

Kaisa Vermasheinä

## Music goes social!

Music startups' viewpoints on marketing communications,  
social media and music industry

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| <p>This thesis studies Finnish music industry startups' viewpoints on marketing communications and social media, as well as their views on the future of the music business. Four Finland based music industry startups were interviewed for the study. Separate chapters deal with the framework of the study: marketing communications, social media and music industry.</p> <p>During the past few years a number of startup companies have been established in Finland with the aim of providing online and digital services for music listeners, musicians and other actors in the music industry. The timing is suitable as the music industry as a whole is facing substantial challenges and at the same time people's ways of consuming music have been altered.</p> <p>Personal selling and content marketing are emphasized in the interviewed companies' marketing communications, social media tools being essential in both. Most important social media marketing channels for the companies are Facebook, LinkedIn and Twitter as well as companies' own blogs. These companies count on storytelling and openness with the objective of gaining thought leadership and creating a credible quality brand.</p> <p>The companies see their role in the music industry as providers of additional income especially for artists but also for other industry players. They highlight the role of the music listener and the fan in the music industry value chain. The current buzz word direct-to-fan is a key factor in two of the companies' business models. The interviewed startups' relation with social media is much deeper than simply marketing based. Some of the companies aim to be a social media channel of their own. Music is social by nature, but combining digital services, social media and music can create something totally new.</p> |  |
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| <p>Tämä opinnäytetyö käsittelee suomalaisten musiikkialan kasvu- eli startup-yritysten näkemyksiä markkinointiviestinnästä ja sosiaalisesta mediasta, sekä niiden näkökulmia musiikkiteollisuuden tulevaisuuteen. Tutkimusta varten on haastateltu neljää suomalaista musiikkialan startup-yritystä. Erilliset taustoittavat luvut käsittelevät markkinointiviestintää, sosiaalista mediaa sekä musiikkiteollisuutta.</p> <p>Muutamien viime vuosien aikana Suomeen on perustettu useita kasvuyrityksiä, jotka tarjoavat digitaalisia- ja verkkopalveluita musiikin kuuntelijoille, muusikoille ja muille alan toimijoille. Ajankohta on osuva, sillä musiikkiteollisuus on kokonaisuudessaan suurten haasteiden edessä, ja samanaikaisesti musiikin kuluttamisen tavat ovat muuttuneet.</p> <p>Haastateltujen yritysten markkinointiviestinnässä korostuvat henkilökohtainen myyntityö ja sisältömarkkinointi. Sosiaalisen median välineillä on molemmissa keskeinen osa. Tärkeimmät sosiaalisen median kanavat haastatelluille yrityksille ovat Facebook, LinkedIn ja Twitter sekä yritysten omat blogit. Yritykset luottavat tarinankerrontaan ja avoimuuteen, tavoitteinaan nousu mielipidejohtajiksi omilla erityisaloillaan sekä laadukkaan ja uskottavan brändin rakennus.</p> <p>Yritykset näkevät roolinsa musiikkiteollisuudessa lisätulovirtojen tuottajina erityisesti muusikoille, mutta myös muille alan toimijoille. Yritykset painottavat musiikin kuuntelijan roolia musiikkiteollisuuden arvoketjussa, ja faniyhteyttä korostava käsite direct-to-fan on keskeisessä asemassa kahden yrityksen liiketoiminnassa. Osa yrityksistä pyrkii olemaan oma sosiaalisen median välineensä. Musiikki on luonteeltaan sosiaalista, mutta yhdistämällä digitaaliset palvelut, sosiaalinen media ja musiikki voidaan synnyttää jotain aivan uutta.</p> |   |
| Avainsanat   | markkinointiviestintä, sosiaalinen media, musiikkiteollisuus, kasvuyritykset, sisältömarkkinointi, verkkoyhteisöt, blogit, mikroblogit                  |

## Contents

|       |  |    |
|-------|--|----|
| 1     | Introduction   | 1  |
| 2     | Research objective                                   | 2  |
| 2.1   | Methodology  | 3  |
| 2.2   | Structure of the research                            | 4  |
| 3     | Marketing communications                             | 4  |
| 3.1   | Defining marketing communications                    | 5  |
| 3.2   | Designing marketing communications                   | 7  |
| 3.3   | Interactive marketing                                | 9  |
| 3.4   | Word-of-mouth marketing                              | 9  |
| 3.5   | Content marketing                                    | 10 |
| 4     | Social media   | 12 |
| 4.1   | Social network services                              | 14 |
| 4.2   | Blogs  | 16 |
| 4.3   | Micro blogs  | 17 |
| 5     | Music industry                                       | 18 |
| 5.1   | From physical records to digital sales               | 19 |
| 5.2   | New rise of the artist-fan-relationship              | 20 |
| 5.3   | Changing live experience                             | 21 |
| 5.4   | Music industry professions                           | 22 |
| 5.5   | Music industry's income models                       | 25 |
| 5.6   | Music marketing and promotion                        | 27 |
| 6     | Interviews: Finnish music startups                   | 29 |
| 6.1   | Finnish music startup scene                          | 30 |
| 6.2   | Introduction of the interviewed music startups       | 32 |
| 6.2.1 | AudioDraft – crowdsourcing platform for sound design | 32 |
| 6.2.2 | GigsWiz –artist-friendly ticketing service           | 33 |
| 6.2.3 | Mobile Backstage – mobile fan engagement tool        | 35 |
| 6.2.4 | Playmysong – social music service for public places  | 36 |
| 6.3   | Music startups' competitors                          | 38 |
| 6.4   | Music startups' modes of marketing communications    | 39 |

|       |   |    |
|-------|---|----|
| 6.4.1 | Personal selling  | 40 |
| 6.4.2 | Word-of-mouth and viral marketing                               | 42 |
| 6.4.3 | Public relations and publicity                                  | 43 |
| 6.4.4 | Interactive marketing   | 44 |
| 6.4.5 | Content marketing   | 46 |
| 6.5   | Social media in music startups' marketing communications        | 47 |
| 6.5.1 | Twitter   | 50 |
| 6.5.2 | Facebook  | 52 |
| 6.5.3 | LinkedIn  | 54 |
| 6.6   | Social media as a part of music startups' services              | 55 |
| 6.7   | Music startups' services as social media tools                  | 57 |
| 6.8   | Impact on music industry and artist income                      | 58 |
| 7     | Conclusions   | 61 |
|       | References  | 63 |
|       | Appedices   |    |
|       | Appendix 1. Interview questions: Music startups                 |    |
|       | Appendix 2. GigsWiz's Twitter marketing communications campaign |    |

## 1 Introduction

The aim of this thesis is to study Finnish music industry startups' viewpoints on social media and marketing communications, and to explore their views on the future of the music business and the role of online and digital services could play in it. During the past few years a number of startup companies have been set up in Finland with the aim of providing online and digital services for music listeners, musicians and their driving forces, as well as other actors in the music industry. The time seems more than suitable. Music industry is facing substantial challenges and frantically trying to figure out ways to keep making music economically viable. The Finnish economy is looking for new boosters in an era of global economic depression and the weakening of its traditional supporters. People's behavior and their ways of consuming music have been altered due to digital music distribution and social media. The music economy has been dependant on selling recorded music but physical record sales have been sinking for years.

At the same time people around the world love to hear music. In their homes, parties, cars, iPods, bars and concert venues as well as in commercials, video games, movies and TV series. People love creating music. Composing, playing instruments, singing, and performing in front of a live audience. The huge challenge all music lovers face today is how to finance this art. Making music happen can't be purely based on volunteer work. Producing even one track of recorded music or organizing a memorable concert requires contribution from a number of professionals and all of them need to make a living. How to maintain creating music profitable for decades to come?

This has been the seeding ground for many companies in the field of music around the world. I chose four Finland based music industry startups to be interviewed for this study. I wanted to find out how they see their role in the changing music business environment and how they are planning to conquer their markets. I'm especially interested in the companies' ways of using social media in their marketing communications. Somewhat surprisingly during the interviews I found out that these startups have much more to do with social media and the feeling of community than I originally guessed. Music has always been social, but now music is getting new ways of being social.

From the marketing point of view this research deals with questions especially characteristic to small companies and organizations and startups. Huge outdoor ad campaigns, wide spread printed materials and even paid online advertising may be unknown to these companies for economic reasons or even irrelevant to them. Instead online presence and content marketing may be the cornerstones of their brand building and customer acquisition.

Talk around social media and its use in business and marketing has been wide in the past years. The current topics of social media have been and are popular subjects of thesis studies both in Finland and other countries. More and more examples of effective social media marketing campaigns with measured results are available. The purpose of this study is not to give guidelines on how to do social media marketing. Neither will it answer the question of how to save the music industry. Rather I hope this study can be of use for anyone weighing the possibilities of social media especially in startups and small companies and organizations. I hope it provides some topics of consideration for anyone interested in the role of social media – regarding marketing communication, music industry or simply our everyday communications.

## **2 Research objective**

The main objective of this research is to study the use of social media in Finnish music startups' marketing communications. By interviewing representatives from four Finnish music startup companies I study how these companies use different social media channels and what are their experiences and expectations concerning social media. Through the interviews I also study the general role of marketing in the companies as well as what are their most important means of marketing communications and customer acquisition.

As a case example I have included a description of a Twitter marketing communications campaign concept (Appendix 2) which was designed for ticketing company Gigs-Wiz as a part of the process of this thesis. The purpose of the description is to give an example of how Twitter could be used for measurable marketing.

## 2.1 Methodology

I have used theme interviews as the main source of qualitative information for the study and literature, existing research, articles and other written materials as background sources of information. Web sources have a significant role. Empirical research material includes a set of basic information I have gathered from the interviewed companies' pages in certain social media channels. Altogether, the conclusions I have made are based on the general picture I have drawn from literature and the interviews. The main research question "How do music industry startups use social media in their marketing communications?" cannot be answered exhaustively and therefore functions more as a conversation opener towards both wider and more detailed discussion topics. The conclusions I present in this study are based on interpretational analysis of the interviews and empirical evaluation of the companies' own social media channels, as well as critical review of literature and other material.

The four research interviews were conducted in face-to-face meetings in Helsinki and Espoo, Finland between April 27, 2011 and May 4, 2011. The interviewed companies were chosen based on their business model, field of operation and market focus. I chose companies that could be regarded as startups, that operate in the music industry field providing digital services or products, and focus on international markets. Companies were narrowed down also based on their active presence in social media channels. Since there were a number of startup companies to choose from I picked companies whose services and angles on the music industry differ from each other. Introductions to the interviewed startups can be found in Chapter 6.2. Three interviews were one-on-one whereas in one interview situation two company representatives were present. Companies chose who would be the most suitable person to be interviewed about the topic.

The interviewees:

- Timo Kari, responsible for the product and technology at Playmysong.
- Rami Korhonen, responsible for marketing and commerce at Playmysong.
- Christian Pöyhönen, responsible for sales in Europe at Mobile Backstage.
- Juuso Vermasheinä, CEO of GigsWiz.
- Teemu Yli-Hollo, CEO of AudioDraft.

The interviews were conducted in theme interview style and were voice recorded. The interview questions were sent to the interviewees beforehand and they created the basic structure for the interviews. However questions were not always presented in the same order and additional redefining questions were asked when needed. Interview questions are listed in Appendix 1. Empirical material was gathered from interviewed companies' social media pages on May 16, 2011. The role of this material is to give a general review of the companies' presence and activity in the social media channels that proved most important for the companies in the interviews.

## 2.2 Structure of the research

The thesis is divided into seven chapters. First two deal with the study itself: Introduction and Research objective. Each of the next three chapters focuses on one background topic. Chapter 3 defines marketing communications, describes how it is designed, and introduces different modes of marketing communications. Chapter 4 is dedicated to social media and its genres. In Chapter 5 I shed light on the music industry including overviews of its current state, music business's different professionals and income streams, and music marketing. After the background information, Chapter 6 consists of the interview material and Chapter 7 is dedicated to the conclusions of my research.

In the beginning of several chapters I have added a short message somewhat resembling the style of a Twitter post. The idea is to present a key thought of the chapter in a crystallized form – with the same aim that many tweets and other social media updates are written.

## 3 Marketing communications

Marketing communications are a means by which the company can establish a dialogue and build relationships with consumers. #Kotler&Keller #p510

Marketing communications is one means of marketing. Therefore I begin with defining the wider concept of marketing before further elaborating the more specific definition of marketing communications.

There are many ways to define marketing. Kotler and Keller (2009, 45) present a social viewpoint on the term. According to them, marketing can be defined as “a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with each other” (Kotler & Keller 2009, 45). This definition is based on the idea that marketing itself is something taking place between people as opposed to something taking place between two or more companies, or between companies and people.

Kotler and Keller define ten types of entities that are marketed: goods, services, events, experiences, persons, places, properties, organizations, information, and ideas (Kotler & Keller 2009, 46). In the case of music industry, most if not all of these entities are included. For example record companies market records and merchandise (goods), managers and promoters market their expertise to artists (services), concerts and festivals are marketed to consumers (events, experiences), artists and bands are branding themselves (persons), concert venues are marketed to promoters and event organizers (places, properties), copyright organizations acquire customers from music makers (organizations), demographic consumer data is valuable for everyone (information) and creative innovations are subject to commerce in the field of arts and culture (ideas). This list shows how wide a circle the music industry creates.

