

# Subscription-based music streaming services and digital marketing

Exploring consumer engagement through values

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Abstract <p>The recent changes in digital technology have expanded consumption habits across the globe. This has also been the case for the music industry. Digital music platforms, such as streaming services, offer licensed usage for music fans with both ad-supported and subscription-based models. However, the paid models are lacking users, at least this is the current phenomenon of the digital music market in Finland.</p> <p>The aim of this study was to examine which factors created value for consumers in subscription-based music streaming services. Musiikkituottajat, the International Federation of Phonographic Industry's national trade association in Finland, has created a Musiikin puolesta ("For Music", author's note) campaign in order to engage consumers to use streaming services and, preferably, the paid models. This thesis not only collected more in-depth data on streaming service users but also integrated these findings so that they could be used in digital marketing and in the Musiikin puolesta concept.</p> <p>The study was conducted by using a quantitative research and survey method. A questionnaire was created by using Google Forms and targeted at 16–54-year-old Finnish music consumers. Furthermore, the tabulation software Microsoft Excel was used in the data analysis. The opinions of the different consumer groups were reflected against the questions that were most important regarding the research questions.</p> <p>The consumer opinions valued subscription-based services and focused on broad music catalogues and unlimited usage. As there were those who used mainly subscription-based services and those who preferred the ad-supported model, the results were a compilation of opinions from each group. In order to combine these opinions with the Musiikin puolesta concept, the word-of-mouth communication was found to be the most important aspect to focus on in the current social media presence of Musiikin puolesta.</p>		
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Tiivistelmä <p>Digitaalisen teknologian kehitys on muuttanut kuluttajien kulutustottumuksia ympäri maailmaa, myös musiikin parissa. Musiikin digitaaliset palvelut, kuten suoratoistopalvelut, tarjoavat kuluttajille lisensoitua musiikin kuuntelua niin mainoksilla pyörivien kuin myös maksullisten palveluiden muodossa. Tällä hetkellä maksullisten palveluiden käyttäjät ovat kuitenkin vähässä muun muassa Suomessa.</p> <p>Tämä opinnäytetyö keskittyi tutkimaan mitä ominaisuuksia kuluttajat arvostavat maksullisissa suoratoistopalveluissa ja mikä saa heidät maksamaan näistä palveluista. Musiikkituottajat, International Federation of Phonographic Industryn alajärjestö Suomessa, pyrkii tukemaan musiikin tekijöitä ja innostamaan musiikin kuuntelijoita käyttämään suoratoistopalveluita. Tähän liittyen he ovat luoneet Musiikin puolesta -konseptin, joka pyrkii sitouttamaan kuluttajia käyttämään etenkin maksullisia suoratoistopalveluita. Pohjautuen kuluttajien arvoihin maksullisista suoratoistopalveluista tutkimus pyrki löytämään ratkaisuja myös Musiikin puolesta -kampanjan digitaaliseen markkinointiin.</p> <p>Tutkimus toteutettiin käyttäen kvantitatiivista menetelmää kyselytutkimuksen muodossa. Kysymykset kohdistettiin 16–54-vuotiaille suomalaisille musiikin kuluttajille Google Forms -alustan kautta. Tämän lisäksi datan analysoinnissa hyödynnettiin Microsoft Excel -taulukointiohjelmaa. Näiden avulla tutkittiin etenkin eri kuluttajaryhmien mielipiteitä tietyistä kysymyksistä, jotka koettiin tärkeimmiksi tutkimuskysymyksiin nähden.</p> <p>Kuluttajien arviot maksullisista suoratoistopalveluista keskittyivät niin laajaan musiikkikatalogiin kuin myös rajattoman käytön mahdollisuuksiin. Tulokset nostivat esille mielipiteitä esimerkiksi kuluttajilta, jotka käyttävät pääsääntöisesti maksullisia suoratoistopalveluita sekä kuluttajilta, joilla on lähinnä käytössään ilmainen versio. Näiden yhdistämisessä Musiikin puolesta -konseptiin word-of-mouth-viestintä koettiin tärkeäksi kehityskohdaksi Musiikin puolesta -kampanjassa.</p>		
Avainsanat ( <a href="#">asiasanat</a> ) musiikin suoratoisto, maksulliset musiikin suoratoistopalvelut, digitaalinen musiikkibisnes, digitaalinen markkinointi, sosiaalinen media, kuluttajakäyttäytyminen		
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## KEY CONCEPTS AND TERMINOLOGY

<b>Streaming</b>	a method for transmitting data in a continuous flow; a common example is providing continuously playing, or streaming, audio over the Internet, rather than offering a discrete audio file for download
<b>On-demand</b>	instant streaming access to songs and albums of your choice on a computer or mobile device, without a need to download files
<b>Streaming services</b>	access on music via a certain player application, such as Spotify, Deezer or YouTube, both ad-supported and subscription-based models
<b>Ad-supported</b>	free streaming, advertisements run in-between the songs
<b>Subscription-based</b>	paid on a monthly basis, ad-free, gives the user all access to the catalogue without limits
<b>IFPI</b>	International Federation of Phonographic Industry (IFPI) represents music industry across the globe by promoting the value of recorded music, campaigning for the rights of record producers and expanding the commercial uses of recorded music
<b>Musiikkituottajat</b>	national trade association of IFPI in Finland
<b>Musiikin puolesta</b>	a campaign managed by Musiikkituottajat that aims to encourage fans to support music creators by using licensed services that pay them <i>In English "For Music" (author's note)</i>

## 1 INTRODUCTION

*“Technology changes and we choose our response”* (Dubber 2007, 11).

Music business throughout the world is facing rough times in terms of physical music sales and consumption. The digital market is in the leading position and most people acquire their music digitally either by downloading tracks and albums via authorized sites or by consuming music illegally. Many fans also prefer streaming services such as Spotify or YouTube, and this has actually increased the possibility for consumers to access music legally (IFPI Digital Music Report, 2012). This is also highly recognized by the recording industry, as streaming services are expanding within the market. According to Rob Wells in IFPI Digital Music Report (2011, 7), the industry is doing everything in order to provide legitimate and viable alternatives for consumers in today's market.

As for now, streaming and subscription services are the thriving model for the music industry. However, this does not exclude digital music piracy that still occurs within the market. The priority for trade bodies, such as the International Federation of Phonographic Industry (IFPI), is to prevent piracy and focus on fair playing field creation. (IFPI Digital Music Report 2014, 5).

In order for this to happen, the key direction is to engage consumers and awake their level of awareness in licensed services (IFPI Digital Music Report 2014, 11). Wikström (2013, 124-125) points out that the trade bodies have participated in the marketing of licensed services by creating campaigns around the digital phenomenon. The idea behind these campaigns is to affect consumer attitudes and the understanding of authorized music consumption (ibid., 124-125).

According to the data on the Finnish music consumption collected by the Consumer Compass Oy for Musiikkituottajat (IFPI's affiliate in Finland), streaming services in general are thriving the Finnish digital music industry towards growth. However, subscription-based services are still lacking users, as 68% of Internet users in Finland have not tried paid streaming services (Musiikin suoratoisto jatkaa voimakasta kasvua 2014).

Based on this, Musiikkituottajat have set up a campaign called Musiikin puolesta (2013–2015) in order to encourage Finnish music consumers to use licensed services

and, furthermore, to raise awareness of the different possibilities that lie within the digital music market.

The present study was assigned by Musiikkituottajat, and it focused on the Musiikin puolesta ("For Music") concept and especially on subscription-based (paid on a monthly-basis) streaming services. The aim was to provide more in-depth data for Musiikkituottajat, in order to support Musiikin puolesta in the future.

The study was based on the following research questions:

1. What do consumers value the most in subscription-based music streaming services?
2. What makes consumers pay for subscription-based services?
3. How can these factors be utilized in digital marketing in order to support the Musiikin puolesta campaign in the future?

It has to be noted that the information on the Musiikin puolesta concept is based on the data given by Musiikkituottajat. The author of this study worked for Musiikkituottajat from January 2014 until October 2014 and partially with the Musiikin puolesta project as well.



## **2 LITERATURE REVIEW**

### **2.1 Digital music industry**

Digital music market has been growing rapidly over the past few years and it is also a “fast-expanding business model” (IFPI Digital Music Report 2012, 11). According to the IFPI, International Federation of Phonographic Industry and their Digital Music Report 2011 (2011, 6), consumers can be seen as the driving force towards the new business models, e.g. subscription services. Therefore, the recording industry is also more open for these new business models than ever before (IFPI Digital Music Report 2011, 7).

Based on the IFPI Digital Music Report (2010, 4) a few years ago consumers were able to buy albums only in few different formats. According to the same report, this specific reason made music companies create collaboration networks with advertising-supported streaming services such as Spotify and Deezer. People now can access albums and tracks in hundreds of formats. It also affected the partnerships with mobile operators and Internet service providers (ISPs). In fact, subscription services are reliant on these collaborations. Mobile operators and ISPs have a solid consumer base and it makes it easier for subscription services to introduce their services for a broad audience.

The current revenue division in music business is going rapidly towards a digital music environment (see Figure 1, p. 7).

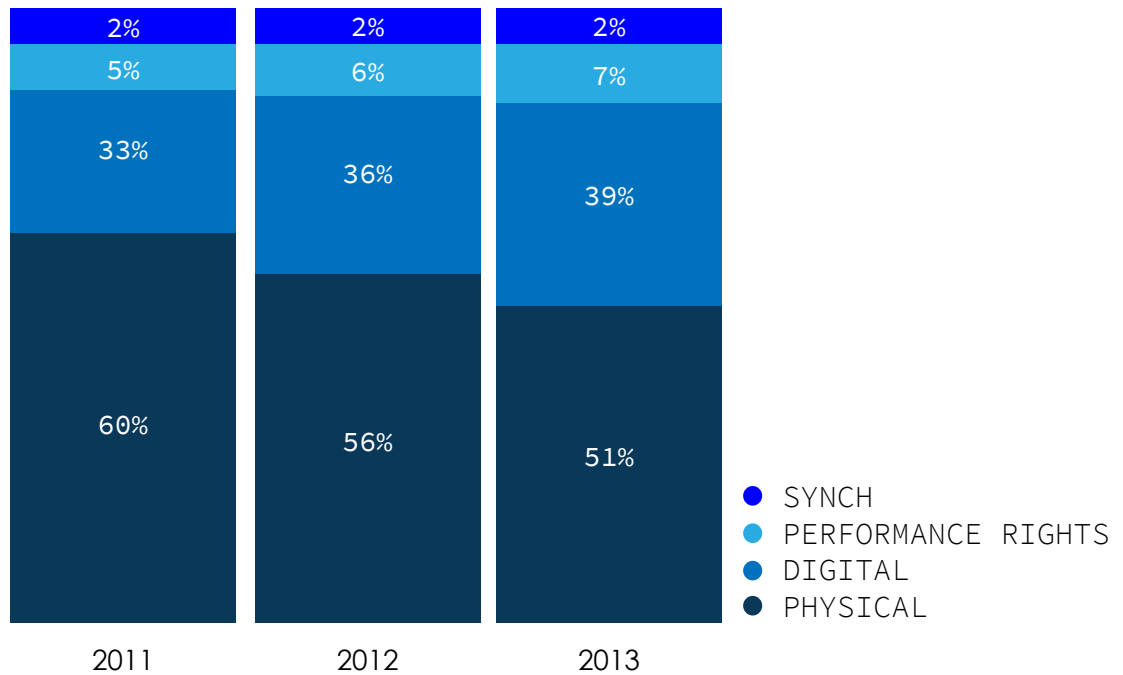


Figure 1. Global recorded music revenues by sector (value). (IFPI Recording Industry Numbers 2013).

