCIALIZATION OF PROMOCARD

Promocard could be used to create added value to customers and affiliates. Promocard is a valuable and unique tool that could be used to bring in business profit and made use of more effectively. It is valuable to be a leader in development and innovation. By taking full advantage of Promocard, it could be possible to stop making and sending CD singles and albums to reporters and radios. By doing this it would be possible to save money in the production and distribution of CD’s as well as save the nature. Using Promocard as a main promotional tool is easy, cheap and fast. Fade out the CD singles and offer Promocard instead. Focusing on Promocard, it is easier to control who get’s the card with download possibilities and who can only stream the album. This kind of experiment would be possible in Finland as the size of the market is small. Digitalization of the process of sending promotional CD will demonstrate innovation in new areas as well as encourage development and innovation inside the company. By using only Promocard in promo mailings, the costs of distribution, print and manufacturing can be forgotten.
10.2. PROMOCARD IN ARTIST PROMOTION

Currently Promocard is used only in B2B (business to business) but in the future it could be also used in D2C (direct to customers). Promocard could also be used as a tool in viral marketing and in D2C. Promocard could be transformed in to newsletter that could be sent to customers. Promocard could work in the same way as general newsletters or blogs. People could subscribe to the newsletter and receive news and other current information about artists and bands of their choice. Promocard could be sent when an artist is releasing new single or album. This would be easy, cheap, fast and interesting way to reach people. Also it would be a fun and innovative way to get people interested of the new products available. This could be one way to activate fans to spread information and they could use Promocard as a tool. Fans would send the card to their friends for free and through that become part of the marketing.

The card itself could include:

- streaming version of a song
- link to place where to buy that song
- current news about the band
- competitions
- link to merchandise store
- link to store from where concert tickets can be bought
- possibility to pre order an album
- Maybe even audio/video greetings from the artist itself.

People can order that newsletter from artist site or tune, but they can also send those cards to their friends on those sites. When they send those cards to their friends, they get rewarded with points. When they have enough points they get certain rewards.

This would need a new system, since the current Promocard system is quite corporate looking as well as too heavy to use for this kind of purposes. A new system could be developed that has basic features required available with transformable layout.
10.3. SONY MUSIC WEBSITE

Sony Music Finland’s website has 150 000 visitors every year (Alanko 2008). Since the site has that much visitors, it could be profitable to encourage customers to spend time on the site and offer the activities. Discussion forum on a company website could offer customers a place to discuss about products and the company, and also make it easier for the company to know what customers are talking about.

Banner advertising

Banners should be up to date. Having same banners for months does not offer any value for the company. A website with 150 000 annual visitors should have banners that are current and which encourage customers to buy. Banners should change monthly or weekly featuring priority releases.

Releases

The releases section of the Sony Music website could be developed to be more customer friendly by integrating a better customer interface. Releases section should have some kind of search possibility for customers who want to know when certain product was released.

Gigs

Website has shown for months that there are no gigs coming up. Gigs should be updated on the website and include links to places where tickets can be purchased.

10.4. CROWDSOURCING IN ARTIST PROMOTION

It is important to activate fans and get them involved in the process of viral marketing. Anna Abreu has really active fans online, which is why this could work well with her fans and create valuable results. Encouraging fans to develop new fan product online for Anna Abreu could be a way to bring artist and fans closer together. As her fans are still quite young, the tools and the design possibilities could be offered to them in a way that would enable the supervision of the process. Fans together design, develop and vote for the best idea and improve it by using collective intelligence. Together
fans could design their dream fan product. In the end, Anna could choose the winner and that would become Anna’s new official limited edition fan product. When the product is ready, so are the customers.

Everyone who wants to be involved with this will need to register in the artist website where the product can be preordered. When the product is ready and for sale, a newsletter will be send to the people involved in design. Customers also have the possibility to purchase packages (the product + album)

Customers create new ideas and products
\[\downarrow\]
Customers comment and suggest improvements on products
\[\downarrow\]
Benefits from collective intelligence and crowdsourcing
\[\downarrow\]
Customers vote for the winner
\[\downarrow\]
Winning product to production
\[\downarrow\]
Designers become buyers

10.5. DIGITAL CRM SOFTWARE

Gathering information about each single customer can be too time consuming or too detailed information to process. Often it is enough to know what target customers as a certain group think and do. It is easier to follow people behavior in an online environment and measure how customers end up with a sale. All that is needed is software that measures customer behavior. Gathering information as a group offers up-to-date information about customers, which can lead to a better business solutions and better customer relationship management.
**Software on forums**

A website contains forum. It is required to sign in to write and comment on the forum. When people sign in they are asked to fill in a form where they answer few questions such as age, sex, location and status (student) The software then gathers this information and produces an overall picture of the customer base. With the aid of this it is possible to know what is stereotypical customer like. The application keeps gathering information based on the customers actions. If the customer posts a comment or starts a topic, the application gathers the information and offers statistics on what type of customer is active and what kind of customer is more passive in taking part. In addition to gathering information on comments, the application also collects information on keywords that are being used on the forum, which translated to the topics discussed.