### 3.1 Defining marketing communications

According to Kotler & Keller (2009, 510) “marketing communications are the means by which firms attempt to inform, persuade, and remind consumers – directly or indirectly – about the products and brands they sell”. Their more detailed definition of marketing communications further emphasizes the social characteristics as they define that marketing communications “are a means by which the company can establish a dialogue and build relationships with consumers” (Kotler & Keller 2009, 510). Therefore it seems more than natural that social media channels can be great tools for marketing communications. They operate as a forum for dialogue between the brand and its customers, as well as a conversation space between customers about the brand, and make it possible for brands and customers to create bonds and relationships based on loyalty, trust and benefit for both.

Marketing communication consists of eight main modes:

1. advertising,
2. sales promotion,
3. events and experiences,
4. public relations and publicity,
5. direct marketing,
6. interactive marketing,
7. word-of-mouth marketing,
8. personal selling.

(Kotler & Keller 2009, 512.)

I describe interactive marketing and word-of-mouth marketing in the following chapters, as well as the concept of content marketing.

One of the classic marketing communications' response hierarchy models is the so-called AIDA model. The model assumes that a buyer goes through cognitive, affective and behavioral stages while making a purchase decision. (Kotler & Keller 2009, 515.)

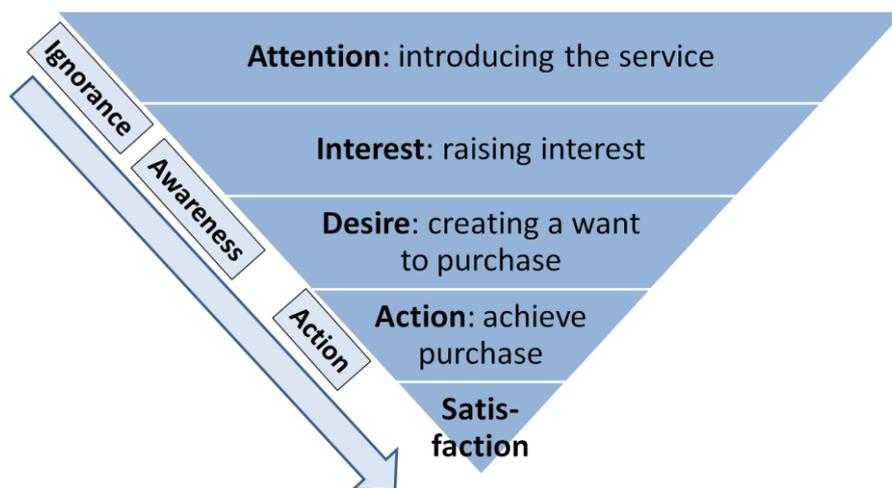


Figure 1: Marketing communications response hierarchy model (Kotler & Keller 2010, 515 and Wikipedia. AIDA (marketing) 2011)

In the cognitive stage customer's attention must be caught. In the affective stage the aim is to get customer's interest and raise desire towards the purchase of the product or service. The final, behavioral stage, leads to action. (Kotler & Keller 2009, 515.) In the AIDAS model (as in Figure 1) an extra level has been added with the aim to achieve customer's satisfaction (Wikipedia. AIDA (marketing) 2011).

### 3.2 Designing marketing communications

Real impact is only possible when text provides the reader something he wants or needs. #Isokangas&Vassinen #p211–214

Effective marketing communication needs to be carefully planned. As with all business activities, before starting any marketing communications actions, certain issues should be decided and designed, including targets, budget and means of measuring results. According to Kotler and Keller (2009, 516) developing effective marketing communications consists of eight steps as shown in the Figure 2 below.

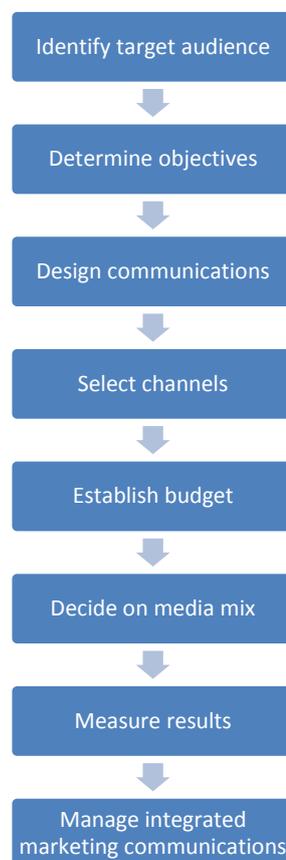


Figure 2. Eight steps of developing marketing communications (Kotler & Keller 2009, 516)

The first step, identifying the target audience, is a crucial factor. It defines what to say, how, when, where to say it and to whom. Profiling can be based on market segment identification with variables such as geography, benefits sought and especially based on usage and loyalty. Are members of the target audience usually loyal to brands and co-operators, or do they switch between brands easily? (Kotler & Keller 2009, 516.)

Formerly it was not really possible to target individuals with marketing. Therefore people talked about target groups. According to (Abraham & Behrendt 2010, 70) targeting individuals is now finally possible, and target group is becoming a target person. Today people give more and more insights into their lives in services like Facebook, and websites using cookies can track and store user data. This creates a huge human database for marketers, and allows creating tailor-made advertisements and other marketing messages. With the possibility of targeting individuals in mind basic teachings of marketing communications get a new perspective. Starting from Chapter 6.4 Finnish music startups tell for example how they are targeting individuals with personalized marketing messages.

When creating a marketing communications message, for example a content marketing blog text, the marketer needs to know if they want to influence the reader, and in case they do what kind of an influence they are seeking. In short this is about determining the objectives of marketing communications. Readers also have their own objectives. Real influence or impact is only possible when the text provides the reader with something they want or need. (Isokangas & Vassinen 2010, 211–214). When it comes to designing communications, according to Kotler & Keller (2009, 517) three matters should be decided: what to say (message strategy), how to say it (creative strategy) and who should say it (message source).

In a way all of the other steps, defining target audience or target person, objectives, and budget determine the channels and the media mix to be used. Finally the results are measured by marketing metrics which are used for quantifying, comparing and interpreting marketing performances. Evaluating marketing effects can be split into two categories: short term results which are often shown as sales turnover, and changes in brand equity which can be reflected for example as customer awareness and behavior and market share. (Kotler & Keller 2009, 146.) Regarding content marketing as well as social media marketing measurement should be thought of as an enabler of trial and error – and of correction. When a company has taken the road of content marketing it should have courage to take risks. Measuring the success of marketing efforts shows if the risks were worthy. (Isokangas & Vassinen 2010, 190.)

### 3.3 Interactive marketing

Interactive marketing includes company's own websites and microsites, search ads or pay-per-click ads, display ads or banner ads, interstitials or pop up-ads, videos and other ads on user-generated content sites, website sponsorships, affiliate programs, e-mail campaigns and mobile marketing (Kotler & Keller 2009, 580–585). Based on four startups' interviews they use several types of interactive marketing which are elaborated in Chapter 6.4.4.

Internet provides marketers with opportunities for interaction and individualization. Online channels can be used for sending tailored messages reflecting consumer's personal interests and behavior. Online ads can be placed on sites related to the marketer's offerings or based on search engine keywords. This also has downsides. Consumers can effectively screen out messages and marketers lose part of the control of their content online. (Kotler & Keller 2009, 578–579.) Interactive marketing includes also social media marketing. A lot of traditional marketing, especially advertising is often so-called "push"-marketing. The advertiser shouts out the message to people and they either passively accept or ignore it. As the social online space is based on two-way communication, the traditional push strategy doesn't really work online. Instead social media marketer lets the consumers "pull" their message and make it a part of their online experience. (Mortimer, Brooks, Smith & Hiam 2009, 221.)

### 3.4 Word-of-mouth marketing

Web citizens wash their hands regularly so viral campaigns have little chance of infecting anything. #Evans #p69

Wikipedia (2011) defines word-of-mouth marketing as "an unpaid form of promotion – oral or written - in which satisfied customers tell other people how much they like a business, product, service, or event." Word-of-mouth is regarded as a very credible form of marketing. In some cases positive word-of-mouth happens organically, but in most cases it is planned and managed (Kotler & Keller 2009, 585–586). Word-of-mouth happens both online, especially in social media, and offline. Just think about the average coffee break discussions which more than often mention brands. Online word-of-mouth is often called viral marketing.

The amount and strength of word-of-mouth in social media is incredible offering great potential for marketers. It has been claimed that roughly two thirds of all word-of-mouth conversations are related to a brand, product or service, and as an estimate there are 3.5 billion of these conversations going on each day. That's 2.3 billion conversations about brands each day. (Evans 2008, 41.) These estimates have been made before the staggering growth of Facebook, and today's estimate could be even higher. However Kotler and Keller (2009, 591) refer to a research by consulting firm Keller Fay which claims that 80% of word-of-mouth still occurs offline.

Kotler and Keller (2009, 586) see word-of-mouth as a wide term under which for example buzz marketing and viral marketing fall. Buzz marketing generates excitement and creates publicity through unexpected means. Viral marketing is a form of word-of-mouth that happens online and it forms when consumers pass along company's marketing material for example in the form of web pages, blog posts, or audio or video clips. Both try to create "a splash in the marketplace to showcase a brand and its noteworthy features". According to Wikipedia (2011) viral marketing uses online social networks to increase brand awareness or achieve other marketing objectives through "self-replicating viral processes, analogous to the spread of viruses or computer viruses". It is important to remember that many, if not most attempted viral campaigns fail. A company should never take it for granted that their campaign will become a viral hit. It is believed that people are more likely to tell to a friend about a bad experience, for example customer service, than a good one. This should be kept in mind when planning word-of-mouth or a viral campaign. There is a chance of positive buzz, but equally bad reputation might follow. Evans (2008, 69) reminds that web citizens "wash their hands regularly" and therefore viral campaigns have little chance of infecting anything. A virus can spread, but it doesn't automatically mean it will. Chapter 6.4.2 describes music industry startups' thoughts on word-of-mouth and viral marketing.

### 3.5 Content marketing

It's not relevant to gather as many followers as possible – instead get a small number of great followers. #O'Reilly&Milstein #p102

Social media and especially blogs have become an important new media for content marketing. Content marketing means using content for engaging current and potential

customers. Wikipedia (2011) defines it as an umbrella term covering different marketing formats for example in form of customer magazines, print or online newsletters, digital content, websites, webcasts, podcasts or events. This content usually doesn't deal with company's own products or services but it informs target customers and prospects about related topics such as key industry issues or events. Sometimes it also involves the marketer's products. Content marketing is based on the belief that keeping the customers informed and educating them raises marketer's role as a thought leader and industry expert. (Wikipedia. Content Marketing 2011.) Content marketing is also a good way to keep the channel open and remind the customer about the marketer's existence.

According to Isokangas and Vassinen (2010, 66) content marketing is about creating relevant content to customers and prospects regularly and systematically. Blog text is a typical example of content marketing. Online text is always competing against images, videos and games that can provide content in easier, faster and more entertaining formats (Isokangas & Vassinen 2010, 69). However it is good to keep in mind that also these formats can be used for content marketing, not just text. What kind of text or other content works best online? Isokangas and Vassinen (2010, 67–68) say it should be both useful and entertaining. Useful content provides some kind of a solution to the receiver's concrete problem. Sometimes the reader doesn't yet identify the problem. In that case the content creator must define the problem for the reader. Useful content rewards the reader by helping out, whereas entertaining content does it by generating an emotional reaction. Personal touch is recommended even in professional and factual blogs because people tend to enjoy getting a glimpse of other people's private lives.

People are not interested in companies or their products and services. Instead people are interested in how they can benefit from them. Therefore a company can be interesting only when it talks about things or problems that are somehow related to its customer's life. In fact, it should be real people – not companies – talking about real things. Twitter accounts of most brands are so called logo accounts in which people behind a logo post useless links. Personal touch and unique content are rare. (Isokangas & Vassinen 2010, 31.) Twitter should be thought of as a way of exchanging mutually interesting information. This approach will help in building credibility. (O'Reilly & Milstein 2009, 211.) Publishing posts and links only about one's own company is not

the way to go. Linking to interesting things around the web is good service for one's followers, but there's also a self-interested reason for it. Messages containing well-described links are most likely to be retweeted. (O'Reilly & Milstein 2009, 145.) All of this naturally goes also for other social media channels in which marketers post links, short commentaries or status updates.

Marketers' objectives in social media are sometimes too focused on getting as many fans or followers to their profiles as possible. For example in Twitter in most cases it's not relevant to gather as many followers as possible. Instead getting a small number of great followers can be much more beneficial. Truly interested people are more likely to benefit from one's posts and click on published links. (O'Reilly & Milstein 2009, 102.) It is important for a content marketer writing a blog post to know what he wants to say and to focus on it. The chosen topic should be the one that's optimally serving the writer's current objective and that reaches the audience best. (Isokangas & Vassinen 2010, 211–214.)