The digital world for music is seen as a positive environment. According to an interview “Levy-pomo: Internet on kultakaivos!” in Helsingin Sanomat (2012), even though physical sales have dropped, revenue flow has continued to grow and this is because of the digital age (Siren 2012).

### Introduction to digital music services

The diversity of business models and revenue streams is part of the digital era (IFPI Digital Music Report 2010, 4). Digital music industry offers a wide range of different music services for consumers. However, as this research focuses on streaming services, the following chapter aims to introduce the variations of streaming service models in general with the trending examples in the market. Furthermore, the emphasis is on the subscription-based services in order to support the research questions.

Streaming as a concept means delivering audio file (music) to an end-user with no need to download the file on a specific device or location. This means that the data is transmitted in a continuous flow. (Gallagher 2008).

Music streaming can be done in various ways. Some of the streaming services offer ad-supported music listening for free and subscription-based services provide ad-free listening with a paid subscription. (Music Matters: Learn About Digital Music).

Subscription services are also considered a trend phenomenon in today's world, and the revenue of these services increased by 51.3% in 2013 (IFPI Digital Music Report 2014).

Based on the Figure 2 (p. 9) and the revenue shares that it describes between different services, currently the main digital music consumption is focused on downloading and subscription services. However, it can be said that the vast majority of consumers actually prefer subscription services, and the market share of these services is highly increasing. According to Max Hole, the CEO of Universal Music Group International, this wide range of subscription services, along with the developing mobile technology, is a new way to reach out to millions of consumers (IFPI Digital Music Report 2014, 10). The following statistics (Figure 2, p. 9) also support this statement by showing how rapidly subscription services have increased within a few years.

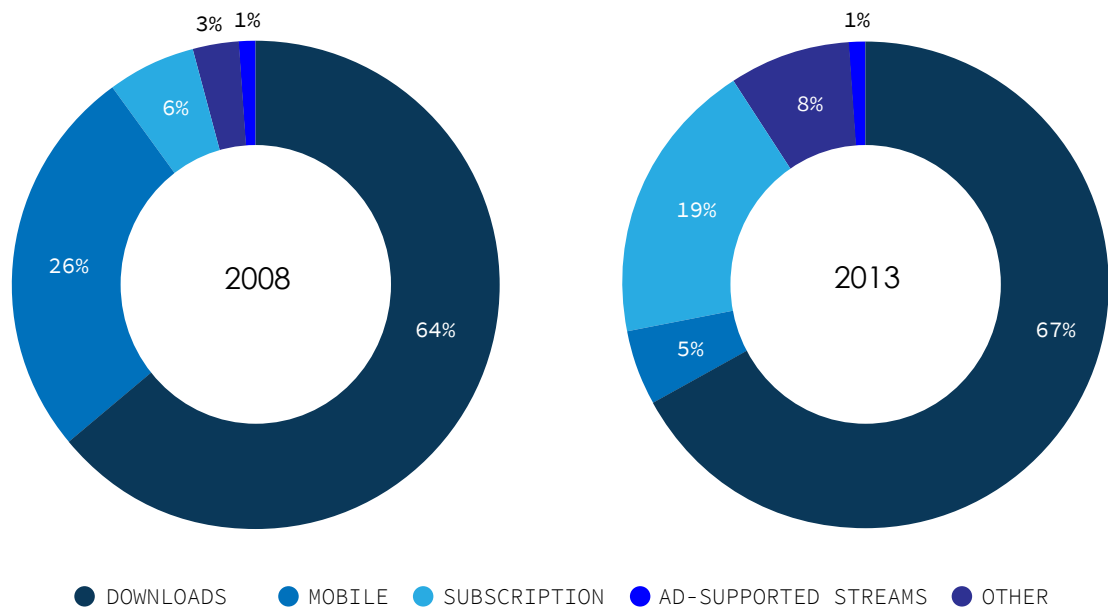


Figure 2. Digital revenue breakdown by format, 2008 – 2013. (IFPI Digital Music Report 2014).

When reaching consumers with advanced mobile technology, it is also important to focus on engagement with licensed services. Record companies are in the position of licensing various services that are successful in meeting consumer preferences. People become more aware of different licensed services and they also choose specific services based on what qualities they value the most. (IFPI Consumer Research).

Innovations of the digital retail sector have shown tremendous growth and these services offer different qualities to music listeners. According to IFPI's publication of Recording Industry in Numbers, many music services are expanding in social networks, integrating in the cloud and as stated before, offering the possibility to use the service with multiple devices (for example mobile phones). The development within the mobile industry adds value and simplifies the user experience. For example, many digital retailers in today's world launch mobile applications. (IFPI Recording Industry in Numbers 2013, 16-17).

Max Hole, Chairman and CEO of Universal Music International, says in IFPI Digital Music Report (2014, 10) that since the use of mobile devices has grown within the past few years, it has actually increased the usage of subscription or streaming

services at the same time. As seen in the Figure 2 (p. 9), subscription-based services and ad-supported streams have expanded, and the current phenomenon of the digital music industry's growth can also be seen in rapidly increasing digital music sales (see Table 1, p. 10).

	TRADE VALUE 2013	TRADE VALUE 2014	GROWTH
SUBSCRIPTION INCOME	11 501 889	13 753 316	19,6%
AD-SUPPORTED & DIGITAL INCOME FROM AUDIO/VIDEO	159 087	2 313 159	1354%

Table 1. Digital sales: trade values in 2013 and 2014. (Musiikkituottajat – IFPI Finland ry).

In this table, the subscription income refers to paid streaming services such as Spotify and Deezer, whereas ad-supported and digital income from audio/video refers to services like YouTube. Some of these streaming services are introduced in the next chapter.

Current statistics support the reflection of Tim Inghams (2015) article in the Music Business World Wide and the future prospects of streaming services. In his article Ingham (2015) points out that it has been assured by the US that streaming could reach the position of the most valuable music format in 2016 or 2017. This prediction is based on the current annual growth, but it is not foolproof. It can never be said whether the growth of streaming services will slow down or not. However, the digital music market is changing within the upcoming years and streaming services could, in fact, become market leaders.

## Examples of streaming services

The focus of this study is especially on paid streaming services but, as mentioned before, subscription-based services are lacking users in Finland, and therefore it is important to have both ad-supported and subscription-based services compared.

The following table (Table 2) lists streaming services that are mainly offering both paid and ad-supported models. It is a quick overview of streaming services in general, and since there are no specific data revealed on these services, it is a collection from different sources. As a point of note, YouTube is currently a video-based streaming service and runs with advertisements, but it is an important addition to show to what extent the service is growing at the moment compared to subscription-based services.

	SPOTIFY <sup>1</sup>	DEEZER <sup>2</sup>	YOUTUBE <sup>3</sup>	GOOGLE PLAY MUSIC <sup>4</sup> ALL ACCESS
PAYING SUBSCRIBERS	OVER 15 MILLION	6 MILLION	FREE/ AD-SUPPORTED	NOT ANNOUNCED
ACTIVE USERS	OVER 60 MILLION	16 MILLION	OVER 1 BILLION	NOT ANNOUNCED
NUMBER OF SONGS	OVER 30 MILLION	35 MILLION	NOT ANNOUNCED	OVER 18 MILLION
AVAILABLE IN	58 MARKETS	180+ COUNTRIES	LOCALIZED IN 75 COUNTRIES	58 COUNTRIES
PAID STREAMING	9,99€/ MONTH	9,99€/ MONTH	FREE AT THE MOMENT	9,99€/ MONTH

Table 2. Examples of streaming services, both paid and ad-supported compared.

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<sup>1</sup> <http://press.spotify.com/information> & <http://spotify.com>

<sup>2</sup> <http://deezer.com/company/press>

<sup>3</sup> <https://www.youtube.com/yt/press/statistics.html>

<sup>4</sup> <https://play.google.com/store/apps/details?id=com.google.android.music&hl=en> &  
<https://support.google.com/googleplay/answer/2843119?p=availability&rd=1>

Spotify, Deezer, YouTube and Google Play Music All Access were also present in an earlier study based on how Finns consumed music, and therefore, other possible streaming services were excluded from this study.

### **Spotify**

One of the most well-known streaming services, Spotify, was founded in 2006 (Wikström 2013, 95). According to the IFPI Digital Music Report (2011, 27), “Spotify offers ad-supported and subscription tier of a music streaming service”. The chief executive of Spotify, Daniel Ek, states that Spotify is focusing on making consumers aware of accessibility rather than ownership. Individual’s music libraries are the main idea in which Spotify focuses on. Consumers’ own music library access is seen as an important proposition.

Spotify consists of different features that are included in the plan. The discover feature in Spotify suggests new music alternatives for the user based on the music listening history. The service is available for different devices with the possibility to share music on various social media channels, e.g. Facebook, Twitter, and blogs. Curated playlists are ready-made, based on moods or certain occasions, yet the user is able to create own playlists as well. (Musiikkia kaikille - Spotify).

According to Spotify’s website (Musiikkia kaikille – Spotify), there are certain differences in ad-supported and subscription-based models in Spotify. Ad-supported can be used both in computer and mobile devices. However, the model is run by advertisements. In the subscription-based model, the user is able to access playlists offline, with the best sound quality and use it with in computer, mobile and TV devices. Spotify has shown some remarkable growth and the service has currently 15 million subscribers and 60 million active music listeners (Welch 2015).

### **Deezer**

Almost a similar service as Spotify, the French-based brand and service called Deezer offers both paid and free music services for consumers. There is both mobile and

online access available, and the company has also engaged consumers via a deal with Orange (mobile operator). (IFPI Digital Music Report 2011).

In the free and subscription-based plans, Deezer offers usage for unlimited access for music in both models. However, the free service is ad-supported and there is no possibility to use the free model in mobile devices. The only option is to listen to Flow (personalized radio channel) and radio channels in mobile devices. The subscription-based model offers ad-free catalogue, possibilities to use the service offline, high quality sound, and personal music suggestions from the editors. (Deezer Tilaukset).

### **YouTube**

As the Table 2 (p. 11) shows, also YouTube has attracted millions of music listeners by offering streaming services for consumers. Furthermore, YouTube is currently aiming at releasing a paid streaming service that will compete with services such as Spotify. It works as any other paid service: Consumers are able to listen to songs without any ads and there are no problems to use other applications meanwhile. (Luckerson 2014).

### **Google Play Music All Access**

Google Play Music All Access offers unlimited streaming for subscribers. Streaming can be done both online and offline, and the user is also able to create own radio streams. As many other subscription-based service, Google Play Music All Access has also the feature with which the staff picks up recommendations for the users, based on the music listening history. It also keeps the music library up-to-date in any device. (Google Play Music All Access).

As for now, the service is available for trial for 30 days. The normal monthly payment is 9.99€ per month. This paid model always runs without advertisements. (Tutustu Google Play Musiikkiin).



### **Music consumption habits in Finland**

As this study aimed to collect more specified data of subscription-based streaming services, previous studies were used as a supportive material. The marketing research agency Consumer Compass Oy collected the following data for Musiikkituottajat in order to create an overview on music consumption habits in Finland.

In the Consumer Compass Oy's studies "Miten suomalaiset kuuntelevat musiikkinsa" (How Finns consume music 2013) and "Tutkimus suomalaisen musiikin kuuntelutavoista" (A study on Finnish music listening habits 2014), the aim was to examine how Finns were consuming music. Since the topic of the Finnish music consumption habits is broad, only the most relevant data were taken into account. The studies mentioned above (2013–2014) were both analyzed by Kari Tervonen from the marketing agency N2. The statistics rely on his analyses and summaries of both studies.