The digital CRM system could measure most used words or word combinations in forums. With that information the system could generate results on how many people talk about certain subjects and how many people can see that discussion (the amount of people visiting that forum). From this the amount of possible customers can be calculated. When a certain amount of customers are talking about certain products or services, it would be an interesting place for a company to put on ad.

**Software on websites**

Digital CRM software can also be used to collect information based on clicks on a website in order to generate results on who clicks what and why. If customers constantly click same buttons on order to get somewhere, certain extra clicks could be removed. With this a company get information on customer behavior as well as actions on company environment. This information can be used to improve website user interface as well as improve viral promotion strategies. Is it possible to create an efficient sales forecast of how many sales will occur based on how many times an article is read or banner is clicked by monitoring the data and information flow.

**Digital CRM software benefits**

Why would a company go through the effort of setting this kind of system up? With the reports, the company can closely watch what people are talking about. If people are talking about where they bought the artists latest single, then the information can be used for ad purposes. The download shop could buy an ad under that specific
discussion since people are talking about where to buy music. With this kind of software following customer behavior, it is possible to try new things in an online environment and get results quickly from customers. If changes are done on the website, people will talk about those, and company gets information about what people think about those changes.

**Fewer clicks**

Why do artist websites have a front page? If a big part of the people visiting that site goes straight to the forum, why not make that forum the front page? Many web pages are good and offer valuable information, but it takes too many clicks to get to the destination page. It’s easier to get the information from Google. Following customer actions on artist website is extremely important in order to improve the user interface on the artist site.

**10.6. TUNE.FI**

Blogging is cost efficient and fast. For this reason it can be valuable to focus on creating tune.fi truly exclusive place. Promocard newsletter could be one way to do this. Tune could be branded as an exclusive place that offers latest news and competitions. Tune could work as a link between Sony Music website, artist sites, merchandise sites or concert sites. When Poppikauppa has new products available, news about that should be updated to Tune.fi. Tune.fi could also benefit from having a discussion forum. Tune.fi offers an easy way to follow what customers talk about and through that develop business and also grow as a brand and better serve customers.

Increasing traffic on a website by having links to competitors’ websites could be a way to become a platform for many visitors. To create traffic on website, offering competitors services on a website with companies own services. By offering a place for customers that enables access to all related websites, Tune.fi could become a platform for consumers. When Tune.fi offers access to everywhere as well as its own content, the traffic on tune can increase exponentially. When Tune.fi has enough traffic, it can be monetized.
10.7. OPENDISC

Opendisc could be used to create long customer relationships as well as loyalty towards the artist.

Opendisc should

• Offer constantly new content and transfer people to places where traffic is needed
• Offer something that would encourage people to revisit it
• Create traffic to the website
• Offer competitions

Opendisc customers could have an access to special features and competitions, possibilities to win meet and greet with artist and limited edition products and concert tickets. Customers who buy album as a digital download should also get the possibility to have access to Opendisc environment. Opendisc could also have a merchandise store feature in it.

User experience story

Artist releases an album. A fan buys CD and via that gets access to Opendisc. Even after the album release, Opendisc should remain exclusive place for the fans, which would encourage people to buy CD’s with Opendisc and use that environment actively. When the artist starts to make new record, the Opendisc works as a marketing tool. The fan logs on to Opendisc and gets access to the artist new single that would be exclusively available at Opendisc. Customers who bought the previous album would have the change to hear the new albums first single before anyone else, which would give them a reason to constantly visit Opendisc, which would create traffic to the website. Also these fans could be activated to be a marketing machine. When they receive a new single, the viral marketing begins. The fans will start to spread the word about the new single as well as the benefits of Opendisc. Also the artist gets credibility as the marketing begins from the people and the customers.
10.8. FUTURE RESEARCHES

In the future, the following topics are worth researching in order to create and develop more efficient online businesses as well as to increase customer satisfaction in an online environment.

- What are the factors that activate people in an online environment?
- How to develop customer experience in an online environment?
- How challenges and possibilities brought by digitalism are faced in other industries such as game industry?
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