#### **4 Social media**

What people do in social media? Share, publish, recommend, give & get peer support, help, trade, play & date. #Isokangas&Vassinen #p154–180

There are several ways to define social media and the preceding buzz word web 2.0. Simply put, web 2.0 refers to the evolution of the internet and how people are using it. Web 1.0 was the childhood of internet. It could only do a limited range of things and not communicate very well. In the era of web 2.0 the internet has shifted away from being just text towards a place where people share for example pictures and video. For companies, web 2.0 is not just a technology to sell things but also a place to build a brand and create dialogue with customers. Web 2.0 is a young and creative adult who likes chatting with friends and sharing things. (Mortimer et al. 2009, 218.)

Social media has been defined in many ways, and the definition is constantly on the move – just like social media itself with new services and features being published at every turn. Therefore I present Wikipedia's definition of social media which should be quite up-to-date. According to Wikipedia (2011) all definitions of social media are a

combination of technology and social interaction. Third important feature of social media is user generated content. Wikipedia refers to Kaplan & Haenlein (2010) who define social media as "a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, which allows the creation and exchange of user-generated content." Compared to traditional media, such as radio and newspapers, one of the most fundamental differences is that the audience can participate in social media: by adding comments, editing content or by adding their own content (Evans 2008, 33).

The use of internet shifts all the time, partly due to technological development, partly due to users' needs and inventive use of technology. In 2011 social media has become an essential part of people's daily internet use. Behavior in social media is based on eight main actions. People share, publish, recommend, give and get peer support, help, trade, play and date online. (Isokangas & Vassinen 2010, 154–180.) The major web 2.0 factors of people's behavior in the internet are community, communication and content. Community refers to using the web in managing one's personal and professional networks, and expressing likes and dislikes. Communication has always been one of the key uses of internet, but now more versatile and advanced participation is leading to a feeling of being constantly connected to friends and the world. Content isn't new to the web either, but now it's more common that users themselves can create and share their own content online. (Mortimer et al. 2009, 218.)

Social media genres can be divided into categories based on their core idea:

1. content creation and publishing tools, which include blogs, wikis and podcasts,
2. content sharing sites, which are close to social networks but are focused on sharing a certain type of content rather than building a social network, for example video, photo and bookmark sharing sites,
3. social networks, for example Facebook and LinkedIn,
4. collaborative productions in which people work together to achieve a goal, for example a media production,
5. virtual worlds, which are developed environments for users to act in, and
6. add-ons, for example Facebook applications.

(Lietsala & Sirkkunen 2008, 29-53).

In the following chapters I focus on describing the social media genres and tools that Finnish music startups use the most according to the interviews conducted for this thesis. The most important social media channels for the interviewed startups are social network services Facebook and LinkedIn, companies' own blogs and micro blog service Twitter.

#### 4.1 Social network services

Social network services (SNS) are websites that concentrate on social networking or spending time with a person's existing network. They have public or semi-public profiles for individuals but also for firms, groups, bands and causes. It is characteristic for social network services to show a list of a user's connections on the user's profile page. (Lietsala & Sirkkunen 2008, 47.)

"Social networking sites allow users to share ideas, activities, events, and interests within their individual networks" (Wikipedia. Social networking service 2011). Users can usually upload photos of themselves to their profiles, post entries with text, links, pictures and video, and search for other users with similar interests. Usually profiles also have a comment section that user's connections can write in. Social network sites usually have user privacy controls for limiting who can view a user's profile, contact them and add them as a connection. (Wikipedia. Social networking service 2011.) Users create their network inside a social network service by connecting to friends in the network or by inviting real-world contacts to join the service (Mayfield 2007, 14).

Facebook had more than 600 million users in January 2011 when it had been the world's largest social network service for about two years. Facebook is also the second most popular website globally based on site traffic (Alexa 2011). Users have a profile page with photos, lists of personal interests and personal information, and can communicate with their contacts through private or public messages and a chat feature. Users can also create and join groups and like pages, some of which are maintained by companies and organizations for marketing communications purposes. Joining and using Facebook is free for users. The service gathers revenue by selling advertisement space. (Wikipedia. Facebook 2011.)

Simply put there are five main ways for companies, organizations and individuals to advertise and do other marketing communications on Facebook: pages, ads, places, applications, and viral campaigns. Former "fan pages" have been changed into just "pages" that Facebook users can choose to like. Anyone can create a page for example for one's own band, company or brand. Facebook ads can be created for external brands and websites as well as places or events that have pages in Facebook. Facebook Places is a location based check-in service which offers companies a possibility to create different kinds of deals and campaigns. Applications, or apps, are add-ons created by external developers. They can be for example games or different kinds of social features with connections to external websites. (Facebook. Help Center 2011.) In addition to the built in features companies can also plan to get visibility on Facebook by encouraging people to share a link to a content the company has published in another website, for example a blog post or a video on YouTube, and hoping it will spread virally.

Because Facebook is used mainly for connecting with people who are user's friends in real-life and interacting with trusted people, Facebook's marketing use is seen as especially potential with consumer brands, services and products. Facebook's personal characteristics also mean that recommendations and shares in the service are particularly valuable.

LinkedIn is a social networking service that is used mainly for business networking. The company reported in March 2011 to have over 100 million users worldwide. LinkedIn ranks 16th in Alexa's (2011) list of most popular websites in the world. LinkedIn is used for example for job hunting and recruitment, and for finding business opportunities and cooperation partners. Users create their network by inviting other site users and non-users to become their connections. Users can ask for introductions to second and third degree connections through mutual contacts. Company pages that can be followed by users list current and former employees and statistics about the company. There is also a possibility for users to create and join groups. (Wikipedia. LinkedIn 2011). LinkedIn gets its revenue from user subscriptions, advertising sales and hiring solutions. More than 2 million companies have a page on LinkedIn. (LinkedIn: About Us 2011)

LinkedIn is clearly trying to achieve a position as the dominant business networking tool. It has direct competitors especially in Germany-based XING and France-based Viadeo but is also trying to gain the throne before Facebook grows into a worthy tool in business use. LinkedIn has recently added features related to its company pages. It now enables creating pages for products and services with banner images and videos. LinkedIn users can recommend the products and services, and there are recommend and share buttons available to be added on companies' own websites or blogs. Companies' latest blog posts and tweets can be shown on the company overview page and on the companies' followers' pages. (Coles 2011.)

## 4.2 Blogs

Blogs can be defined as online journals where the entries are published with the most recent first. Several features differentiate blogs from other websites. Blogs are usually written in a personal tone of voice and their topic is usually defined and indicated. Blog platforms have easy features for inserting links in the text and contain a comment section for each blog post and a way of subscribing the blog, usually via RSS. (Mayfield 2007, 16.) Most blogs are primarily textual, but there are also blogs that contain mostly art, photos, videos, music, or audio (Wikipedia. Blog 2011). Blogs are easy to set up using a number of services. Popular free blog services include Google's Blogger, Wordpress and Typepad. (Mayfield 2007, 17.)

Blogs are written about almost every imaginable topic, by all kinds of people and for a variety of purposes. In a way, personal blogs are a continuum for the early home pages people published on the internet in its early years. In blogs people write about their lives, thoughts and interests. Personal blogs however are only one blog type. These days professional blogs with specialists writing about their expertise area are common, as well as column like blogs in online media sites. In the context of this thesis business blogs are especially interesting. Business blogs provide a way for companies to communicate in a more laid-back style. It can be an optional or a complementary communication channel for more traditional communication channels such as newsletters, brochures and press releases. Blog can also function as a way of building a business network and raising its writer's profile. (Mayfield 2007, 17.)

### 4.3 Micro blogs

Micro blogs are messaging services based on social networks where people can publish short public messages and links through their own profiles. Like the name refers, micro blogs have something in common with regular blogs, but they also contain elements from text messaging on mobile phones and social networks such as Facebook. Micro-blogging services include for example Twitter, Plurk, Blauk and Qaiku. Wikipedia (2011) defines micro blogs as a broadcast medium which differs from a traditional blog with their small size. Furthermore Wikipedia refers to Kaplan & Haenlein (2011) who write that micro blogs "allow users to exchange small elements of content such as short sentences, individual images, or video links".

Twitter is the most popular and fast growing micro blog platform. Based on Alexa's (2011) traffic rank Twitter is the 10th most popular website in the world. Twitter's user amount is not known because the company hasn't published these statistics. An idea of Twitter's size can be drawn from the fact it announced in April 2011: Twitter sees 155 million tweets per day. The amount has grown 41 percent from a year before. (Siegler 2011.) However no-one seems to know how big percentage of tweets is unwanted noise and spam. Spam in the micro blog context refers to using a Twitter account as a corporate megaphone, posting continuously about the company and its services (Evans 2008, 174). It can take even more aggressive and harmful forms. It has been reported that certain Twitter accounts spread malware through tweets. (Butcher 2010).

There are a few factors that probably have something to do with Twitter's popularity.

1. Easiness. Twitter messages are no longer than 140 characters so they are easy to read and write.
2. Openness. Messages are public which means everyone can read each others' posts. This makes it easy to find interesting people on Twitter.
3. Subscriptions. Twitter messages are opt-in, people choose whose messages they wish to receive. This means messages have to be interesting and relevant, or people will choose not to subscribe them.
4. Flexibility. Messages can be sent and received with a variety of mechanisms, including mobile phones, PCs, websites and desktop programs.

(O'Reilly & Milstein 2009, 7.)

Businesses could probably learn a thing or two from celebrities who have been using Twitter successfully for a couple of years. Twitter has proved to be an intriguing new way for artists and other public figures to interact with their fans (O'Reilly & Milstein 2009, 17). Celebrities rule the listings of Twitter accounts with most followers. In May 2011 the top 30 list included only four companies or websites, Twitter (twitter), Twitter Español (twitter\_es), CNN Breaking News (cnnbrk) and TwitPics (twitpic). All other popular accounts belonged to individuals, music artists ruling the top places: Lady Gaga, Justin Bieber and Britney Spears accompanied with US President Barack Obama. (Twitaholic 2011).

Twitter messages are called tweets. Term can also be turned into to a verb: tweeting or twittering. (O'Reilly & Milstein 2009, 43). Because of the restricted message length using abbreviations, leaving out punctuation and cutting out unnecessary words are common. Long links are shrunk with URL shortener services. (O'Reilly & Milstein 2009, 35–36). Public messages can be sent to other Twitter users by adding the @-symbol in the beginning of the account name. The @-symbol is a conventional way of referring to people on Twitter for example in the common case of retweeting, quoting other Twitter users. When a user reposts someone else's tweet they add "RT @username" somewhere in their message. Username with @-symbol in the beginning is a link to that person's Twitter profile. Therefore retweeting is also a crucial part of networking on Twitter. (O'Reilly & Milstein 2009, 45–47). When Twitter users want to designate messages related to a certain topic or event, they use so-called hashtags. Users come up with short terms describing the topic or event and prefix it with the hash mark (#) symbol. (O'Reilly & Milstein 2009, 41). By writing the hashtag to Twitter search users can see all recent messages that include the hashtag.

## **5 Music industry**

Record industry is only a slice of the music industry pie – many other slices are not even known for the average music fan. #DavidKusek #p21

One of the first things needed to be realized when talking about the music industry is the fact that music industry does not equal record industry. The transformation of the record industry is obvious. Digital distribution – both legal and illegal – is crumbling the

sales of physical records. However this doesn't mean that the music industry as a whole is going down. Music industry is essentially about people's desire to create and hear music. Huge changes in the music industry require new ways of monetizing in order to retain making and performing music economically viable.

However restructuring of the music industry does affect more than just record sales. Especially technological advances and easier production and distribution of music have had an impact on the roles of music industry professionals. Record labels and agencies are forced to enter into non-traditional roles. Agencies are getting into artists management and record labels into music publishing (Karhumaa, Lehtman & Nikula 2010, 19-23.)

### 5.1 From physical records to digital sales

According to IFPI's (International Federation of the Phonographic Industry) latest report about music industry figures global recorded music revenues declined 7% in 2009, including both physical and digital sales. Record companies' sales revenues accounted for US\$17 billion globally. Piracy continued to undermine legitimate music sales worldwide. Physical record sales fell by 12.7% whereas digital music sales rose by 9.2%. The broader music industry, which includes also areas like radio advertising, live performance sales and the sale of audio equipment fell 8% to an estimated US\$140 billion in 2009. (IFPI 2010.)

Summers (2000, 168) had an early eye for the digital distribution of music: "You may also see some subscription models à la cable TV. Pay \$20 a month, get any song you want, any time you want, any way you want. Maybe that will transform the CD collection into a service, where it's not about collecting CDs – it's about subscribing to this service and having everything streamed on demand." This description goes together quite well with existing digital music distribution channels such as Spotify and Pandora. The latter however doesn't give the user a possibility to select a specific song and is closer to traditional radio. Spotify's development was started in 2006 and it is currently available in several European countries (Koskinen 2010). The company behind Pandora internet radio was founded in 2000 but it wasn't until 2005 when the service's listenership started to rise. Today it's only available in the USA. (Cain Miller 2010.)