Miten suomalaiset kuuntelevat musiikkinsa (2013) shows some remarkable information concerning streaming services. The following Figure 3 (p. 15) and Figure 4 (p. 16) show the importance of the main streaming services, YouTube, Spotify, and Deezer, for a Finnish music consumer. These are followed by Figure 5 (p. 17), which summarizes the main characteristics of the music fans' decision-making process.

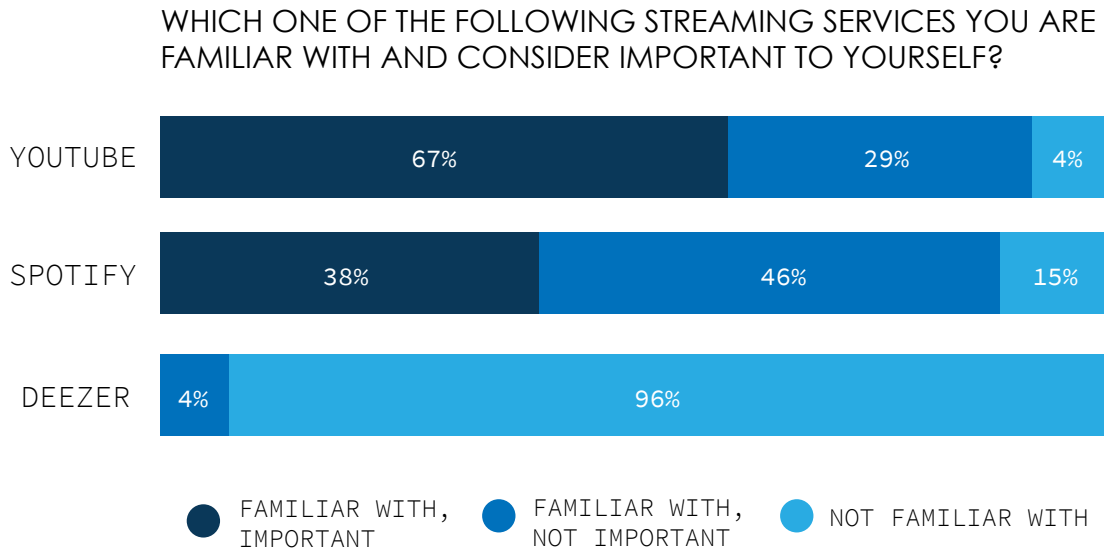


Figure 3. How familiar and important different streaming services are for Finns. (Consumer Compass Oy 2013).

As YouTube is currently offering free and ad-supported service, Consumer Compass Oy's study (2013) shows that Finnish music consumers favor free streaming services. As a comparison, in 2014 the figures in the same survey did not change much. This highlights the fact that it is important for digital marketing to focus on making consumers more familiar with subscription-based services.

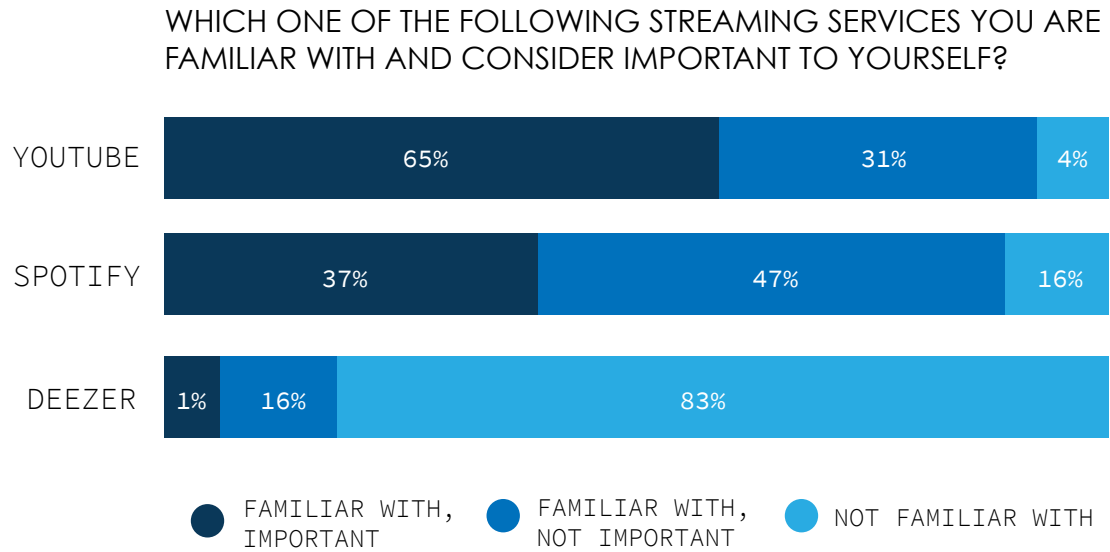


Figure 4. How familiar and important different streaming services are for Finns. (Consumer Compass 2014).

In 2014, 49 percent of Finnish consumers considered that friends were the main information channels to absorb new ways to listen to music. Moreover, 15 percent of Finnish consumers considered that social media was the most important channel for that matter. There was little difference compared to the traditional marketing and media, as 16 percent considered these the most important channel. (Consumer Compass Oy 2014).

Whether friends or social media recommend consumers to use licensed services, different factors affect on which online music service they choose. The following pie chart (Figure 5) shows what the main factors were that the Finnish music consumers favored in 2013.

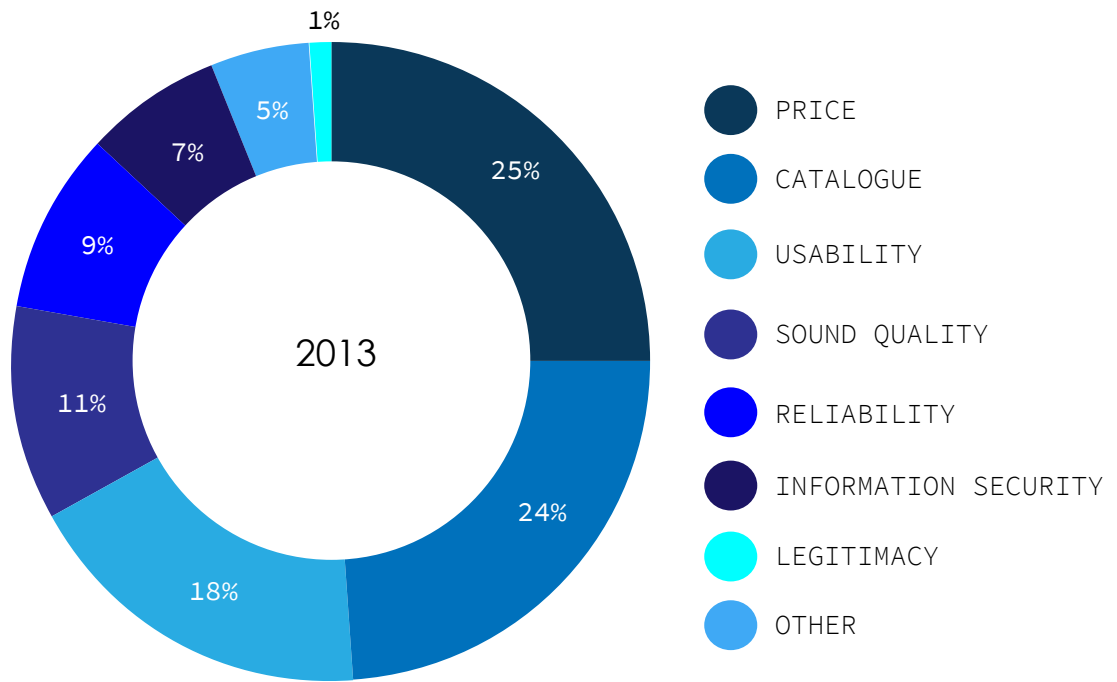


Figure 5. The most important factors in choosing online music services. (Consumer Compass Oy 2013).

As a summary of the Tutkimus suomalaisen musiikin kuuntelutavoista (2014) study, it can be stated that digital music consumption in Finland has increased, which has reduced music piracy. The study reveals that in 2014, 76 percent of the Finns considered music piracy unfair for the music creators. Furthermore, most of the Finnish consumers, 55 percent, believed that the increase of digital music services was the main reason for the decrease in the use of non-licensed services and sites. The second major reason was the reduction of prices in licensed services (46 percent).

### What is digital music piracy?

*“The music industry is a business whose success depends on certainty in the legal environment and on copyright law”.* (IFPI Digital Music Report 2014, 40)

Expanding digital music market has a clear effect on music piracy. Streaming services are offering great solutions for music fans with decent prices; people can access

music everywhere and campaigns such as Musiikin puolesta are created in order to inform consumers of the current supply and to prevent piracy. However, music piracy is still an issue.

One of the main problems in the digital music age is illegal file sharing in computer networks. It affects the revenue flow of culture industry and therefore decreases the possibilities to invest in new productions, for instance. The definition for digital music piracy is part of an act in which one is copying, distributing, and using someone else's intellectual property without permission. (Mitä piratismi on?).

Peer-to-peer (P2P) networking, which is based on sharing and communication in the computer network, has played a major part in the downturn of recorded music industry. Illegal file sharing has reduced legitimate purchases of recorded music and changed the ways to acquire free music via illegal mediums. (Wikström 2013, 121-123).

It has also been noted that due to technology development, there are threats on tablet and smartphone-based mobile piracy. Unlicensed services are currently used approximately by 26 percent of the Internet users worldwide.

Intellectual property, such as music, is usually licensed and protected by law. The International Federation of Phonographic Industry (IFPI) has an important role in every nation in preventing piracy and making sure that music creators and IFPI members have the most favorable work environment (What we do?).

Based on IFPI's Recording Industry in Numbers (2013, 43), on a global scale the digital music piracy continues to remain vast. The recording industry's opinion stays consistent by believing that the responsibility to tackle piracy belongs to every party in the digital economy. According to the IFPI's report (2013, 43), for example following actions are executed against piracy: blocking websites, reduction of advertising revenue, and legal actions against certain online piracy services.

As the law protects piracy, how to prevent it in the most effective way is a different matter. Based on an article "Piratistmin yksi aikakausi päättyy" by Jussi Pullinen (2014) in Helsingin Sanomat, while new music services have emerged in the music markets, the piracy has decreased very effectively, and also the Finnish copyright

overseers note that for example Spotify has had a remarkable effect on the reduction of illegal habits. Also Wikström (2013, 95) states in his book how music executives have realized the affection of streaming services like Spotify. These services are able to tackle piracy with the right holders receiving the compensation that belongs to them.

Pullinen (2014) summarizes efficiently at the end of his article that in order to prevent copying, paid services have to be accessed easily than illegal sites. This is one of the challenges related to piracy.

### **Future prospects of streaming services**

According to the Consumer Compass Oy's studies (2013–2014), there is a high potential in a Finnish consumer to start using subscription-based streaming services, instead of free and ad-supported models. At the same time, the future of streaming services in general remains open. Based on a media publication "Tutkimus: Suomi on mobiilikuuntelun kehitysmä" by Musiikkituottajat (2014), mobile streaming is currently seen as an area for development in Finland. The more people would activate on mobile streaming, the more it would mean subscription-based usage as mainly the paid services offer the option to use the service on multiple devices.

Kyyrä states in the media publication (2014) that previous studies (Consumer Compass Oy 2013–2014) found out Finnish music consumers using mainly computer or car players for music listening. The future in Finnish digital music industry is aiming to get users more familiar with streaming services and how to use them on mobile devices. Kyyrä (2015) points out that this is probably the hardest challenge at the moment. Most of the over 30 year-old people do not know what are streaming services and how they work.

According to Steve Knopper (2015) on Rolling Stones, the current state of free and ad-supported services is changing. Recently there has been a great deal of discussion on limiting free streaming. Some parties even consider running all free streaming services down. However, an easier way to attract more subscribers to use paid services is to make these subscription-based models even more attractive than what

they are now. Jonathan Prince from Spotify states in the same article (Knopper 2015) that free streaming services is a must, in order to grow subscribers.

Opinions on free streaming services vary and different solutions are available. Some people would prefer more restrictions on free streaming that could eventually drive consumers to use subscription-based services. Others believe that the current free model is a success. For example Spotify has managed to make fans to use monetized platforms rather than piracy to access music. (Ingham 2015).

## **2.2 Digital marketing**

Musiikin puolesta (2013–2015) is implemented by using online platforms to attract music fans. The remarks of what consumers value in subscription-based services is highly reflected to Musiikin puolesta (2013–2015). These observations support the future marketing concept and how it is going to be adjusted in order to awake interest among the Finnish music consumers to choose a subscription-based service.

In general, marketing is seen as managing relationships with customers and to create value for them (Kotler and Armstrong 2012, 26). According to Chaffey and Ellis-Chadwick (2012, 10), digital marketing is “the application of the Internet and digital technologies in conjunction with traditional communications to achieve marketing objectives”.

Kotler and Armstrong (2012, 50) state that digital technology has changed the possibilities for companies to interact with customers, while affording new tools for communication and relationship building for marketers. Digital environment has pushed for example executives to learn something new rather than to forget what they already know about marketing (Weber 2009, 3 - 4).

Chaffey and Ellis-Chadwick (2012, 6 - 10) support the phenomenon of learning new things when digital changes have pushed through. It is about learning how to use new channels in marketing: the web, e-mail, mobile, and Internet TV, and where these channels are appropriate to be used.

## Marketing process

In order to create value for the consumer, marketing process has to be on point. If it is traditional or digital marketing, the same rules apply. Kotler and Armstrong (2012, 29) compress the whole idea of a marketing process into the following figure (Figure 6).



Figure 6. A simple model of the marketing process. (Kotler & Armstrong 2012, 29).

As the figure above shows, marketing is all about the exchange and creation of value between individuals and organizations. This is achieved by first studying the needs of the customers and understanding the marketplace. The second step is to focus on marketing strategy, which has to be customer-driven.

In a marketing process, **marketing strategy** aims to define the target market and to segment the customers, and to differentiate and position the company so that it delivers the best service for consumers. This can be also seen as a phase in which the company defines which values it wants to show for the customers. (Kotler & Armstrong 2012, 53-54).

As digital marketing is delivered by using Internet channels to support traditional marketing, Chaffey and Ellis-Chadwick (2012) emphasize the importance of targeting while focusing on digital marketing strategy. **Digital marketing strategy** does not only apply the same principles of targeting and segmentation but it also underlines the significance of value proposition. In a digital environment, it is even harder to



differentiate from the competitors, which therefore increases the focus point in values that consumers get out of a certain product or service.

In order to succeed in value creation and in an efficient marketing process, a set of marketing tools is utilized. These work towards customer satisfaction, building relationships with customers, and are combined in a phenomenon of a marketing mix. (Kotler & Armstrong 2012, 29).

### **Marketing mix**

A cohesive marketing campaign, especially while executed online, needs an efficient marketing plan. It requires time to determine the overall marketing strategy but after it is done, the next step is to focus on tactical marketing tools. These tactical marketing tools are considered as a marketing mix. In short, marketing mix is a set of tools that makes the firm to create the response it wants within the target market. (Kotler, Armstrong 2012, 75)

A marketing mix consists of 4 P's (see Figure 7) that are product, price, place, and promotion. The following model of 4 P's is seen as a foundation for both traditional and digital marketing. According to Antti Isokangas and Riku Vassinen, the Internet has actually expanded these phenomena that the model alone does suffice. (Isokangas, Vassinen 2010, 20).



Figure 7. Marketing Mix 4 P's.

These four elements are defined as follows: product describes the features, designs, and post-purchase factors of the product or service. Price represents the current pricing, payment methods, and possible discounts. Place is the element that is about distribution channels of the product or service, where it can be bought or purchased. Promotion is about creating specific advertising and selling activities for the product or service in order to create awareness. (Kotler and Armstrong 2012, 75 - 76).

According to Kotler and Armstrong (2012, 76), every marketing mix element is a part of a successful marketing program. It gives great tactical tools that help the company to establish outstanding positioning within the target markets. Schiffman, Kanuk, and Hansen (2012, 6) state that positioning is considered as a development process of a distinctive image of a product or service that appears in the minds of a consumer.

As the marketing mix is used for creating supportive marketing tactics for the overall marketing strategy, it can really have an effect on customer's value. Khan (2006, 11) states pithily that strategies are the factors that provide extraordinary customer value and 4 P's are helpful in the formulation process (2006,11).

Based on Kimmel's (2010, 10–13) statements, the model of 4 P's has been a guiding model for marketing activities. However, as technology has changed, it has brought up a discussion of other components that should be included in this specific model. Another model of 7 P's of services marketing has been added to the marketing mix categories. Nonetheless, the emphasis at this stage is on people. The aim is to create

long-term relationships with customers and relationship marketing focuses on creating and identifying lifetime values.

### **Principles of engagement marketing**

*“Tell me and I will forget, show me and I might remember, involve me and I will understand” – Benjamin Franklin*

As the marketing industry changes and people become more exposed to advertisements in different media, such as traditional and online media, the ways of how marketing should be conducted have also changed. This is the moment when engagement marketing enters in. (Takala 2007).

According to Groves and Goodman (2012, 49–50), engaging consumers is the way businesses can stay in touch with them. Engagement consists of reconnection by delivering relevant content that is interesting for consumers. This content is to be shared in several different marketing channels, in order to get close to consumers.

Ahonen and Moore (2005, 1) discuss the Age of Connectedness when focusing on consumer engagement. This whole idea of engaging consumers has come to a point in which communities are expanding and adjusting the way companies promote, market and sell their goods and services. This highly relates to engagement marketing that is “a change to the very fundamental way a company’s marketing is planned and executed” (ibid., 8).

When marketing channels change, strategies behind all marketing actions have to be rebuilt. Firms that use advertising agencies to build up marketing actions are currently looking up for more targeted solutions and actual results. Current changes apply to consumers as well. Before the mediums changed, consumers only used a couple of sources to find information. Consumers were seen as receivers of the communication. In today’s world, consumers are seen as participants too and because of that the importance of power in marketing situations has leaned on the customer side. Needs and wants of consumers are considered more important than before. (Takala 2007, 18).

Kimmel (2010, 5) states that before technological developments and when only traditional marketing paradigm existed, advertisers and companies were deciding what consumers needed and wanted to have. Therefore Kimmel supports the phenomenon of participating consumers, as he discusses how consumers are more active in today's marketplace. As the level of consumers' participation increases, engaging becomes vital.

### **Social media**

Musiikin puolesta is aiming to engage consumers to use subscription-based services via digital marketing. The concept has been active mainly in the social media and in social networks.

According to Treadaway and Smith (2010, 24), the key concept in social media is the collection of technologies that "capture the communication, content, and so on across individuals, their friends, and their social networks". Social media helps consumers participate by publishing content that they find interesting. A couple of examples from the social media are referred to social networking sites such as Facebook Twitter and blogging technologies.

This emphasizes the value of social media, seen as a medium that can be shared with people. In the social media, consumer is not only seen as a receiving part of the marketing but also a part of the content creation. The content generated by its users is also seen as the core value of social media. (Argesta, Bough & Miletsky 2010, 2).

As Weber (2009, 36) states, in the world of social media, customers have to be the focus point. It is easier to create credibility and gain trust via social media since it is all about the community. To be able to nurture the community, social media makes it important to create dialogues and relationships with the consumer.

Social media is giving us the freedom to express our opinions but it has most definitely also given the opportunity for companies to participate. Isokangas and Vassinen (2010, 65) emphasize the importance of participation, and, at this stage, clear guidelines are crucial. Every participant has to know what media are used and what is allowed to be posted.

Also Treadaway and Smith (2010, 24 - 25) emphasize the influence of communities in social media. These communities are formed by groups of people – social networks. What actually ties these communities together are common interest, background, or perspective. A broader concept for social networks is social graph, the idea behind how and why we are connected to our social networks. The social graph is about the created social connections in for example schools or other associations – one of the reasons how Facebook as a social network was able to grow rapidly.

### **Social networks**

Social media for Musiikin puolesta (2013 – 2015) has been the most important environment to operate. A couple of social network channels have been used for publishing content and connecting with music consumers. As for now, Musiikin puolesta (2013 – 2015) is connected with Suomen Virallinen Lista (Official Finnish Charts) in order to have an environment in Facebook where to update current actions of developing concept. Musiikin puolesta (2013 – 2015) has also published its videos on YouTube.

There are three types of social networks according to Treadaway and Smith (2010, 27 – 29). These types are categorized as one-size-fits-all, one-trick pony, and hybrids. Treadaway and Smith (ibid., 27 – 29) state that one-size-fits-all often provides satisfaction for all social media needs such as online community, communication, and entertainment. One-trick pony defines a platform that allows consumer to communicate in a narrowed perspective – also referred to single task platforms. Hybrids instead focus on one piece of functionality but tend to integrate other social networking features as well.

### **Facebook**

Facebook as a social media environment gathers together bigger audience compared to old media. Advertising in Facebook is more targeted because of “liking” advertisements and the user is able to share their own data with certain external sites and partners. (Zarrella & Zarrella 2011, 3).

Facebook is known as a busy, competitive, and fast-moving social media platform. Therefore all the posts have to be quickly absorbable and undemanding to recognize. Compared to the alternatives of traditional media, Facebook marketing is often very cost effective. Facebook users expect interesting content, frequent updates, and actual benefit (for example offers) for being your “friend”. It is often about listening to the users’ demands. (Zarrella & Zarrella 2011, 7).

According to Treadaway and Smith (2010, 28–30) Facebook is seen as a one-size-fits-all type of social network. It offers a range of different possibilities from connecting with friends, updating statuses to uploading photos. Facebook also hosts several different social applications and is seen as a market leader of the social media.

Facebook has currently 1.39 billion active users on a monthly basis. (Facebook’s Company Info).

### **Twitter**

Treadaway and Smith (2010, 28, 31) conclude that with the possibility to share 140-character messages, Twitter is considered as a limited social network. The infrastructure allows users to follow other Twitter accounts and share photos, most likely with shortened links. Model of one-trick pony describes Twitter as it is narrowed communication tool, by giving the access on micro-blogging world.

As for now, Twitter has 288 million active users on monthly basis. (Twitter Usage).

### **LinkedIn**

As a social network, LinkedIn is focusing on professional networks in order to increase the productiveness and success of each individual. LinkedIn users can access other people’s profiles, job posts, and industry insights, for example. (LinkedIn: About Us).

Based on Treadaways and Smiths (2010) social network types, LinkedIn is a type of hybrid model by providing connectedness for business professionals. LinkedIn users

can join communities and groups, make requests, post jobs and send messages, which makes it hybrid.

According to LinkedIn's (About LinkedIn) statistics, the service has over 3 million registered users worldwide.

### **Instagram**

Instagram is a social network for people to connect with each other through pictures and short videos. The user is able to take snapshots and upload to his or her Instagram account. Furthermore, users can follow each other, like or comment the pictures. It is an application for mobile devices, currently available for mobile phones and tablets.