Digital music distribution channels accounted for 25.3% of record companies' sales revenues in 2009. In 2009 there were more than 12 million tracks available from over 400 legal music services, ranging from download stores (e.g. iTunes) to video streaming sites (e.g. YouTube) and audio streaming services (e.g. Spotify). (IFPI 2010.)

## 5.2 New rise of the artist-fan-relationship

Today's technology gives great opportunities for do-it-yourself artists. Music can be easily made, recorded, edited and distributed from one's home computer with a minimal budget. Also music videos can be made and distributed easily, and social media offers various ways of marketing music for free. This makes the artists more powerful as they no longer need record labels behind them (Kusek & Leonhard 2005, 22). What Summers (2000, 158) saw over 10 years ago, is still much true today. According to her, the web impacts music consumers, artists and music companies in four ways: by providing users easy access to music, allowing consumers to connect with artists and other fans, offering consumers more choices of music and formats, and by fostering creativity by bringing together talents and fans. Furthermore, Summers (2000, 164) wrote that artists with small following due to the early stage of their career or their style don't fit into the corporate music system, but can utilize web for exposure and distribution of their music. Back in 2000, social media was taking baby steps and advanced digital music distribution channels didn't yet exist.

Today social media acts as a great enabler of two-way connection between the artist and the fan. Whereas fans used to belong to fan clubs and send letters to their favorite artists, today they become a fan in Facebook or a follower in Twitter and have possibilities of connecting with their favorite artists instantly. For music consumers the development of digital services and social media also means more convenient ways of discovering new music. For a long time radio was the primary way but now people can hear new music in video games, television and naturally in many ways in the internet, for example by friend's recommendation in social media. (Kusek & Leonhard 2005, 27.) For a do-it-yourself artist this is a great chance of getting their music heard without record labels backing them up and feeding money into their marketing. Besides the sales of recorded music, whether physical or digital, the artist can also recognize other ways of monetizing the artist-fan-relationship (Kusek & Leonhard 2005, 28).

### 5.3 Changing live experience

Record industry productized music, but people still value a connection to an artist and create deep personal ties to artists. #Kusek&Leonhard #p22

Simon Frith, sociologist and rock researcher, predicts that consumers' relationship with music as a whole will change in the future. Music no longer is a commodity to be owned but an experience. (Uusitorppa 2011.) In a way, music business has gone back to its' roots. Prior to the 1920's artists distributed their music by their feet, by performing. Artists also knew their audiences personally and interacted with them in many ways. Music was about live entertainment. Record industry productized music, but people still place great value with their connection to an artist and create deep personal ties to artists. (Kusek & Leonhard 2005, 22.)

According to Kusek & Leonhard (2005, 21) in 2005 music and event merchandising, concerts and touring, and live entertainment in general accounted for \$25 billion globally. Music publishing was approximately a \$12 billion dollar business. In addition record companies made nearly \$2 billion dollars a year in special products such as give-away CD sets, corporate marketing items and in business-to-business licensing. (Kusek & Leonhard 2005, 21.) In fact, already in early years of 2000 while CD sales were falling, the popularity of live shows, festivals, and concerts was increasing. Revenues from big-ticket concerts were growing steadily (Kusek & Leonhard 2005, 114). According to IFPI (2010) the only music industry sectors showing growth in 2009 were the markets in live music, songwriters' music copyrights and the performance rights, generated from the use of music by third party businesses in broadcast and public performances. Live music revenues were up 4% but have slowed significantly in the last three years. It really seems like the long boom in live music business has paused. The hottest acts with the biggest concerts still sell out but according to Michael Rapino, head of Live Nation Entertainment, in 2010 up to 40% of live concert tickets were unsold. The live music business now needs innovations like the recording industry needed ten years ago when the music business was unable to answer to the illegal file-sharing. (The Economist 2011.) Simon Frith believes that massive tours and stadium concerts will become economically and artistically purposeless during the next fifteen years. Smaller venues that can offer more pleasant experiences will rule in the future. (Uusitorppa 2011.)

## 5.4 Music industry professions

“In 2025 the traditional record companies that fund, produce, market and distribute physical records do longer exist.” - Simon Frith

There are various professions in the music industry from roadies and merchandise sellers to producers and record label executives. In a way all these people can be seen as supporters of the musician’s career. Music is what it all starts with, and in the center of the music industry stands the artist who has the talent and the will to compose, create, or perform music. Somewhere is a person who likes to hear that music, a listener. All of the other roles are facilitating for the connection between the music, the artist and the listener to happen. In this chapter I try to draw a picture of the most important figures in that process, and in a musician’s career, but I have left out many jobs for example in music and merchandise sales, venue management, music education, and music journalism.

Performing live is often the first step in a musician’s career to start getting a pay for the art and to start building a name. There are five principle job areas that support artists who perform live: booking, managing tours, promoting, managing administrative business functions, and general managing. Relationship of these functions can be divided into hierarchy as shown in Figure 3. (Allen 2007, 86.)

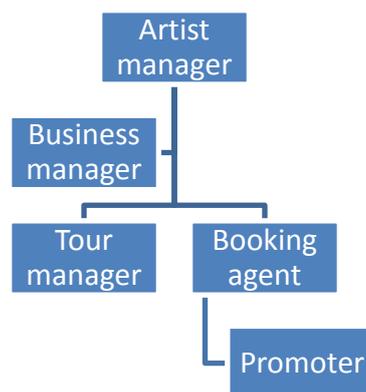


Figure 3: Live performing artist’s support jobs (Allen 2007, 86)

When it comes to bands and artists that are early in their career, the musicians usually cannot afford to pay for anyone outside the band, meaning they do also the tasks of managers and agents themselves. With starting artists manager might be the first person working for the band, sometimes a friend working without pay. Artist manager,

also known as band manager, is probably the person working closest to the band or artist. He/she is in charge of the business side of a band. Manager takes care of the day to day running of the band's career, so the band can focus on the creative side of things. Detailed tasks depend on the band and whether they are signed for a record label or not. For unsigned bands, managers usually send out demos to labels and media, book gigs, network and talk to people about the band, help book studio time and practice sessions and explore funding opportunities. For signed artists managers negotiate financial deals with the label and oversee other people working for the band, like accountants, agents, and merchandisers. (McDonald, Artist Manager 2011.) Artist can also have a separate business manager as shown in Figure 3.

Tour manager is responsible for making sure a concert tour runs smoothly and is in charge of the financial aspects of a tour. Tour manager deals with promoters, venue managers and ticket agents and confirms show times and reservations. He/she is also responsible of getting everyone to where they need to be on time and generally keeping everyone else on tour down the line, as well as giving the artists emotional support. (McDonald, Tour Manager Career Profile 2011.)

Music agent, booking agent, talent agent, or simply agent, connects an artist with paid performances. Agent usually works closely with promoters and record labels. Agent's tasks include agreeing with bands, labels and management on a window for tour dates, the financial and logistic requirements of the tour, and the goals of the tour, contacting promoters and venues to pitch bands and agree on performance dates and arranging contracts with promoters regarding pay, rider, guest list, and equipment. (McDonald, Music Agent 2011.) Agents also book artists' live performances in TV shows and movies (Borg 2008, 136). Music promoter, usually simply called a promoter, publicizes a concert. He/she works with agents, or in some cases, directly with the bands, and with clubs and concert venues to arrange for a show to take place. Promoter is sometimes tied to a certain venue. Promoter agrees with bands and agents on a date for a performance and then negotiates a deal, books a venue, promotes the upcoming gig to the local media and via mailing lists, puts up posters, makes sure everything the band needs is in place, including depending on the case for example backline equipment, accommodation, and rider. He/she also sets up sound check times, the running order of the show and arranges a support band. (McDonald, Music Promoter 2011.)

When it's time to record music, more music industry professionals step in. The most important person is the record producer who acts as the guardian of the recording process. The role of the record producer might include co-writing songs and arranging compositions for songs, helping artist to choose which songs to record, putting together a recording budget and schedule, helping the artist get the most out of each studio performance and keep the atmosphere in the studio productive, making sure the sound of the songs is current and lasts time in order to deliver a product that can be commercially successful. (Borg 2008, 150–151.)

The artist or the band at this point might or might not have a recording deal, and even if it does there are several types of deals. The do-it-yourself approach means that the band funds, releases and distributes its own recordings. Usually independent labels are more willing than major record labels to make deals with more undeveloped musicians and bands whose music is outside mainstream. However they usually don't have the same resources for marketing. A deal with a production company means the production company produces and records the artist and signs a deal with the record company on behalf of the artist, taking a percentage of the record sales royalties. At the moment there are four international major record companies: Sony Music Entertainment, Warner Music Group, Universal Music Group, and EMI. Major labels employ professionals in a variety of functions: A&R, press, promotion, sales, advertising, new media, business and legal, and finance. (Borg 2008, 164–172.) The record labels have faced greatest pressure in the music industry field caused by the fall of record sales.

The record labels used to be the ones to invest in new artists but what happens if the record companies die out the way we know them? Simon Frith predicts that in 2025 the traditional record companies that fund, produce, market and distribute physical records do longer exist. Their profit will be based on offering diverse services instead of owning rights to music. (Uusitorppa 2011.) Many artists are not interested in financial, marketing, or organizational matters, as their focus in on creative aspects. Traditionally, managers and agents, as well as lawyers and accountants have taken the administrative role and provided these services to musicians that could afford them. Managers have taken on more and more of these duties. The relationship between an artist and a manager is very close, and managers tend to have a direct and immediate influence on musicians' business decisions – be it about publishing, marketing, touring

or merchandising. Musicians can get a much deeper level of cooperation from a manager than they would get from a traditional record label. (Kusek & Leonhard 2005, 23.) However Karhumaa (et al. 2010, 20) claim that today managers are often responsible for very limited tasks and get straight pay for their work in contrast to a commission dependent on the achieved result.

## 5.5 Music industry's income models

Only time will tell if replacement for lost record sales is found in digital music sales or something else. #Ailamo #p14

As I've described in the previous chapter music is a huge business providing income for a variety of professions. When simplified music industry's income model is built from music consumers' money divided between the different actors of the industry. In practice it's not so simple. Music is used in movies, advertisements, malls and public spaces, and there's money there too. Traditional music industry value chain consists of four phases: 1) composing or creating, 2) performing and developing, 3) producing and packaging, and 4) marketing and distributing. Audience's music consumption comes after these phases. (Pönni & Tuomola 2003, 21–23.) Business logic follows these phases, and the income gathered from music consumers is divided between the music industry professionals acting in the different phases. Music makers can also get income in the form of private and public scholarships and awards. Traditionally the most important sources of income have been sales from physical records and music events. (Pönni & Tuomola 2003, 28.)

The whole music industry income model is under reconstruction. Only time will tell if the replacement for the lost record sales is found in digital music sales, mobile sales, live concerts, merchandise sales, music export, music publishing (using music for instance in TV programs and games) advertising, or something else (Ailamo 2009, 14–16). Music industry professional Ailamo (2009, 14–16) interviewed for his thesis in 2007 didn't believe that digital music sales would ever replace the deficit caused by the fall of physical record sales. Their expectations from mobile sales were slightly higher. However downloading digital music legally has become easier and services like Spotify have been launched since the time of the interviews. It's interesting that Ailamo expects income from advertising to become substantial. He describes a format in which

the music consumer would get the music for free and accept audio and banner advertising as a part of the listening experience. This model resembles Spotify's free model. These kinds of services haven't yet proved to be a significant source of income for the musicians. For example Finnish singer-songwriter Tuure Kilpeläinen says Spotify's payments for the artist are a joke. Instead he evaluates that his income from digital sales in online music shops is almost the same as from CD sales. (Lappalainen 2010.)

Often the most immediate way for an artist to begin earning money is live performing. It is also an important way for the artist to build a fan base, to develop professionally and to sell records. (Allen 2007, 86.) According to Simon Frith consumers in Great Britain are already using more money on live music than recorded music. Live music is also the biggest employer in the whole music sector. (Uusitorppa 2011.) Ailamo (2009, 14–16) claims that nowadays live concerts are more important sources of income than record sales for almost every artist. Merchandise sales can be a significant source of additional income. According to a study conducted in Finland in early 2000s performing has a central role in the formation of income for popular music makers. Almost two thirds (64%) earned income from performing music, and it accounted for 14% of their total income. Nearly all (96%) popular music makers received royalties from The Finnish Composers' Copyright Society (Teosto) accounting for 16% of music makers' total income. These statistics are a reminder: all music makers are not full-time musicians. According to the study most important sources of income are pensions, income unrelated to music and teaching related to music. (Pönni & Tuomola 2003, 56–58.) Earning income through performing music is common for makers of popular music but most of them also need other sources of income. However when looking only at the music related income, performing is a significant source.