The service is currently compatible with other social networks such as Facebook and Twitter. Pictures that are share on Instagram, can be shared on Facebook and Twitter as well. (Instagram FAQ).

The current statistics of Instagram (Instagram Press) show that the application has 300 million active users per month. On average, people upload 70 million photos per day.

### **YouTube**

Video sharing and social network YouTube is a platform where users can easily create an account and an own channel, upload videos, and tag favorites. The channel can be accessed by individuals and companies. It is referred to be hybrid social network forming around videos but also having a possibility for photo sharing. (Treadaway & Smith 2010, 30 – 32).

YouTube has over 1 billion users in total and 50% of the views are made with mobile devices. (YouTube Statistics).

### 2.3 Consumer behavior and value

The two main research questions in this study focus on examining what consumers value the most in subscription services and what makes them choose paid streaming services, rather than ad-supported ones. This relates to the following subject of consumer behavior and value.

*“The term consumer behavior is defined as the behavior that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs”. (Schiffman, Kanuk & Hansen 2012, 2).*

According to Schiffman, Kanuk, and Hansen (2012, 2), consumer behavior is tied around the idea of consumption process. In this process consumer behavior examines how individuals make decisions. Furthermore it focuses on buying habits (how, when, where, how often they buy etc.) and how consumers evaluate their purchases. These evaluations affect future purchases and how they are disposed of.

Babin and Harris (2015, 2) reflect consumer behavior to normal consumption processes as well, whether it is drinking water, dressing up, or using online platforms on the Internet. Everything starts from needs and wants; Babin and Harris condense this ideology by stating that consumers do always something of value, which improves their life.

The concept of **value**, as Babin and Harris (2015, 24) state, is the core of understanding and experiencing consumer behavior. “Value is a function of both benefits and costs”, benefits relate to factors what consumers can get and costs relate on what the consumer gives in return. Businesses are constantly engaging consumers with goods, services, or experiences. Once the process of making a purchase has started, it triggers a chain reaction of value creating actions (ibid., 2).



### **Decision-making process**

In a consumption process, everything starts with making a decision. As markets are full of different alternatives for consumers, decisions are made based on two or more alternative choices. The decision-making process is simply based on consumers' needs and wants, information-gathering activities, awareness of various product choices, and evaluation alternatives. (Schiffman, Kanuk & Hansen 2012, 62 – 63, 69).

As consumer behavior directly relates to the buying process, customer is immediately comparing different products and services. After comparison, consumers move on to the decision-making process, in which they purchase and use the goods. Post-purchase behavior is when the consumers consider the decision made, whether it was success or not. (Khan 2006, 4)

Schiffman, Kanuk, and Hansen (2012, 69) reflect the consumers' decision-making in a model, which is divided into three sections: input, process, and output.

The input section makes use of external influences that affect consumers' decision-making. This consists of the firm's marketing efforts that directly relates to a marketing mix (product, promotion, price, and distribution channels), and sociocultural environment that relates to family, informal sources, other non-commercial sources, social class, and subculture and culture. (Schiffman, Kanuk & Hansen 2012, 68).

The way in which consumers make decisions is based on the process section in this model. It directly refers to decision-making by separating internal influences (perception, motivation, personality, learning, and attitudes) and the act itself that consists of three different stages. These stages are recognition of a need, pre-purchase search, and evaluation of alternatives. (Schiffman, Kanuk & Hansen 2012, 69 – 70).

At the end of the model, in output section, consumers express post-decision behavior, which focuses on two activities: purchase behavior and post-purchase evaluation. (Schiffman, Kanuk & Hansen 2012, 83).

According to O'Shaughnessy (2013, 70) post-purchase behavior usually relates to the customer satisfaction or dissatisfaction at the end of the decision-making process. The end result is dependent on several factors that come along in the purchase process. However, at the end it may lead to trust or complaints from the consumer.

### **Thriving influence of word-of-mouth**

Friends, family, and other external factors often affect consumer-related decisions. The past technological changes have brought consumers among different alternatives of social media platforms to use and this has made them more available for external parties. (Schiffman, Kanuk & Hansen 2012, 389).

In the current world of digital trends and social media, consumers tend to listen to other customers' opinions and rely on these while making their own decisions. Word-of-mouth communication and opinion leadership studies the capacity of consumers to have an affect other's behavior. This phenomenon is also seen as C-to-C (consumer-to-consumer) influence. (Kimmel 2010, 94–95).

Schiffman, Kanuk, and Hansen (2012) explain the word-of-mouth concept by dividing consumers into opinion leaders and opinion receivers. Word-of-mouth is seen as an opinion leadership process. In this concept, opinion leader is the person who recommends a certain product or brand to another person, who is acting as an opinion receiver. Both parties might change the positions in the overall discussion. Third part of this concept is opinion seekers, which tend to seek information and advice on different products.

Communication between an opinion leader and an opinion receiver often happens in a familiar context, with family or friends. However, the current impact of the Internet has provided more opportunities for word-of-mouth communications. The Internet creates new possibilities for communities to exist and share common interests. As the marketing is closely tied to consumer behavior, consumer marketers recognize the impact of word-of-mouth communications. (ibid., 398–399)

According to Kotler and Armstrong (2012, 165), the Internet and social networks have not only brought consumers close to each other but also companies close to the

consumers. Online social communities are thriving the field of information exchange and opinions. At this stage of the current decade, this should be a clear alternative for companies to use in order to direct the decisions of a consumer.

#### **2.4 Musiikin puolesta concept**

One of the responsibilities for trade associations like Musiikkituottajat (IFPI's affiliate in Finland) is to support music creators and engage consumers to use licensed streaming services. In order to meet these goals, trade bodies are also part of marketing of licensed music services for consumers (Wikström 2013, 124-125).

Musiikin puolesta (2013–2015) concept was created in order to deliver the right message of streaming services for music consumers in Finland. Demand for this kind of a campaign in Finland was also based on data gathered by Consumer Compass Oy (2013–2014).

According to the Deputy Director of Musiikkituottajat, Tommi Kyyrä (2015), the concept has been current since 2013. As the music economy is changing from a physical to a digital environment, it is more important to focus on music fans and ensure that they receive the needed information of licensed services within the markets. The aim in this campaign is to attract users in a positive way, letting them know what different services are available and in which devices these services will work. The more consumers use licensed music services, the more it supports music creators.

Musiikin puolesta (2013–2015) was launched in fall 2013, together with Helsinki-based marketing agency N2. The first concept of Musiikin puolesta (2013) focused on expressing gratefulness to Finnish music consumers of consuming music via legal sources.

*“Finns are honest and like to be reminded of it. Because of their small decisions, the story Finnish music industry is continuing, and in this concept we are expressing gratefulness to the honorable music listeners”. (N2 2013)*

In this concept, artists were part of the execution by sharing holiday greetings in videos which consumers were able to send to friends via social media platform - Facebook. The concept was executed in Musiikin puolesta website ([www.musiikinpuolesta.fi](http://www.musiikinpuolesta.fi)) and the videos were also uploaded on YouTube. (N2 2013).

Musiikin puolesta concept continued to develop in 2014 as new data was gathered by Consumer Compass Oy and analyzed by Kari Tervonen from N2. Kyyrä (2015) states that after the first concept of Musiikin puolesta (2013), studies have showed that consumers have already changed their attitudes towards unlicensed music. In spring 2014, Musiikin puolesta continued by keeping artists present in the marketing concept and a video of Finnish artists telling about their job was posted on Facebook and YouTube. At the same time Musiikin puolesta (2014) started to integrate with Suomen Virallinen Lista (Official Finnish Charts) and use the Facebook page of Suomen Virallinen Lista as a channel for Musiikin puolesta concept.

At the end of 2014 and in the beginning of 2015, Musiikin puolesta released an introduction video to create awareness on how to use subscription-based services on mobile devices. This part of the concept is based on a Consumer Compass' study (Tutkimus suomalaisen musiikin kuuntelutavoista 2014), which shows that the current music consumption is not relying on subscription-based services. Furthermore, mobile devices are underutilized. At the same time the idea is to collaborate together with Finnish bloggers to spread the word of healthy living and how music is attached to it. This is based on the fact that always in the beginning of the New Year people start to occupy new ways of living and encourage themselves to better life choices.

As for now, Musiikin puolesta is present together with Suomen Virallinen Lista in social networks such as Facebook (<https://www.facebook.com/listaykkonen?fref=ts>) and on its own website (<http://www.musiikinpuolesta.fi>). The concept is developed further together with marketing agency N2 from Helsinki.

### 3 METHOD

#### Research method and liability overview

The present study assigned by Musiikkituottajat aimed to find more in-depth information about the Finnish music consumption based on subscription services. Previous data (Consumer Compass Oy 2013–2014) have shown the lack of subscription-based users in Finland, due to which Musiikkituottajat have continued to promote subscription-based streaming services with the Musiikin puolesta concept.

However, a specific data collection of streaming services has not been conducted, which created the foundation for this thesis. The research findings will help Musiikkituottajat to see which factors affect the Finnish music consumers in their choice of a subscription-based service and how these factors can be applied to the digital marketing actions of the Musiikin puolesta concept.

The literature review formed a solid background for the research questions, generated from the theoretical framework and the overall research problem. Based on the research problem and literature review, the following research questions were formed:

1. What do consumers value the most in subscription-based music streaming services?
2. What makes consumers pay for subscription-based services?
3. How can these factors be utilized in digital marketing in order to support the Musiikin puolesta campaign in the future?

In order to answer on these questions, a quantitative research method was selected. According to Creswell (2003), in the quantitative approach “the problem is best addressed by understanding what factors or variables influence an outcome”. In this case the variables were the certain features that Finnish music consumers valued the

most in subscription-based services, and the aim was to see which factors made them choose paid services. Furthermore, the findings will be applied to the digital marketing actions of Musiikin puolesta to support the concept in the future.

Davies and Hughes (2014) point out that quantitative approach often requires tenacity, but that is also straightforward in terms of data analysis as it also relies on science traditions. In quantitative research, it is important to focus on the sampling of the study. Sampling relates to the overall implementation of the research in which the population is determined, time frames are set and decisions made on how the research is carried out so that it addresses the target group. It is said that for a study conducted by a student, approximately a sample range of 60–120 is typical. (Davies & Hughes 2014).

### **Data collection**

As the previous studies by Consumer Compass Oy (2013–2014) were conducted by using the survey method for collecting the data, the same approach was selected for this thesis.

“A survey design provides a quantitative or numeric description of trends, attitudes, or opinions of a population by studying a sample of that population”, Creswell (2003) states. Furthermore, Creswell (2003) points out that claims and generalizations about the population are made based on these specific sample results.

In this research the population and target group was 16–54-year-old Finnish music consumers. The target group is based on the previous study by Consumer Compass Oy (Tutkimus suomalaisen musiikin kuuntelutavoista 2014). Data collected from the target group of this thesis was divided in two different sections derived from the theoretical framework and research questions. It focused on both streaming services and social media. In this way the collected data could be reflected against the literature review and research problem.

### **Implementation of the survey**

In the beginning of the survey design, the goal for the sample size was set up to 200 participants. The survey was implemented online by using Google Forms in order to reach as many 16–54-year-old Finnish music consumers as possible. The survey questionnaire was published in social media (Facebook) by the author and then shared seven times by other people.

The schedule for the questionnaire was determined approximately for two weeks so that it was open from 10<sup>th</sup> of March 2015 until 20<sup>th</sup> of March 2015. During this time, the questionnaire collected 180 participants of whom 179 provided valid answers. For the sake of the reliability of this study, one invalid answer was discarded from the analysis.

### **Data analysis**

It is important to utilize an effective analytic technique in quantitative research in order to analyze the collected data. As the variance of the selected variables is examined in the quantitative approach, these variables have to be determined in order to meet the goals of the study. Commonly analyzed variables can be, for example, age, gender and variables that are relevant for the research task. (Davies & Hughes 2014)

The following study approached the consumers with variables, such as age and gender but also in terms of specific groups, which were important for the research objective. Besides the age and gender divisions, the groups important for this study were determined by the research questions of how the consumers valued the subscription-based services and what made them pay for them. The questionnaire assembled the following three groups (p. 38):



- A. Consumers who mainly used subscription-based services
- B. Consumers who mainly used ad-supported services but also had a subscription-based model in use
- C. Consumers who were mainly using ad-supported services or no streaming services at all

Regarding the study, these groups mentioned above were the most important for the examination. Based on this, the data was analyzed by using frequency distributors and cross-tabulations. It was important for the study that some of the questions were determined by frequency distributors. However, in order to examine certain groups and their attitudes towards other questions, cross-tabulation was added to the analyzing process.

According to Davies and Hughes (2014), frequency distributors are the core support for a study. They draw a simple overview of the questions asked and help to see what the outcomes on each option provided were. Furthermore, cross-tabulations add these frequencies together. For example, some variables of the study can be mixed together with another variable, group or question. This allows the researcher to point out the differences between different variables or groups related to a certain question.

Cross-tabulation was important to use throughout this study with the groups mentioned above. In some parts of the study, it was also important to add the age variable while examining a certain phenomenon. Comparing the results based on certain variables, groups and questions gave the best possible answer to the research problem which stemmed from the fact that subscription-based services are currently under-utilized in Finland. Moreover, in order to compare the answers of the different groups and variables, the responses were analyzed by using the Google Forms platform and the tabulation software Microsoft Excel.

## 4 RESULTS

The following part of this thesis goes through the research results by dividing the answers to different topics that are important regarding the research problem. Furthermore, the questions related to the graphics of the statistics can be addressed to the author. The framework of the questionnaire can be found in Appendices (Appendix 1, p. 57).

### **Demographics**

As mentioned previously, the target group of the study was 16–54 year-old Finnish music consumers. From the total number of 179 answers ( $N=179$ ), 56.4 percent were women and 43.6 percent were men.

The division of age groups relies on younger generation; 64.8 percent of the respondents belong to the age group of 16–29 year-olds. Only 17.9 percent were 30–39 year-olds and 17.3 percent 40–54 year-olds.

### **Streaming services used**

According to the questionnaire, from the total of 179 respondents, 98.9 percent were using streaming services. Only 1.1% of the respondents did not use streaming services at all. These two participants were from the age group of 40–54 years of old. Regarding the data of people who use streaming services, answers were divided as mentioned below. In this section, participants were able to choose several answers. Spotify was used by 89.9 percent of the respondents, whereas YouTube was used by 87.7 percent. Only few people used the following alternatives; Deezer 3.4 percent, Google Play Music All Access 2.2 percent, and MixRadio 1.1 percent. Fourteen percent selected “other” from given alternatives, in which they defined services that were not listed but they use them for music streaming.

From the two most frequently used services (Spotify and YouTube), age groups and user amounts (total  $N=177$ ) are compared in the table in Appendices (Appendix 2, p.

60). As the option “other” was selected by 14% of the respondents ( $N=179$ ), SoundCloud was addressed by 44% of those participants ( $N=25$ ).

The way consumers have received the know-how of which streaming services are available and how they work is mainly based on information shared by friends (52%). Other factors, with which the respondents had gained knowledge, have been social media (32.4%) and media publications (11.2%). Books and articles (3.4%) have not been that successful neither have teleoperators (0.6%).

There were also differences within different user groups from where they have received information of streaming services. The Figure 8 below identifies two main sources and how they differ between each group of streaming service users.

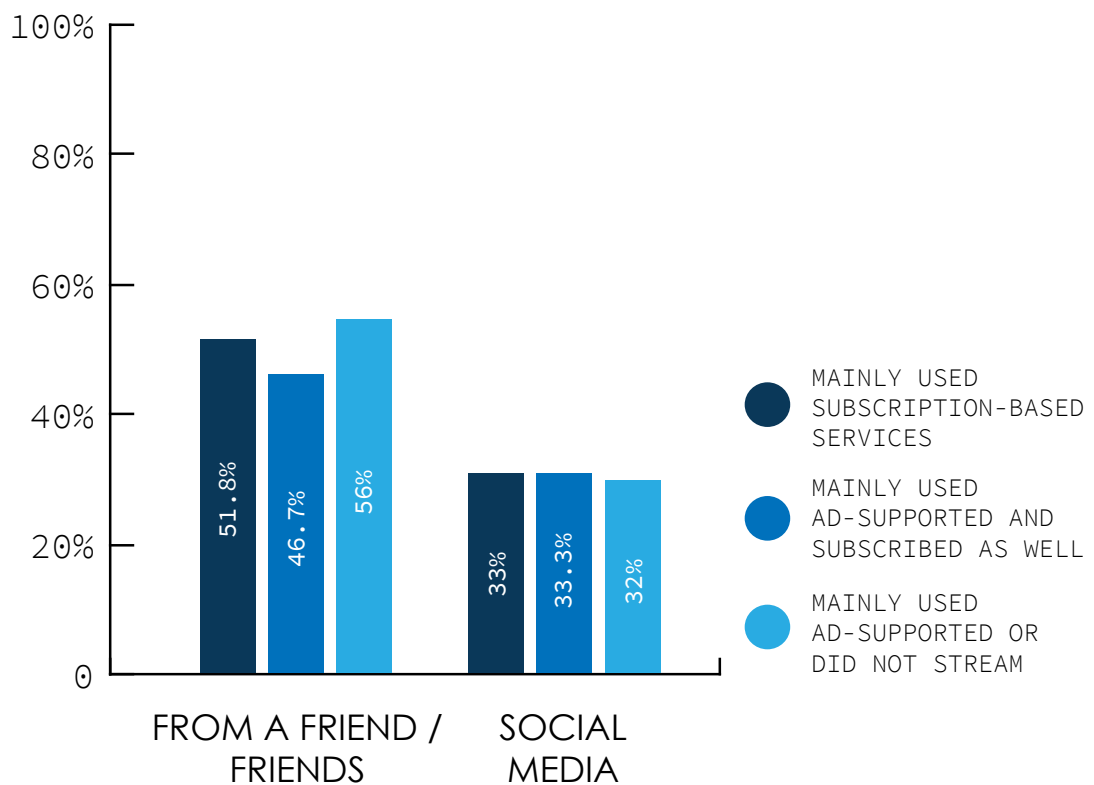


Figure 8. How consumers have received information of streaming services?

**Ad-supported versus subscription-based**

The frequency distributor on how many of the respondents were mainly using subscription-based services, ad-supported services, or do not use streaming services at all are listed in the table of Appendix 3 (p. 60). Most of the respondents are using subscription-based streaming services followed by users of ad-supported models.

After examining how many participants used which model of streaming services, the questionnaire asked a specific question only from subscription-based users; "If you use subscription-based service, why did you choose paid model? You can have several answers". The question provided alternatives which to choose from.

In this part, people who answered this question but used mainly ad-supported services for music streaming, were also included as they are considered to have also subscription-based service.

Based on this, from those participants ( $N=65$ ) who mainly used ad-supported services, 23.1 percent also used subscription-based streaming. From the total amount of responses ( $N=179$ ), it makes 14% of users who did not currently prefer subscription-based service but owned it.

These previous frequency distributors added together form a Figure 9 (p. 42) below and outline of opinions of subscription-based services ( $N=127$ ).

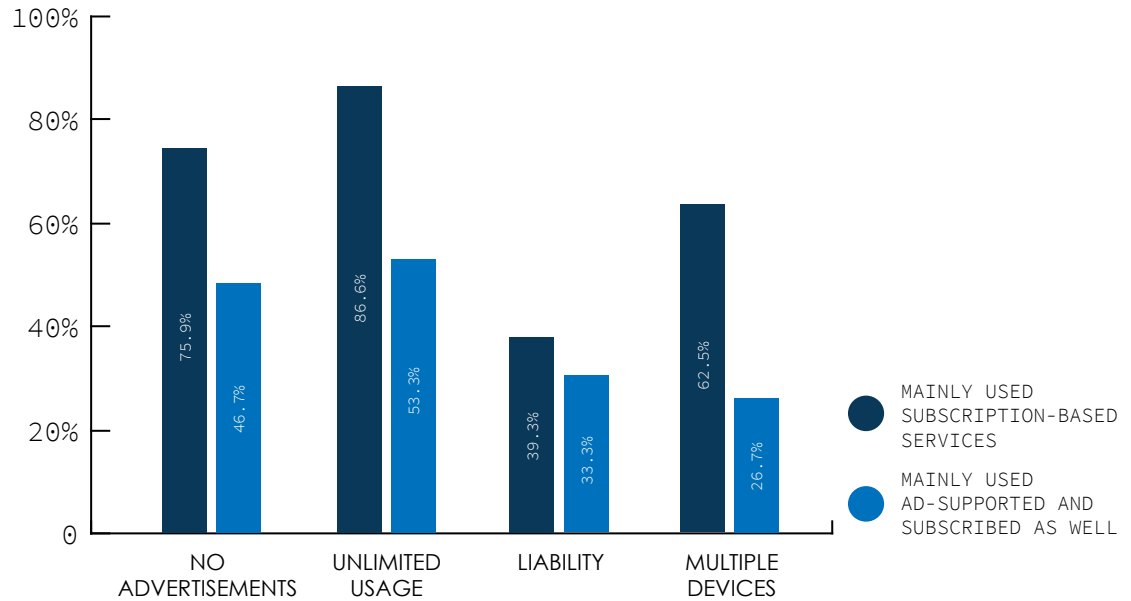


Figure 9. Why subscription-based streaming service?

Participants were also asked to evaluate how much they would be ready to pay for subscription-based streaming services. This specific question was aimed at every user; those who were already using subscription-based services and for those who used ad-supported services or had not used streaming services at all.

According to the answers ( $N = 179$ ), 52 percent preferred the price range of 5–9.99€ per month suitable for subscription-based services. 30.2 percent considered a lower price range, 0–4.99€ per month, appropriate. Only 11.7 percent were ready to pay 10–14.99€ per month and 6.1 percent 15€ or more.

Based on certain variables that are important for the research context, consumers prefer the price ranges listed in the table of Appendix 6 (p. 62). The results show that those who are already using paid models are ready to pay more whereas the users of ad-supported models prefer lower rates.

### Attractive features of subscription-based services

In order to examine what features consumers value the most in subscription-based services, the questionnaire listed eight different qualities of streaming services in

general, which had to be rated on a scale from 1–5. Number 1 represented attribute “not important” whereas number 5 represented attribute “highly important”. This part of the questionnaire was indicated for each participant in order to get information from every user. The results are reflected on variables important for this study.

The results show that features that were rated with number 5 by most of the respondents ( $N=179$ ) were music catalogue (49.7 percent), own playlists (46.4 percent), and the possibility to use on multiple devices (44.1 percent). Other features were rated with number 5 as follows: sound quality 36.3 percent, curated playlists 3.4 percent, user interface (UI) 15.1 percent, biography of artists and bands 2.2 percent, and recommendations based on listening history 4.5 percent.

Differences within user groups and how they valued the three most important features in streaming services are summarized in the Figure 10 below.