Live performances bring direct ticket revenue also to the event organizers, for example promoters and agents. Parts of the revenue are paid as a fee to the performing artist and as royalties to the music makers. (Pönni & Tuomola 2003, 28.) In addition to the professionals in the live music industry (see Figure 3) also the concert venues get money either as a part of the ticket sales revenue, from peripheral sales such as bar sales or from both.

Artist's agent is responsible for determining the ticket prices for individual shows on a tour. Ticket price is estimated based on what other similarly popular bands are charging and how well their tickets are selling. The style of music and the demographic audience the artist attracts is significant. (Borg 2008, 139.) In practice, ticket price is negotiated between the agent and the promoter (Borg 2008, 140). There are several ways of defining the artist's fee for a live performance depending on for example artist's stature and the size of the venue. Most common methods are:

- no pay, which is common for artists in the early stage of their career;
- pay to play, in which artist is contracted to buy a certain amount of tickets in advance and sell them for a self determined price, leaving any profit from these ticket sales to the artist;
- a straight percentage, in which a promoter pays an artist a percentage of the total money taken in at the door, varying from 100% to 50%;
- a flat guaranteed fee, in which a promoter pays an artist a guaranteed sum of money;
- a guaranteed fee versus a percentage, in which a promoter pays an artist higher or the two: either a guaranteed fee or a percentage – usually 80% to 90% – of the adjusted gross receipts, meaning sum of all tickets sold minus all promoter's expenses. (Borg 2008, 252–254.)

Straight percentage can also be called door split. In this case if the show doesn't sell many tickets, the artist faces a risk of not getting paid anything at all. Even the promoter may not get their investment in the show back. (McDonald. Door Split 2011.)

## 5.6 Music marketing and promotion

Maybe the most important marketing effort for artists is performing itself. #Borg #p108

Music marketing and promotion are a combination of measures with the aim of increasing public awareness of a product or an artist. A paid radio advertisement is an example of marketing whereas an attempt to get an artist's song into radio play would be regarded as promotion. (Karhumaa et al. 2010, 11.) Both are needed to gain success as an artist in the music business.

The artist's name and everything associated with it create a brand, and like all brands it becomes the sum of all of the experiences the fan has had with the artist's music (Allen 2007, 71). Maybe the most important marketing effort for artists is performing itself. By touring artists can build a grassroots following with fans as well as an identity or a brand which can keep them earning money for years (Borg 2008, 108). New unsigned artists and small independent labels can't afford much advertising to support a tour, and rely heavily on publicity and local media coverage to promote upcoming performances. Also artist's website and social networking sites have to be kept up-to-date, and email updates should be sent to artist's fan database about tour additions. (Allen 2007, 91.) Live audience has an active part in any artist's promotion. Fans talk about the artist and by doing so promote the band via word-of-mouth. (Summers 2000, 119.)

Word-of-mouth promotion can be done in an organized way by arranging a street team, a group of fans promoting an album or musician on a grassroots level. For artists and record labels, street teams offer a nearly free marketing channel, and besides the low costs there are other benefits. Music fans' credibility within other music fans could not be replaced with advertising. Nowadays an important part of the street team's work is to post about the artist or a new release in online chat rooms and social networking sites. They can also pass out promotional stickers, put up posters and request songs from local radio stations. What fans get is exclusive merchandise, concert tickets and other special gifts as well as hands-on experience promoting their favorite music. (McDonald. Street Team 2011.)

For artists working without a manager or an agent the first challenge is to get gigs on their own. Do-it-yourself concert booking requires networking with other like bands to get important contacts and possibilities for being a support act, impressing promoters, promoting and making the most out of each gig. It often requires performing in other places than the usual music venues such as colleges and looking for corporate sponsored band competitions and other possibilities for young local bands. (Borg 2008, 249–250.)

Music marketing has shifted from mass marketing to direct marketing, establishing and building direct relationships with the customers. Some of the winners in this marketplace may be the concert promoters and venues, which have direct contact to music

fans. Traditionally record labels have collected mailing lists of fans and thus have been able to keep them updated on shows and events and get demographic info about the band's fan base. Nowadays artists can for example promote tours and shows online directly to their fans. Internet is at its best in niche marketing, when used for a known audience instead of masses. (Kusek & Leonhard 2005, 66–68.) Direct-to-fan model has been gaining popularity in the music business during the last years. This model means that artists communicate and sell to their fans directly, outside of the traditional music industry framework. Fostering a social networking connection with fans is important in direct-to-fan marketing. Online platforms, newsletters and widgets are used for promoting new music and tours. This type of marketing allows artists to gather information about their fans which they can use in refining their marketing strategies. (McDonald, Direct to Fan Marketing 2011.)

The diversity of parties operating in the music business is enormous, also from the marketing point of view. On one end there are business giants, and on the other end individual musicians who are lacking even the basic business terminology. Therefore music marketing can prove challenging due to a potentially surprising reason: artist's reluctance. Some music makers want to have listeners but don't want to see offering their music to listeners as marketing, or listening to music as consuming. (Tenhunen-Marttala 2009, 8–9.)

## **6 Interviews: Finnish music startups**

"The hope of Finnish music export relies on nerds." #Kauppalehti

I interviewed representatives from four Finnish music startups. They were chosen from among companies with a music related business concept and an innovative idea servicing musicians, other music industry professionals or music consumers. Companies were narrowed down based on their active presence in social media channels.

Interviews were conducted in late April and early May 2011 via face-to-face meetings. General topics discussed include companies' current state and business objectives, companies' target groups and customers, and their marketing and sales. Using social

media and especially Twitter was discussed in more detail. I wanted to find out how these companies use social media channels and what kind of experiences and expectations they have from them. Interview questions are listed in Appendix 1.

## 6.1 Finnish music startup scene

Towards the end of the last decade things started happening in the Finnish startup scene. Companies with ideas about combining digital services, online tools and mobile applications with music started emerging. According to Power (2003, 136) already years earlier in Sweden there was "an awareness that a successful music industry can be based on providing specialized services that can be sold across the globe; and that these services are increasingly the most profitable areas of the musical value chain." In May 2011 there are around twenty actively operating startup companies in Finland which develop digital services with some sort of connection to the music industry.

The amount of companies and the visibility they have received in foreign technology and economic media has caused the press in Finland also to notice the phenomenon. One of Finland's main news providers, Finnish Broadcasting Company (YLE) made a news story about Finnish music startups in March 2011. National economic journal *Kauppalehti* headlined "The hope of Finnish music export relies on nerds" and interviewed Pauliina Ahokas from Music Export Finland, an organization which received the national internationalization prize in 2011. Ahokas has faith in the international success of Finnish online music services. The export of traditional commodities is being replaced more and more by knowledge-intensive commodities and services. (Salminen 2011.) Majority of the digital music industry startups are targeting for international markets. Finland is simply too small a market for many businesses. One way of receiving large scale international attention is to cooperate with major record companies. SongHi, a music creation game aimed for 14-25 year-olds is cooperating with Sony which has opened doors towards working with big artists like Justin Bieber and Rihanna. (Mankkinen 2011).

Finland based music startups have received recognition also in international circles. Midem, the most important global music industry event held in Europe organizes a pitching competition called MidemNet Lab to highlight most innovative startups and

application developers in the field of music. In 2011 a total of 30 companies globally were chosen as finalists and 5 of them were Finnish: collaborative music creation service Geisha Music, artist friendly ticketing platform GigsWiz, mobile social jukebox Playmysong, music creation game SongHi, and mobile fan club Steam Republic (its service is Mobile Backstage). Although Finnish companies didn't win any categories even getting a chance to pitch at the event meant great visibility. (Vilpponen 2011.)

Power (2003, 136) presents five categories under which ICT and music crossover companies can be divided. Although things have changed in huge leaps since 2003, the categories are still quite true with a few modernizations:

- 1) Internet-based music sales and distribution
- 2) Web design and digital advertising services tailored to musical products
- 3) Software and applications focused on online products and virtual instruments
- 4) High-tech post-production and mixing services
- 5) Virtual communities for music industry actors

(Power 2003, 136.)

Roughly estimated current Finnish music startups represent each of the categories. Music industry startups started to assemble into a loose cluster in 2010 mainly through a Facebook page called Finnish Music Startups. Although the companies' services have at least a few unifying factors they are still very different. Some services are aimed mainly for music creators (e.g. Geisha Music, AudioDraft, Wavesum), some for performing artists (e.g. LoudRevolution, GigsWiz), and some for music consumers (e.g. Hitlantis, Equal Dreams, Mobile Backstage, SongHi). Many of the services have a clear focus on mobile use (e.g. Flowd, Playmysong, FansMagnet). Some help in composing music (e.g. Audiosauna), some are less closely connected to the core of the music business (e.g. DJ Online). There is for example a service for organizing live music gigs online (Jenkatehdas) and a playalong tool for teaching music at schools (Orxter). (Facebook. Finnish Music Startups 2011.)

## 6.2 Introduction of the interviewed music startups

All of the four interviewed startups represent a different perspective to the music industry. They share a vision of finding success in the international markets and creating new income streams to artists as well as other people and companies in the music industry. Three of them also want to service the music consumer, whereas one is focused purely on business use of music.

### 6.2.1 AudioDraft – crowdsourcing platform for sound design

AudioDraft arranges crowdsourced sound design contests that attract thousands of talented sound designers. With AudioDraft, companies have access to a community of motivated and highly skilled designers, ready to compete with their audio work for monetary prizes, acclaim and visibility. These exciting design contests give the new talent the real opportunities to get noticed by the industry clients. AudioDraft was founded by a team of music producers and enthusiasts and is funded by a group of experienced Finnish angel investors. (AudioDraft. About us 2011.)

I interviewed AudioDraft's CEO Teemu Yli-Hollo. Besides Yli-Hollo the company employs two persons full time. In addition a few persons work on freelance basis in Finland and in the USA. At the time of the interview, AudioDraft was in the process of setting up a company in the USA and making a first full time recruitment in the country's west coast. (Yli-Hollo, interview 4.5.2011.)

In a nutshell Audiodraft has an online community of music makers for which companies can give composing tasks in the form of contests. The idea for AudioDraft's concept was born from the co-founders' own personal need. They have background in music producing and sound design as well as experience from digital advertising agencies. It became obvious for them that it's not easy to make a living from music. They also learned from the digital agencies' perspective that ordering composed music and finding the right freelance composer is not easy, and the final result might not correspond with the order. These problems were the early cornerstones of developing the service. Once the co-founders developed the idea and created a prototype they received public funding for the project. After that the first public version was published and private investments came in. The service was officially launched in the summer of 2010. (Yli-Hollo, interview 4.5.2011.)

Early customers are now using the service, and the next objective is to scale the proofed business model starting from Silicon Valley. During the next twelve months AudioDraft's objective is to facilitate for 1500 contests. As a long term goal the company wants to be the world's leading crowdsourcing service in the field of music production and audio design, being an option for any production company's, advertising agency's or game company's outsourced audio works. Instead of an audio library or a licensed artist they could use AudioDraft. Company's clients can be found in three sectors: gaming companies, production companies who produce audiovisual material and advertising agencies. All of these companies use composed music. Through advertising agencies also major brands become AudioDraft's potential clients. AudioDraft's community is especially targeted to musicians and audio designers who are not yet commercially active. The optimal member is a talent who has the skills of composing professional music but who doesn't have access to the market. (Yli-Hollo, interview 4.5.2011.)

It's great to notice as we go further that the community is really active. And music makers are really supportive for each other. You can see the good spirit of encouragement in the contests as people are listening to and enjoying each other's tunes. And the results show that our customers have been really satisfied. It [the community] is really professional and it always produces quality material. (Yli-Hollo, interview 4.5.2011.)

The community currently includes about 3000 musicians and sound designers and is continuously growing. Geographically the members come from four areas in equal portions: USA, UK, Finland and rest of the world. AudioDraft is not after millions of members, more like tens of thousands. What matters more is to have the adequate amount of musicians to fill the customers' needs. (Yli-Hollo, interview 4.5.2011.)

### 6.2.2 GigsWiz –artist-friendly ticketing service

GigsWiz is a new online ticketing service that empowers artists to help promoters sell more concert tickets online. GigsWiz addresses the frequently heard promoter complaint that it is difficult for them to get artists to sell tickets; GigsWiz partners with artists, and offers them a share of the ticket booking fees. Fans are more receptive to information about upcoming gigs when the message comes directly from the band, instead of a third party. (Vermasheinä, email 10.5.2011.)

I had an interview with GigsWiz's co-founder and CEO Juuso Vermasheinä. As the CEO he is responsible for the company's result and operations, and on the operational level

he's in charge of product development, marketing and sales. The company also employs a separate sales director and a marketing director. In all GigsWiz employs seven persons in Finland, two in the USA and two in the UK, either full or part time. In addition a consulting firm in the UK is doing sales and business development for the company. (Vermasheinä, interview 3.5.2011.)