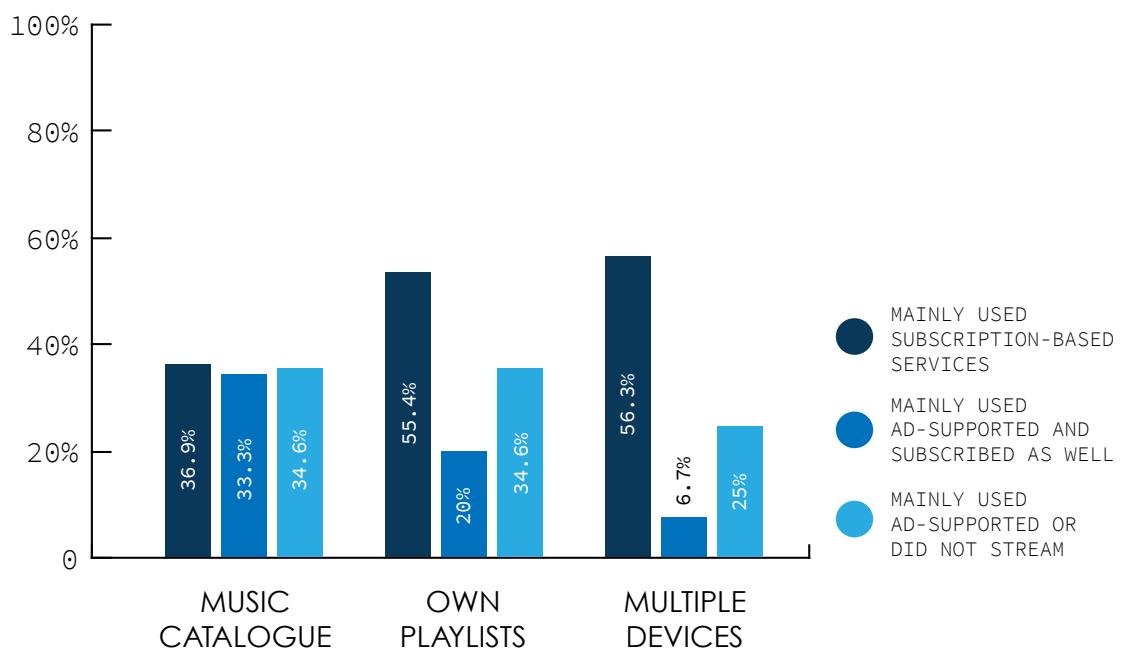


Figure 10. The three most highly valued features of each user group compared

Table of Appendix 5 (p. 61) shows more specific cross-tabulation on how different user groups valued each feature, based on the total amount of respondents of each group.

### **Social media behavior**

Other part of the questionnaire focused on collecting information based on consumers' social media behavior. The results outline that every participant ( $N=179$ ) was using Facebook as one of the social media networks. In this particular question of which social media platforms are used, respondents had the possibility to choose several answers.

Another most frequently used social media network was Instagram with users of 65.9 percent from the participants. Frequencies with other platforms were divided as follows: Twitter 41.3 percent, LinkedIn 32.4 percent, Pinterest 24.6 percent, Tumblr 11.2 percent and "Other" 8.4 percent. Participant who chose the option "other" named such social media networks as Last.fm and Ello. Moreover, cross-tabulation of Appendix 6 (p. 62) identifies the differences of used social media networks within different user groups of streaming services.

According to the questionnaire data, half of the respondents used mainly mobile phones (53.1%) for social media activities. Nearly a half of the respondents were rather using computer or laptop (42.5%). Only 4.5 percent of the total sample used tablets.

When asked a more specific question of social media behavior based on the following activities, most of the respondents were also likely to follow artists, bands or other music related pages on Facebook (78.2%). Instagram was used by 12.3 percent and Twitter by 6.1 percent. The option "other" was chosen by 3.4 percent. As for the data on social media behavior, the results showed that the mobile device users and laptop users were almost equal. At the time of the survey, 53.1 percent used mainly mobile device for social media activities. However, laptops and computers were still used by 42.5 percent. Only tablets were under-utilized, 4.7 percent of the respondents preferred tablets.

### **Engaging social media content**

The last three questions in the survey focused on how social media engages Finnish music consumers. A scale from 1–5 measured frequency distributors of participation activities. Consumers were asked to rate how often they participate in discussions or campaigns in social media. The number 5 indicated “often” whereas number 2 “never”. The number 1 was the alternative for “in case the subject matters to me”.

According to the results and based on total answers ( $N=179$ ), the majority of respondents said they seldom (34.6%) or sometimes (33.5%) participate in discussions or campaigns in social media. 14.5 percent was interested to participate if the subject matters to them whereas 11.7 percent had never joined in discussions or campaigns. Only 5.6 percent considered themselves being active often in social media.

Cross-tabulation of Appendix 7 (p. 62) mixed with three most important user groups regarding this study identifies the participation level within these three groups and how they differ from each other.

When asked a more specific question regarding music streaming activities and social media, the frequency distributors based on the question “Do you share your data based on your music streaming in social media?” showed the lack of connectedness between streaming services and social media.

On the scale from 1–5 where number 5 indicates “often” and number 1 “never”, the respondents were more likely to choose options seldom (41.9%) or never (36.3%). The option “never” also indicated answers from two of the respondents who were not using streaming services at all. 17.3 percent had sometimes shared the music streaming related content in social media. Only 5 percent had done it often.

The frequency distributors on what consumers find interesting in music related content in social media, were mainly focused on posts by artists or bands (66.5%), music suggestions (57.5%), videos (46.4%), and pictures (29.6%). The respondents had the possibility to choose several answers regarding the question. There were only small differences within the three user groups based on the music related content (see the table of Appendix 8, p. 63).



## 5 DISCUSSION AND CONCLUSION

### Summary of the results

<p><b>What do consumers value the most in subscription-based music streaming services?</b></p>	<p>Finnish music consumers who did not use paid services would like to invest on broad music catalogue and their own playlists. The same features attract subscription-based users as well.</p>
<p><b>What makes consumers pay for subscription-based services?</b></p>	<p>The possibility to use a streaming service without advertisements and restrictions is important for consumers. Both subscription-based users and those who used mainly ad-supported services but had also a subscription-based service consider that these have been the main reasons to subscribe.</p> <p>The results also revealed that those who used subscription-based services are willing to pay more. Consumers who did not have a paid model or did not know about streaming services prefer lower payment rates.</p>
<p><b>How can these factors be utilized in digital marketing in order to support the Musiikin puolesta campaign in the future?</b></p>	<p>Based on the values that are the most attractive in subscription-based services, the integration with word-of-mouth (WOM) and social media actions is important. Many consumers have received earlier information of streaming services from friends, which relates to the WOM experience.</p> <p>For example, by activating paid model users in social media to embrace the most valued features on paid models, how they work and what are the differences to ad-supported models, it can affect on higher engagement in subscription-based services.</p>

Table 3. Summary of the results

This thesis examined what consumers value in subscription-based services and what makes them pay for those. Furthermore, these findings are being reflected to the digital marketing of Musiikin puolesta and how it could use the data in its future actions.

The summary of the results is based on research questions presented in Chapter 1 (p. 5) in order to find the best possible answer for the overall research problem. Moreover, these results are shortly collected into the Table 3 (p. 46) that gives a quick outlook on overall findings of the survey.

As the digital evolution has started, it just goes further. The current state of digital music business is constantly evolving and there is an important spot to fill in. Consumers have to be aware of what services are available and how they differ from those services that are currently free or not legal. The basis for this research was the lack of users in subscription-based models within Finnish music consumers. Throughout the study, how to change this setting became the most important part to answer to.

The results revealed three different user groups within music streaming services. The majority of the Finnish music consumers were mainly using subscription-based services. Those who mainly use ad-supported services but have also the paid model form the second group, and the third group is focused on ad-supported users or those who do not use streaming services.

As pointed out in Table 3 (p. 46), whether the consumer is using a subscription-based streaming service or not, the same features are preferred on paid models. The combination of broad music catalogue and one's own playlists attract Finnish music consumers. The results are more scattered when it comes to the users who were mainly using ad-supported services or did not use streaming services at all (see the table of Appendix 5, p. 61).

Consumers who have gone through the decision-making process of replacing the free model with a subscription consider certain subscription-based features to be more important for them than consumers who have not used paid models. As Babin and Harris (2012) state, a combination of benefits and costs form the background for a certain value in a product or service. According to this, it is more likely that

consumers are not aware of subscription-based features since most of them are not finding certain features highly important compared to the subscribers. This especially underlines the importance for Musiikin puolesta to exist and engage consumers by learning how paid models work.

Another significant finding related to the consumer values on subscription-based services was to see why consumers have decided to subscribe. Those consumers have especially engaged in with such features that are only available on paid models: no advertisements and unlimited usage. For example Spotify and Deezer are currently offering unlimited usage and no time restrictions for those who subscribe.

As mentioned earlier, there is also a group of people who were mainly using ad-supported services but had a subscription-based model too. There is no similar importance on these features (no advertisements, unlimited usage) for this group of people when comparing to subscribers (see the Figure 9, p. 42). The reason behind this might be that these consumers have decided to subscribe after using a free model only but eventually, during the post-purchase phase, they have discovered that there are other features that attract more in the ad-supported services. The cost of the purchase has been greater than benefits gained. This correlates with the results on how much consumers would be ready to pay for a subscription-based service. For example those who are currently using mainly ad-supported services would rather keep the payment rates lower.

As it is even harder to differentiate from competitors in a digital environment, it emphasizes the significance to invest on digital marketing strategy. Musiikin puolesta has already created a solid background for the future development but more importantly this study focused on drafting an idea how to go further. In order to utilize the findings on how consumers value subscription-based services for Musiikin puolesta, social media behavior was also examined. This data revealed the lack of participation in social media when it comes to for example discussions or campaigns. According to Ahonen and Moore (2005), engagement is tied around the Age of Connectedness and communities are fundamental. Consumers have to participate and companies have to create an easy way for them to take part. Regarding this and low rates of Finnish music consumers' participation activity, Musiikin puolesta might

face some challenges or the Musiikin puolesta concept has to focus on for example creating a community around the concept itself.

However, as the activity level is higher with consumers using mainly ad-supported services or not using streaming services at all compared to subscribers (see the table of Appendix 7, p. 62), it gives the Musiikin puolesta concept a great opportunity to engage these consumers on paid models. The high level of consumers, who are not that familiar with subscription-based services but are active in social media act as opinion receivers in social media environment and it is easier to communicate with them. They are more likely to absorb new information of different streaming models.

According to the Consumer Compass Oy's (2014) study, friends are the most important channel for the Finnish music consumers to absorb new ways of listening to music. The present study endorsed the same phenomenon as most of the Finnish music consumers have received information of music streaming services from their friends. Another significant way to absorb information of these services was social media. Based on how social media is working in today's world as a platform where consumers can share opinions instantly, this only emphasizes the importance of word-of-mouth in social media actions of Musiikin puolesta. As Kimmel (2010) states, consumers tend to listen to other's opinions, especially in a digital environment, which creates the phenomenon of word-of-mouth communication.

Musiikin puolesta is currently delivering the message on how subscription-based services can be used on mobile devices and public figures are sharing their own playlists in social media. By using this set as a background, Musiikin puolesta could utilize the word-of-mouth communication in practice by activating subscription-based users to promote paid models for those who are not using them. As Takala (2007) underlines, engagement marketing refers to letting consumers participate, especially in a digital environment. According to this, Musiikin puolesta would benefit from word-of-mouth communication integrated with social media presence. It might not be merely the public figures that engage consumers but also friends and those people who are basic Finnish music consumers and to which consumers can relate.