GigsWiz began its work for real in spring 2010 with the main idea of helping artists in utilizing their fan connection because bands have a huge power regarding the fans' consumer behavior. The idea was to get some money for the company in the process. GigsWiz started out with a simple widget for metering artist's gig demand of where fans want to see the artists perform live. The co-founders soon learned that the money was in ticket sales so they built a ticket sales platform which is based on the idea that artists sell and market themselves. One of the biggest problems promoters and event organizers have is how to get the artists market their own gigs. (Vermasheinä, interview 3.5.2011.)

For example a festival might have 70 different artists, whose Facebook fan amount could be altogether something like 2 or 3 million. It's a huge amount of consumer contacts that they [festival organizers] have no access to unless they cooperate with the artists. Well, they have tried to motivate them by putting different kind of clauses in their own contracts when they book an artist, and based on that they [artists] should market the tickets but they still don't do it. The promoters simply don't have time to be in contact with the bands. (Vermasheinä, interview 3.5.2011.)

GigsWiz believes to be the missing link between the artist and the event organizer, letting the promoter concentrate on other things. The artists and bands can include themselves in the gig marketing as much as they want to. GigsWiz's service was in an invitational beta phase from November 2010 until January 2011. In January 2011 GigsWiz officially launched its service for all promoters, artists and venues in the UK, and also announced agreements with several promoting companies in the UK. In February 2011 GigsWiz launched its service in the US. (GigsWiz's Blog 2011.)

GigsWiz divides its customers into three sub categories: 1) clients meaning promoters, festival organizers and concert organizers; 2) affiliates, artists and bands; and 3) consumers who are the end users of the service buying tickets. Clients are the ones who need to be convinced about the service concept. Affiliate category also includes fans

that help in marketing gigs as well as other ticketing services that bring in sales for GigsWiz. Finally, it's the consumers who bring the money to the company. Getting the end user onboard requires an unbroken chain, convincing first the promoter to use GigsWiz's service, and then the artist to finally get access to the consumer. (Verma-sheinä, interview 3.5.2011.)

### 6.2.3 Mobile Backstage – mobile fan engagement tool

Mobile Backstage is a revolutionary new platform that completely redefines digital fan engagement. It seamlessly fuses mobile and online social media to create a space where artist and fans experience a deeper and more personal connection. With its roots in the music business, Mobile Backstage was founded by Paa-vo Bäckman and Jussi Ruusila, who wanted to create the perfect tool for artists to mobilize, engage and monetize their fans. (Diatlova, email 2.5.2011.)

I interviewed Christian Pöyhönen, who is responsible for Mobile Backstage's sales in Europe. The company has about ten employees including four "ambassadors" doing sales in different geographical areas. In spring 2011 the company recruited a person to be responsible for marketing and communications full time. According to Pöyhönen for Mobile Backstage 2010 was a year of strategic planning and 2011 is the year of growth through sales. The company is fully focused on the foreign markets. The company's official name is Steam Republic but it uses the name Mobile Backstage in its marketing. In order to be credible Mobile Backstage wants to bring forward its roots as a music company. (Pöyhönen, interview 28.4.2011.)

We have 15 years of experience in the music business. Our co-founders founded an indie label already in the 90s, expanded into a 360 record label, and pretty much tried everything that can be done in the music business. We have done artist marketing with a minimal budget through fan engagement, and now we want to tell that we are experts in direct-to-fan. (Pöyhönen, interview 28.4.2011.)

Mobile Backstage's service is a digital fan community and a social media customized for each customer separately. The company believes that a dedicated space for fan activity can increase the artists' sales, be it music, gig tickets or merchandise. The mobile application is available for the largest mobile platforms, including iPhone, Android and BlackBerry. Mobile Backstage's clients include all small and large record labels, management agencies and private managers as well as artists. The artist using the service needs to have a fan base which is willing to use a mobile service. The age of fans is

not a limitation. Pöyhönen tells the first band the company signed was You Me at Six with 16 year-old teenage girls as fans. One other band using the service is Black Label Society which brings in 40 year-old men as active users of the service. (Pöyhönen, interview 28.4.2011.)

Mobile Backstage focuses on business-to-business marketing. For example the company website is not aimed at music fans, the end users of the company's service. Pöyhönen thinks that easiest customers are artist managers because they care for the artist's career as a whole whereas record labels' operating model is based on releases. Each record is a separate campaign and artist budgets are based on record releases. Managers instead are constantly thinking of ways how to make some money out of an artist still ten years from today. Pöyhönen believes that Mobile Backstage's service is a good tool for that. (Pöyhönen interview 28.4.2011.)

Even if the artist is keeping a low profile between releases, they don't have to create the hype all over again, because it's already here [in the service], the fans are here. Artist goes around in fans' pockets and fans in the artist's pocket. It's practically free to create the buzz again. (Pöyhönen, interview 28.4.2011.)

#### 6.2.4 Playmysong – social music service for public places

Playmysong turns every mobile phone in the world into a remote control for background music in bars, stores, cafés and parties. Venues offer Playmysong with our free iOS or Android app by using their own music collection. Playing songs in Playmysong powered venues is free. To make things fun and social, users can automatically post info on which songs they are playing and where to their Facebook and Twitter walls. Playmysong is co-founded and owned by Timo Kari and Rami Korhonen, who are both active indie musicians and experienced mobile entertainment professionals. (Korhonen, email 2.5.2011.)

I had an interview with both co-founders of Playmysong, Timo Kari and Rami Korhonen. They are also the only employees of the company at the moment. Kari is responsible for the product development and technical issues whereas Korhonen is in charge of marketing and all commercial issues. Playmysong has a network of sales partners in Germany, the UK, the Middle East and the USA. (Kari & Korhonen, interview 27.4.2011.) The idea behind Playmysong is about five years old, but according to Kari and Korhonen the markets weren't ready for it back then. In December 2009 development of the idea finally took a step forward. In August 2010 a first small pilot was started, and since January 2011 things have been taking longer leaps. Thus far Play-

mysong has been funded by its co-founders. Kari and Korhonen want to emphasize that the service is not just a modern jukebox giving people an opportunity to have their say on what's playing. This activity becomes much more interesting when it is linked to social media, Facebook, Twitter and location data. (Kari & Korhonen, interview 27.4.2011.)

Playmysong serves primarily music consumers and bar goers. The idea to the service first rose from a personal need. When you like to listen to music, you don't want it to be limited to just your own home. And when you're in town you don't have to limit music to just your earphones. Instead you can listen to it in a bar all relaxed with other people. (Kari, interview 27.4.2011.)

Music is social, and now the time has come to change this: it really doesn't make any sense that we have random music playing in places that have internet connections, and everyone has a mobile internet in their pocket. Why not put that information together? [...] Services like Foursquare have become popular, in which you inform your friends where you are. We're kind of doing the same but adding one more interesting piece of information: what music you like to play in that location right at this moment. (Korhonen, interview 27.4.2011.)

The data stored in Playmysong's database sums up to very interesting information. Therefore the ultimate business model is based on getting the service spread widely, achieving a critical mass of users and locations, and gathering real time information about who is playing what and where. This information can be very interesting to record labels. The service can have very practical benefits for music consumers too. "Not just someone telling in a travel guide that we're the best rock bar in town, but you can actually see it. Are they playing the kind of rock that you like?" (Korhonen, interview 27.4.2011.)

Playmysong co-founders have a vision that next interesting services are the ones that combine real world powerful experiences and social media. Facebook has taken the dominant role as the personal networking tool. Playmysong believes to have found the dominant way of listening to music in public places in five years, and believes in its own prerequisites of being the key player in it. (Korhonen, interview 27.4.2011.) The customers who are at the moment communicated to about Playmysong are consumers and bars, or venues. Other potential customers include cafes and restaurants, even gyms or any other places where music has a role in creating an atmosphere. It's good for the company that as many people as possible hear about the service. People might

for example first use the free version of the service at home but later recommend it to their local bar. (Kari & Korhonen, interview 27.4.2011.)

### 6.3 Music startups' competitors

In the startup world it's not uncommon for a company to feel like it doesn't have any direct competitors. In the optimal situation when the business idea is fresh and unique there shouldn't even be another company doing the exact same thing in the same market area. All of the companies I interviewed claim this to be their case. Not having direct competitors of course doesn't mean not to have any competition at all. Vermasheinä says he's not aware of a company that does the same exact thing as GigsWiz. However it's impossible to be certain about what's going around the world when the company has to concentrate on doing its own business too. Paying for the artists for marketing gigs is the angle no-one else has done yet, GigsWiz believes. (Vermasheinä, interview 3.5.2011.)

Gig ticket sales as such are pretty commoditized. You sell tickets, take money from clients and send pdf-tickets. There's nothing to it. [...] On top of that these clients, festival organizers, promoters and gig organizers could in principle do all of this themselves: just take a PayPal account and order a ticketing service to their own website outsourced for example from India, and by doing so avoid all extra costs charged by ticketing companies and keep it to themselves as additional sales margin. But we believe we're not really selling a ticketing service, we're selling a new kind of way of marketing tickets, and that has a huge demand. (Vermasheinä, interview 3.5.2011.)

Also AudioDraft believes it's offering a service no one else can offer. Yli-Hollo says one of the greatest advantages AudioDraft has compared to its competitors is the customized, made-to-order and unique music their customers get. It's a great difference compared to ready-made music from music libraries or licensed musicians. Licensed music also has a price model that differs greatly from AudioDraft's. Moreover a song from a music library can find its way to several different companies' advertisements or materials if the company doesn't purchase the exclusive rights. (Yli-Hollo, interview 4.5.2011.)

All of the interviewed companies believe being focused on serving the music business is beneficial as opposed to serving the entertainment industry as a whole for example. However AudioDraft sees other contest platform providers as its competitors. Accord-

ing to Yli-Hollo within their field it is rare to have such a clear focus on music and sound design. AudioDraft's advantages are also its community which is able to produce high quality materials, and the tools that enable more openness and cooperation between the artists. (Yli-Hollo, interview 4.5.2011.) Mobile Backstage has a similar view. Pöyhönen tells that Mobile Backstage has several technology driven competitors who offer very generic templates. Mobile Backstage however aims to be customized for the specific needs of the music industry. (Pöyhönen, interview 28.4.2011.) Playmysong is aware of a few similar services that also utilize Apple's mobile devices, but they have certain concept differences (Korhonen, interview 27.4.2011).

For example it's important for us that playing songs is free for the consumers and that the service works with all phones, all devices that have access to internet. It is also important for us that it's easy for everyone to provide the service for instance in their home party. There is no need to limit it to just bars and restaurants. (Korhonen, interview 27.4.2011.)

#### 6.4 Music startups' modes of marketing communications

I presented Kotler & Keller's (2009, 512) eight modes of marketing communications in Chapter 3.1. For the four music startups I interviewed personal selling seems to be the most important mode. They also utilize word-of-mouth marketing, public relations and publicity, and interactive marketing. They also see potential in content marketing, which in Kotler and Keller's division would probably fall between publicity, interactive marketing and word-of-mouth. Also the other means of marketing communications the startups use are quite difficult to categorize under just one mode. They are often a mixture of many. Music startups' use of social media marketing is handled separately in Chapter 6.5.

AudioDraft has three main ways of acquiring new clients, and a separate strategy for attracting members to its music makers' community. Potential clients are approached mainly through direct contacts, through digital marketing via professional communities and PR. Customer satisfaction is starting to bring returning clients which means not every sale has to be done directly and separately. (Yli-Hollo, interview 4.5.2011.) In an early stage of any business starting from scratch, marketing is usually practically equal to sales. When a startup's day to day challenges circle around developing the product or service and every sale is a small victory, there is simply no time for very careful

marketing communications planning or execution. It might not be the time for long term brand building, for instance. Mobile Backstage has made a clear decision not to do anything marketing wise unless it could increase sales fast and considerably. All of Mobile Backstage's marketing efforts are targeted to markets outside Finland. (Pöyhönen, interview 28.4.2011.)

If we go to an event, if we send someone from our company there, at least part of the people there have to be from labels or management looking for new services or products. We won't do anything which is not going to benefit us this year. (Pöyhönen, interview 28.4.2011.)

Early on the best marketing material for a startup is often its own product or service. "You can buy a three page advertisement from Hesari [newspaper] but it won't matter, because the product is what matters" (Vermasheinä, interview 3.5.2011). GigsWiz has realized that even though it doesn't market to the consumers directly, the company really can't forget about them, the end users. Sales, marketing as well as product development are tied together through the end user's experience. In GigsWiz's case the ticket purchase page represents the gateway to the money through ticket sales, and at the same time it is a channel for building awareness of the service within the consumer base. (Vermasheinä, interview 3.5.2011.)

We've had a problem with poor user retention. When the customers come in through an artist link we might get enormous traffic but still they won't buy the tickets. Why not? Well the customer might want to know more about the event, parking, how to get there, all of the things we don't want to put on the ticket purchase page because it has to focus on getting the end result [ticket sale] from the customer. But for us is it more important to get a hold of the customer at this point, generally, that we get him there [to the ticket purchase page] or do we force them to the sales funnel? Yes, we work on that and we keep on optimizing this angle. (Vermasheinä, interview 3.5.2011.)

#### 6.4.1 Personal selling

For all of the startups I interviewed, personal selling plays an important role. So far, Playmysong has achieved customer relationships by traditional and persistent sales work. Co-founders themselves walk into bars and tell the staff about their service. In countries other than Finland they utilize their partner network. One of Playmysong's recent clients is a legendary rock club The Roxy Theater on Los Angeles' Sunset Strip. (Kari & Korhonen, interview 27.4.2011.)

The Roxy Theater became our customer so that we met a well connected guy from the States in Midem and we started a light cooperation with him. He made us an introduction which went really well and as a result the club decided to start using our service. (Korhonen, interview 27.4.2011.)

One high profile customer can turn out to be the key to success. "The Roxy Theatre case gives us quite a bit of credibility" (Korhonen, interview 27.4.2011.) Also being present in key industry events is crucial. GigsWiz feels that it is easier to contact artists and managers than promoters for example in seminars. In the promoter sector cold contacts are more seldom as there are not so many events targeted for them. (Verma-sheinä, interview 3.5.2011.) Playmysong has experienced the importance of events.

The basis of our current partner network was created in Midem. We got into MidemNet Lab [as a finalist] and probably partly due to that got into discussions with good quarters. (Korhonen, interview 27.4.2011.)

The main emphasis of AudioDraft's marketing is now on directly contacting potential customers, and especially bigger players. Existing network has a key role because besides cold contacts AudioDraft has meetings that have been set up by a third party. (Yli-Hollo, interview 4.5.2011.) Pöyhönen describes that also in Mobile Backstage the first contact with the potential customer can be either a cold contact or a pre-set meeting. Everyone in the company has a process of doing personal selling. After the first contact, social media steps in. (Pöyhönen, interview 28.4.2011.)

As soon as we meet, we do an elevator pitch and all that, present the product and later send a follow up. This essentially includes sending a LinkedIn invitation. [...] We also check their friends and start asking for introductions, recommendations and so on. Regardless of the social media we always use it so that phone and email are not the only [channels]. We strongly try to get more sales, more contacts and friends through all channels. (Pöyhönen, interview 28.4.2011.)

Pöyhönen sees that social media's best benefit from the perspective of personal selling is the direct channel it provides towards the potential customer (Pöyhönen, interview 28.4.2011).

As sales persons we know that you should contact your customer each week, just to get additional sales. It's dull to ask each week 'do you want to buy more'. Instead it's better to send the customer for example links saying 'hi, this is an interesting article' or 'check our website, there's something new there', an interesting story, a case study or something. (Pöyhönen, interview 28.4.2011.)

According to Vermasheinä it's easier to sell and market to promoters than artists. After plenty of hard work he believes the company has achieved the needed know-how about working with artists and bands. (Vermasheinä, interview 3.5.2011.)

We've practiced for about a year how to approach these artists, different artist archetypes. Not one artist is the same, there is no stencil. One has an agent, one has a manager, and one part has both. One part might have huge machinery in the background, there might be a team of social media marketers, or there might be a street team. Anything. How do we find the right person to contact, and how should we contact them? (Vermasheinä, interview 3.5.2011.)

Partnering is important, and all of the interviewed companies have partners outside Finland. Startup's own human resources are often limited and using partners abroad saves travel costs and time. Playmysong uses partners in direct sales. Currently partners are contacting high level people, brands and media companies with the aim of getting the service into wider use in one stroke. (Korhonen, interview 27.4.2011.)

#### 6.4.2 Word-of-mouth and viral marketing

Viral marketing has huge potential for all of the interviewed companies thanks to the built in social media features of their services. As big as the potential, equally big is the uncertainty of the viral effect.

We have this idea of our contests spreading virally via Facebook. We see that Facebook is in a way throwing in customers for us. Yes, it's always a mystery what spreads virally and what doesn't. Potentially our every contest is the one [that spreads] and we have had pretty good results. (Yli-Hollo, interview 4.5.2011.)

AudioDraft recommends that its clients would share their contests on the clients' own Facebook groups. This provides access for the client's fans to participate in a production which might be for example a television commercial or a video game. It is also a means of marketing for the client. (Yli-Hollo, interview 4.5.2011.)

With Salomon we had a contest which said in its assignment that public opinion will be of great importance and 'please give your vote'. In a short time it received hundreds of likes [in social media], in a few weeks, and it started to spread quite well. (Yli-Hollo, interview 4.5.2011.)

Playmysong's whole business idea is based on getting the service known for as wide an audience as possible. The idea is to create a snow ball effect starting from a few key locations. A viral effect in social media is needed in order to scale the service. That's why the service already has built in features for sharing in Facebook and Twitter. (Korhonen, interview 27.4.2011.)

If a person has an average of 300 friends in Facebook and if during one night in one bar five people play a song and tell it to their friends it means 1500 people have received a message from their friend saying 'hey, I'm here'. That validates that it must be a cool place and furthermore he's playing some music that might create nice mental images. (Korhonen, interview 27.4.2011.)

Playmysong's vision seems credible. People often share the music they listen to in social media via sharing tools in services like Spotify and YouTube. Location data adds one level on top of that.



Figure 4. Example of Playmysong's Twitter share message (Twitter. Rami Korhonen 2011)

#### 6.4.3 Public relations and publicity

AudioDraft believes in the importance of press coverage especially because it brings the company the kind of search engine visibility that cannot be bought with money. Press articles also create credibility for the company in the eyes of clients and investors although it's quite difficult to monitor the actual impact of a single article or interview. However many of the interviewed startups are quite doubtful towards traditional press releases. Also AudioDraft's impressions on press releases are contradictory. Compared to direct and personal contacts with journalists and bloggers press releases have poorer conversion into traffic on AudioDraft's website. (Yli-Hollo, interview 4.5.2011.)

Mobile Backstage has used wire services for sending out certain significant releases but is now concentrated on gathering an own media email list. The company is now aiming to do in-house even the more demanding PR tasks it used to outsource. (Pöyhönen, interview 28.4.2011.)

Through these generic bulk services the release goes to some Washington Post but we want it to go to Hypebot.com or something. It's easier to send [releases] to places that we have personal relationships with, and to journalists who we actually know exist. And we know they will publish it as soon as we have some news. (Pöyhönen, interview 28.4.2011.)

GigsWiz also has mixed experiences from PR agencies it has used in events related to special occasions such as product launches. Some cases have been really successful, some have only created costs. (Vermasheinä, interview 3.5.2011.) Networking with potential cooperation partners can also be regarded as a means of public relations. Besides other benefits partnerships create visibility for the companies and their services. AudioDraft sees that online and offline communities that bring together their client base can be important marketing channels. The company is investigating possibilities to partner with game developer communities, producer organizations and organizations in the field of advertising around the world. (Yli-Hollo, interview 4.5.2011.) Playmysong is partnering with a USA based website which supports artists in organizing tours (Korhonen, interview 27.4.2011).

#### 6.4.4 Interactive marketing

Music industry startups use several types on interactive marketing from affiliate programs to personalized email messaging, banner ads and search engine marketing. I have excluded social media marketing from this chapter and discuss it more widely in Chapter 6.5.

Gathering email lists of users, customers and other contacts is self-evident for all of the interviewed companies. How they use the lists differs greatly. For Playmysong it's too early for systematic communications. The company has gathered email lists of both users of the service and industry contacts but only informs them when there really is something significant to say. (Korhonen, interview 27.4.2011.) On the contrary GigsWiz uses email systematically as an active marketing tool. Most important thing for the company is to be able to personalize every single email that gets send through this channel. GigsWiz's regards email as the best tool at the moment for getting a hold of potential clients, promoters, because of their enormous mass. Later also other channels besides email are likely to take a more important role. Carefully prepared and mo-

nitored emailing takes time but Vermasheinä believes it pays off with a good first impression. The results have been promising. (Vermasheinä, interview 3.5.2011.)

Through it [email] it's easy to present our case and to make the first contact. We follow it all the time and do A/B splits meaning we make variants of our messages, and do trial marketing of our new features and even our pricing. We follow it every day and constantly gather data on how it [email] is opened. It's on no consideration mass emailing. Every single lead is prequalified: we check how many and what kind of tickets are on sale as well as the price range, and target the message very carefully. (Vermasheinä, interview 3.5.2011.)

AudioDraft has experimented banner advertising and Google AdWords search engine advertising. Especially regarding banner ads it is crucial to recognize the right channels, and to find web services that are visited by valid customers for AudioDraft. (Yli-Hollo, interview 4.5.2011.) Playmysong has good experiences from using banner ads. "It was especially interesting that we could target advertising to the devices in which our service functions perfectly" (Kari, interview 27.4.2011).

Affiliate programs form a very promising channel for music startups' marketing as well as sales. All of the companies I interviewed had plans to start or were already executing an affiliate program either for companies or individuals, or for both. Mobile Backstage has affiliate deals with Apple and 150 gig and event ticket sellers (Diatlova, email 27.5.2011). "Affiliate program is an option for any individual to earn some money by steering companies into ordering music from our service" (Yli-Hollo, interview 4.5.2011). Audiodraft has some affiliates in Europe and is now planning on mobilizing the program in the States. For AudioDraft, affiliate program is an interesting option but not a crucial part of the company's growth strategy. (Yli-Hollo, interview 4.5.2011.)

As opposed to that, GigsWiz's affiliate program for bands and artists is an integral part of the company's business model. Formerly GigsWiz had a booking fee of 15 per cent which proved to be too expensive. GigsWiz shared one third of its own sales margin with the bands that participated in marketing and selling tickets through social media. The model was turned upside down and now GigsWiz has a cost per action (CPA) based price model and a cheap booking fee. Company's sales margin becomes from promoter's face value. In a way promoter pays for the successful sale to the artist and to GigsWiz. GigsWiz is also developing a similar mechanics for fans. The company has received indication from promoters that they could be willing to pay for fan affiliates. A

fan could for example get a free ticket if he/she gathers five friends to buy tickets. (Vermasheinä, interview 3.5.2011.) Korhonen tells that Playmysong is introducing a street team model for students, artists and any bar goers who understand and like Playmysong's concept. (Korhonen, interview 27.4.2011.) "If they present our service somewhere and the bar gets excited and becomes a paying customer, we're pleased to give a kickback to the person who made it possible" (Korhonen, interview 27.4.2011).

#### 6.4.5 Content marketing

The companies I interviewed have two major viewpoints on content marketing, both related to building a strong brand: building a story about the company and gaining thought leadership. Playmysong's Korhonen (interview 27.4.2011) believes generally that storytelling is essential in building a brand. Social media is a great way of spreading that story, but the story or the message has to be interesting to start with. Otherwise also the use social media is pointless.

For something that starts from two men, from zero, social media is a good way of communicating the story. 'Here's two guys with a crazy confidence in what they do, a vision.' [...] It's a good way of telling the story bit by bit to people who are interested. (Korhonen, interview 27.4.2011.)

Mobile Backstage and GigsWiz are after thought leadership in the companies' expertise areas. Vermasheinä (interview 3.5.2011) doesn't believe in the power of press releases. Instead getting the right kind of visibility begins with the blog. There are startups that have created a thought leadership in their own genre with their blog, for example Mint, a personal budgeting tool.

They practically created a new genre from nothing, and now personal budgeting is a big business. [...] They started to write a blog even though they didn't even have a decent product at that point. They wrote about personal money management, for example tips on how to save money. (Vermasheinä, interview 3.5.2011.)

Mint received plenty of visits to their blog just because the topic was popular in search engines, but hardly anyone else was writing about it. So they received a thought leadership in the minds of the readers, but also from the perspective of data analytics. Basically what Mint did was search engine optimization with quality content. (Vermasheinä, interview 3.5.2011.)



Figure 5. Example of a tweet with a link to an outside article (Twitter.com. Mobile Backstage 2011)

Mobile Backstage has an intention of utilizing both its own blog and other social media tools for publishing information targeted to customers and prospects. Just telling about the company's own products isn't interesting. (Pöyhönen, interview 28.4.2011.)

Everything we post to our LinkedIn, Twitter or Facebook has to be interesting as such for our main target group. The posts aren't necessarily about our products but they're about direct-to-fan or music futurism or something else that correlates with their [target group's] business, what they are interested in. When they start following us we start mentioning little by little in passing that 'we have this product that does just this'. (Pöyhönen, interview 28.4.2011.)

The topic GigsWiz is aiming to gain thought leadership of is using direct-to-fan tactics in ticket sales. The company believes that gaining interest might require not just unique topics, but also exceptional viewpoints. (Vermasheinä, interview 3.5.2011.)

We can also go with a radical angle, like showing bad examples. 'Five worst bands in how they deal their social media'. Go into quite radical things and wake up media's attention. Controversy gets it [media] interested. And why wouldn't also promoters and our customers pay attention to that, 'now they're shouting something from Helsinki, why are they saying that, why are you mocking us?' (Vermasheinä, interview 3.5.2011.)

## 6.5 Social media in music startups' marketing communications

The interviews show that the companies emphasize different social media channels but altogether three external channels besides companies' own blogs are clearly above all others: Twitter, Facebook and LinkedIn. I dig into the music startup's use of these channels in more detail in the following chapters.