What this means regarding the Musiikin puolesta campaign, by adding word-of-mouth communication can be done by using public figures or artists and bands as it

has been the case in previous marketing actions. However, other possibilities exist, which could be used in the future. Here is a short example: The results show that Instagram is the second important social media network for the Finnish music consumers (see the table of Appendix 6, p. 62). It is also an easy platform for people to connect via pictures and short videos with each other and it works as word-of-mouth communication network. For Musiikin puolesta, Instagram would be a great way to let streaming service users to participate and share opinions on why they value certain features on subscription-based services. Instagram users can be very creative to create a short video in which they explain how important it is to use streaming services on multiple devices, for example. By tagging Musiikin puolesta to this short clip, other music consumers could see in practice how other consumers perceive the value of subscription-based services.

As the future of the digital music industry related to streaming services remains open and industry professionals consider tightening restrictions on ad-supported models, delivering the right message of advantages in paid models via social media becomes even more vital in the near future. While consumers value different features of subscription-based music streaming services, such as unlimited usage and a broad music catalogue, they also value the opinions of other consumers. Moreover, this can make a huge change on consumer engagement in paid models regarding the digital marketing of Musiikin puolesta.

## 6 LIMITATIONS AND FUTURE SUGGESTIONS

Conducting a research based on streaming services, which is a quite new topic within the digital music industry, there is not much of a data to rely on. As this thesis is based on the Finnish music market and especially on how consumers value subscription-based services, earlier data regarding the subject was limited to previous studies conducted by Consumer Compass Oy for Musiikkituottajat (see Chapter 2.1, p. 14). However, the overall subject of this research is current and other qualified theories and data was used in literature review, in order to give a decent background for the study.

Limitations regarding the quantitative research and this study focus on sample size and how broad the topic is. The total sample of the study was 179 respondents. As the topic is broad relating to the expanding digital music business, it might not relate to every digital music consumer. Limitations regarding online surveys and small sample might be the fact that everybody is not present in online platforms. Due to this, sample might also show high streaming service user rates, as there is the likelihood for people to use digital music services if they are using other digital platforms too. The questionnaire was shared in social media, more accurately on Facebook, which might cause the lack of answers from older people, as social media is not such a familiar environment for them.

As some of the questions in the survey allowed the respondent to choose only one option, it might affect on misleading answers. Throughout the results phase, questions were reflected on different user groups and for example, one of the respondent was discarded (see Chapter 3, p. 37) in order to remain higher reliability rate. Based on this, there could have been a feature to end the questionnaire for those who are not using streaming services. However, the data gathered from those is also important based on the research problem. It was important to gather data on such music consumers who are not using paid services in order to answer on research questions.

Another questionnaire related limitation was the responsive layout. The questionnaire worked in mobile devices but did not show scales accordingly. In some

mobile phones the scales did not show alternative number 5 automatically. The respondent had the possibility to scroll in order to choose number 5 but this might have misled some participants to choose the highest alternative to be number 4.

Moreover, conducting the questionnaire in Finnish while the thesis is written in English, might affect on the reliability. Therefore the structure of the questionnaire can be found from Appendices (p. 57) both in Finnish and in English.

After examining consumer values towards subscription-based streaming services and how consumers behave in social media, there are tremendous ways to implement further studies. Regarding the Finnish music industry, the current state is still leaning towards consumers who are not familiar with streaming services or do not prefer paid models. Digital technology is evolving and consumers follow, this refers to the fact that such a digital marketing concept as *Musiikin puolesta* has to be aware of current consumer perceptions and how they behave.

This thesis was able to identify three different groups of music consumers: subscription-based users, those who mainly use ad-supported services but have also paid model and ad-supported users or those who do not use streaming services. In order to develop the possibilities and strategies to engage more consumers to use paid models, further research could easily examine these specific groups more in-depth. For example, although music consumers can get advertisement-free service or unlimited usage by subscribing, is there still something better in free models to abstain from paid models?

Due to the lack of specific theoretical foundation regarding the streaming services and digital music industry, it can be said that there is a demand for future research. As mentioned earlier, consumer perceptions for example between free and paid models are rather interesting to be examined. Furthermore it gives practical data for streaming service industry on how to develop products and invest in marketing. It also makes it easier for trade associations such as International Federation of Phonographic Industry to take part and support the music industry.

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## APPENDICES

### APPENDIX 1 – The structure of the questionnaire

\*Required

1. Sukupuoli? \*

*Gender?*

2. Mihin seuraavista ikäryhmistä kuulut? \*

*Which one of the following age groups you belong to?*

3. Mitä seuraavista musiikin suoratoistopalveluista käytät? \*

Voit valita useamman vaihtoehdon. Suoratoistopalveluilla tässä tarkoitetaan sekä maksullisia että ilmaisia (mainoksilla pyöriviä) palveluita, mikäli valitset "muu", tarkenna mikä palvelu.

*Which one of the following services you use for music streaming?*

*You can have several answers. Streaming services refer to both paid and free (ad-supported) services. If you choose "other" define which service.*

4. Mistä sait tiedon suoratoistopalveluista ja kuinka ne toimivat? \*

*Where did you find out about streaming services and how they work?*

5. Käytätkö ilmaisia (mainoksilla pyöriviä) vai maksullisia suoratoistopalveluita? \*

Valitse vaihtoehto, jota pääsääntöisesti käytät musiikin kuunteluun. Ilmaisissa versioissa esim. biisien välissä toistetaan mainoksia, maksulliset suoratoistopalvelut puolestaan antavat all accessin.

*Do you use free streaming (ad-supported) services or subscription-based services?*

*Choose the option that you mainly use for listening the music. For example in free models there are advertisements between the songs, subscription-based models offer all access.*

6. Mikäli sinulla on käytössäsi maksullinen suoratoistopalvelu, mikä / mitkä seuraavista vaihtoehdoista sai sinut valitsemaan maksullisen version?  
Voit valita useamman vaihtoehdon.  
*If you use subscription-based service, why did you choose paid model?*  
*You can have several answers.*
7. Asteikolla 1-5 (1 = ei lainkaan tärkeä, 5 = erittäin tärkeä), arvioi seuraavien ominaisuuksien tärkeys sinulle, koskien maksullisia suoratoistopalveluita. \*  
Mikäli et käytä maksullisia suoratoistopalveluita tai et ole vielä käyttänyt palveluita lainkaan, vastaa sen perusteella, mikä olisi seuraavien ominaisuuksien tärkeys sinulle.  
*Rate the importance of following features in subscription-based services on scale 1–5 (1 = not important, 5 = highly important).*  
*If you don't use subscription-based services or streaming services at all, give your answers based on what would be the importance for you.*
8. Mitä olet valmis maksamaan suoratoistopalveluista? \*  
*What are you ready to pay for subscription-based services?*
9. Mitä sosiaalisen median palvelua / palveluita käytät? \*  
Voit valita useamman vaihtoehdon, mikäli valitset "muu", tarkenna mikä palvelu.  
*Which one of the following social media platforms you use? You can choose several alternatives.*  
*You can have several answers. If you choose "other" define which platform.*
10. Missä käyttämistäsi sosiaalisen median palveluista todennäköisimmin seuraat esimerkiksi musiikkiin liittyviä sivustoja, kanavia, artisteja tai bändejä? \*  
Valitse ainoastaan yksi palvelu, mikäli valitset "muu", tarkenna mikä palvelu.  
*In which one of these platforms you most probably follow music related pages, channels, artists or bands?*  
*Choose only one alternative. If you choose "other" define which platform.*
11. Mitä laitetta pääsääntöisesti käytät sosiaalisen median parissa? \*  
*Which device you mainly use for social media activities?*

12. Osallistutko keskusteluihin tai kampanjoihin sosiaalisessa mediassa? \*

Esimerkiksi kommentoiden, repostaten tai käyttämällä tiettyjä hashtageja omassa kontentissasi.

*Do you attend on discussions or campaigns in social media?*

*For example by commenting, reposting or using certain hash tags in you own social media content.*

13. Jaatko suoratoistopalveluihin liittyviä tietojasi sosiaalisessa mediassa?

Esimerkiksi biisejä, albumeita tai soittolistoja.

*Do you share data based on your music streaming in social media?*

*Songs, albums or playlists for example.*

14. Mitkä musiikkiin liittyvät aiheet kiinnostavat sinua eniten sosiaalisessa mediassa? \*

Voit valita useamman vaihtoehdon, mikäli valitset "muu", tarkenna mikä aihe.

*What kind of a content related to music do you find most interesting in social media?*

*You can have several answers. If you choose "other" define what content.*

## APPENDIX 2 – Age group division of most frequently used streaming services

Age	16–29 year-olds (N=116)	30–39 year-olds (N=32)	40–54 year-olds (N=29)
Spotify	93.1%	93.6%	79.3%
YouTube	89.7%	84.4%	89.7%
Spotify & YouTube	84.5%	78.1%	69%

## APPENDIX 3 – Frequency distributor of mainly used streaming service models

The model of streaming service	Percentage (N=179)
Subscription-based	62.6%
Ad-supported	36.3%
Not using streaming services	1.1%

#### APPENDIX 4 – How much are consumers ready to pay for subscription-based services?

Price / month	Mainly used subscription-based services (N=112)	Mainly used ad-supported but subscribed as well (N=15)	Mainly used ad-supported or did not stream (N=52)
0–4,99€	8%	46.7%	73.1%
5–9,99€	69.6%	40%	17.3%
10–14,99€	14.3%	6.7%	7.7%
15€ or more	8%	6.7%	2%

#### APPENDIX 5 – Highly valued features of subscription-based services

Feature rated with number 5	Mainly used subscription-based services (N=112)	Mainly used ad-supported but subscribed as well (N=15)	Mainly used ad-supported or did not stream (N=52)
Music catalogue	36.9%	33.3%	34.6%
Own playlists	55.4%	20%	34.6%
Multiple devices	56.3%	6.7%	25%
Sound quality	41.1%	33.3%	26.9%
User interface	21.4%	0%	5.8%
Curated playlists	3.6%	6.7%	1.9%
Recommendations	5.4%	0%	3.8%
Biographies	0.9%	13.3%	1.9%



## APPENDIX 6 – What social media platforms are the three main groups using the most?

Social media platform	Mainly used subscription-based services (N=112)	Mainly used ad-supported but subscribed as well (N=15)	Mainly used ad-supported or did not stream (N=52)
Facebook	100%	100%	100%
Instagram	70.5%	73.3%	53.8%
Twitter	43.8%	33.3%	38.5%
Pinterest	31.2%	13.3%	13.5%
LinkedIn	38.4%	26.7%	21.2%
Tumblr	12.5%	13.3%	7.7%
Other	8.9%	0%	7.7%

## APPENDIX 7 – Participation in social media between three user groups

Rating (1–5)	Mainly used subscription-based services (N=112)	Mainly used ad-supported but subscribed as well (N=15)	Mainly used ad-supported or did not stream (N=52)
Often (5)	3.6%	20%	5.8%
Sometimes (4)	35.7%	53.3%	23.1%
Seldom (3)	34.8%	13.3%	40.4%
Never (2)	13.4%	0%	11.5%
If the subject matters (1)	12.5%	13.3%	19.2%

**APPENDIX 8 – Social media content that interests in different streaming service users**

Subject / social media content	Mainly used subscription-based services (N=112)	Mainly used ad-supported but subscribed as well (N=15)	Mainly used ad-supported or did not stream (N=52)
Music suggestions	68.8%	53.3%	48.1%
Posts by artists or bands	70.5%	66.7%	57.7%
Competitions	13.4%	26.7%	15.9%
Music suggestions by public figures	15.2%	6.7%	11.5%
Videos	43.8%	46.7%	51.9%
Pictures	30.4%	20%	30.8%
Other	1.8%	0%	5.8%