Mobile Backstage wants to create connections and networks with all kinds of people even if the people are not themselves directly working in the music industry. They might for example share a link to the company blog to their friend who works in a

record label. (Pöyhönen, interview 28.4.2011.) That's why social media tools are great but the company looks at their use realistically.

[...] we have become wiser in that sense. Social media marketing is not simple or free. It takes a lot of time and resources. And in it content is the most important thing. It doesn't happen on its own. A carefully planned strategy is needed, what are the objectives in a longer perspective. Someone has to monitor it, how updating Twitter twice a day converts into concrete sales in the longer run. (Pöyhönen, interview 28.4.2011.)

However Mobile Backstage doesn't currently have the objective of monitoring directly whether a certain customer or a sale has been gained through social media marketing. At the moment one of the main objectives in social media is to gain credibility. For a company offering a mobile social media platform it is important to show that the company knows its business by being active in social media. Mobile Backstage also uses photos partly to set example for its customers. (Pöyhönen, interview 28.4.2011.)

If for example a sales person goes to an event, he/she posts photos or such from there. We do the same thing we hope our customers would do, we do the same in social media, in a way we're executing our service. (Pöyhönen, interview 28.4.2011.)

Mobile Backstage's current goals in social media are tied to the amount of updates or posts: in Twitter two posts per day, in Facebook two updates a week and in the company blog two big articles a month. Amount of fans or followers is also of interest. According to Pöyhönen achieving new fans correlates with how much company representatives travel around meeting people and making sales. (Pöyhönen, interview 28.4.2011.)

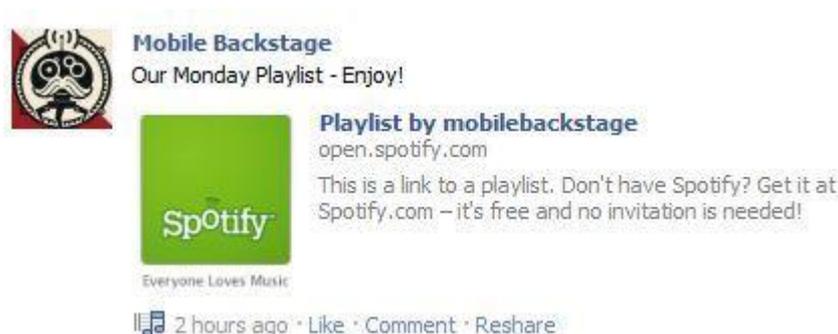


Figure 6. Example of a Facebook post with a link to a Spotify playlist (Facebook. Mobile Backstage 2011)

Mobile Backstage has recruited a person responsible for marketing and communications which naturally makes also social media marketing more systematic. A two-man company Playmysong has to prioritize things which means social media updates are sometimes more, sometimes less active. Social media updates are secondary during the phases of focused product development. (Korhonen, interview 27.4.2011.)

At times we tweet for example about seeing a cool band which has nothing to do with our own operations. And we like to share especially information and some cool things about our peer companies. In other projects I have done more systematic social media marketing but we haven't gone to it yet. (Korhonen, interview 27.4.2011.)

One of the challenges of social media and marketing in general is the iterative nature of product and business development many startups have. GigsWiz has experienced the downside of having a concept on the move. (Vermasheinä, interview 3.5.2011.)

[...] social media, websites and landing pages which should be really targeted and live on the cutting edge, and a small team, and a concept which has changed drastically since last fall when the social media concept was first set up. We couldn't afford to kick off [the campaign] just because we didn't want to give out a wrong indication, a wrong first impression to the market. (Vermasheinä, interview 3.5.2011.)

After the turmoil GigsWiz now believes to be ready to start marketing in Twitter. Facebook is not really used for marketing the service, only the gig tickets. (Vermasheinä, interview 3.5.2011.) Also other companies make clear divisions between the different social media tools. The channel is chosen based on the target group and market area. According to Korhonen in Finland Facebook is the only social media channel that matters. In the US Twitter is important. (Korhonen, interview 27.4.2011.) Mobile Backstage mapped the social media sites in which it should be present. Also Mobile Backstage chose Twitter because of its strong position in the States. Facebook is regarded as a secondary channel because it is more popular in consumer use, whereas Mobile Backstage's clients are businesses. The company also customizes the published content according to the channel. Posts are added manually instead of automatically updating the same posts in several different channels. For example Twitter messages are customized with a business angle and especially with the aim of increasing sales in the US. (Pöyhönen, interview 28.4.2011.)

AudioDraft has an aim of gathering both its clients and its community members together in Twitter and Facebook. In Twitter AudioDraft follows especially the users of its service, the musicians and music producers. (Yli-Hollo, interview 4.5.2011.)



Figure 7. Example of a Facebook post (Facebook. AudioDraft 2011)

### 6.5.1 Twitter

All of the companies have quite an active presence in Twitter through company profiles and the profiles of co-founders and employees. The basic statistics from the companies' Twitter profiles have been collected on May 16, 2011.

Table 1. Music startups' Twitter presence and activity (Twitter. AudioDraft, Twitter. GigsWiz, Twitter. Mobile Backstage, Twitter. Playmysongapp & Twitter. Steamrepublic 2011)

| Company          | Twitter name     | Tweets | Following | Followers |
|------------------|------------------|--------|-----------|-----------|
| AudioDraft       | @AudioDraft      | 278    | 860       | 620       |
| GigsWiz          | @GigsWiz         | 291    | 236       | 303       |
| Mobile Backstage | @mobilebackstage | 41*    | 952       | 208       |
| Playmysong       | @playmysongapp   | 91     | 171       | 106       |

\* Additional 83 tweets with Twitter name @Steamrepublic.

All of the interviewed companies use Twitter as a communication channel for informing about news and releases. Twitter's short posts are easy and fast compared to email newsletters or longer blog posts for example.



Figure 8. Example of an informative Twitter post with a link to an external service (Twitter. Playmysongapp 2011)

AudioDraft is an active follower in Twitter. If someone tweets about AudioDraft, they retweet it and answer questions they receive through the channel. Yli-Hollo feels that the company has received considerably more visibility for some of its releases and campaigns because of Twitter. On the other hand Twitter effects can be uncontrollable for the company itself. AudioDraft has experienced rapid Twitter bursts for example in Japan. Google Translate has helped in trying to figure out what the Japanese have been tweeting about regarding AudioDraft. (Yli-Hollo, interview 4.5.2011.)



Figure 9. Example of a Twitter post informing about attendance in an event (Twitter. AudioDraft 2011)

Yli-Hollo describes a situation in which the company had real benefit from being active in Twitter. (Yli-Hollo, interview 4.5.2011.)

I was in [music industry event] South by Southwest where I noticed that a music industry media who had earlier written an introduction story about us tweeted that 'these and these companies are in South by Southwest, follow here what they are up to'. I replied in Twitter 'hey, AudioDraft is here also' which resulted in them updating their list and they also added what AudioDraft was up to in South by Southwest. We were just having a discount campaign and were there handing out discount coupons. That's the thing about Twitter. You're active there and that's the way to gain visibility [in Twitter]. (Yli-Hollo, interview 4.5.2011.)

This example shows the power of reacting in Twitter but being successful in Twitter also requires being proactive. GigsWiz has created a detailed concept for using Twitter but hasn't yet put it into action. The company has planned to make a separate customized social media outreach for each of the levels in their value chain. Each target group will be approached with a different angle. Fans are informed about the upcom-

ing events and gigs and told about the service on a general level. Artist, managers and agents are targeted with messages that build brand awareness. For club promoters, festival organizers and venues it's more direct sales. For each target group there is a separate Twitter account. The campaign concept is described in detail in Appendix 2. GigsWiz understands that social media is always about discussions. It means that creating quality content and relationships is the hardest part. (Vermasheinä, interview 3.5.2011.)

We can't just arrogantly do Twitter marketing. Instead there has to be news links which are interesting to promoters [as an example], tweets, and conversation. We can retweet promoters who follow us and have an open dialogue with them, and why not even use it as a feedback channel. It is a big, massive process, especially when it has to be done for each account separately. (Vermasheinä, interview 3.5.2011.)

Twitter guidebooks often discuss the question of whether to act as a company or as individuals representing the company in Twitter. The music startups I interviewed do both. In the company profiles they mainly speak as a company. As most of the people I interviewed were also co-founders of the companies they have especially strong personal commitment to their work. Therefore they often tweet about their companies also through their personal Twitter profiles.

[...] To some extent in certain messages [in the company profile] we've used short signatures saying who from AudioDraft is speaking. We have definitely wanted to keep also the company profile personal, so that there is a person answering. (Yli-Hollo, interview 4.5.2011.)

Mobile Backstage is present in social media as a company and seldom use their own names in updates. Personal touch is added for example by making micro blog updates about what's going on in the office. (Pöyhönen, interview 28.4.2011.)

## 6.5.2 Facebook

All of the interviewed companies have Facebook pages. Pages of AudioDraft, GigsWiz and Mobile Backstage are listed under the category Product/Service, Playmysong's page is listed as Internet/Software. The basic information in the Table 2 below has been gathered from Facebook on May 16, 2011.

Table 2. Music startups' Facebook presence (Facebook. AudioDraft, Facebook. GigsWiz, Facebook. Mobile Backstage, Facebook. Playmysong & Facebook. Steam Republic 2011)

| Company          | Facebook page    | Likes |
|------------------|------------------|-------|
| AudioDraft       | /AudioDraft      | 592   |
| GigsWiz          | /gigswiz         | 435   |
| Mobile Backstage | /mobilebackstage | 34*   |
| Playmysong       | /playmysongapp   | 197   |

\* Additional 379 fans on Steam Republic page (/steamrepublic).

All of the interviewed companies use Facebook for marketing communications. Its role is especially important towards consumers, and end users of the companies' services. Facebook is the dominant channel in the new type of marketing. Social media services have become communication platforms and a company is required to be present in these channels if it wants to achieve something (Korhonen, interview 27.4.2011).



Figure 10. Example of a Twitter post about a campaign aimed to get more Facebook likes (Twitter. AudioDraft 2011)

AudioDraft is currently (May 2010) activating the use of Facebook and Twitter. The company has tried out different ways of communicating better to its customer base. So far Facebook has been a good tool for communicating with their community members. AudioDraft wants to continue being quite adventurous and open for different campaign ideas. The key issue is to bring some value to the AudioDraft community or its clients. (Yli-Hollo, interview 4.5.2011.)

As an example we had this campaign going on for a couple of weeks: if we get a thousand likes [in Facebook] we give out one APC controller. It was clearly targeted for musicians so that we would get even more of them to our Facebook group. We're going to do stuff like that in the future also, different kinds of campaigns. (Yli-Hollo, interview 4.5.2011.)

Although having as many Facebook likes as possible might not be a rational objective as such, it does naturally enhance brand's visibility and increase the chances of going viral or even creating single important connections. Targeting the measures for achiev-

ing new fans towards company's target groups like Audiodraft did increase the chances of getting relevant fans. Mobile Backstage sees possibilities in the indirect connections Facebook creates (Pöyhönen, interview 28.4.2011).

In Facebook we add photos when someone [from Mobile Backstage] is visiting for example a record label. When a label representative has been tagged in the same photo and his/her friends who are also in the music business see the photo and we are there, we believe it does resonate there. (Pöyhönen, interview 28.4.2011.)

### 6.5.3 LinkedIn

The interviewed companies mostly use LinkedIn through personal profiles. Company pages are at least not yet very widely utilized. The basic information in Table 3 was gathered from the LinkedIn company pages on May 16, 2011.

Table 3. Music startups' LinkedIn presence (LinkedIn. Audiodraft, LinkedIn. GigsWiz, LinkedIn. Mobile Backstage, LinkedIn. Playmysong & LinkedIn. Steam Republic 2011)

| <b>Company</b>                    | <b>Employees on LinkedIn</b> | <b>Followers</b> |
|-----------------------------------|------------------------------|------------------|
| AudioDraft                        | 3                            | 9                |
| GigsWiz                           | 13*                          | 20               |
| Mobile Backstage (Steam Republic) | 4 (9*)                       | 6 (22)           |
| Playmysong                        | 2                            | 5                |

\* Employee list includes also members of the board.

Unlike Facebook LinkedIn is an especially valuable tool for connecting with business-to-business clients. In Mobile Backstage's view there is great potential in LinkedIn. Pöyhönen even thinks Mobile Backstage could decrease its activities in Facebook and shift the emphasis to LinkedIn due to the recently added social features in LinkedIn. One of the company's ideas is to start using LinkedIn's feature for making posts. Also getting visibility in a wider network, within the second level connections (the networks of own connections) could open up valuable possibilities. (Pöyhönen, interview 28.4.2011.)

It would be cool to have this feature that every time someone comments on our blog [...] in the same way there is now a Facebook comment box there would be a LinkedIn comment box. An average executive in a music company, if they would happen to comment on our story it would show to their 1500 contacts which are all relevant. (Pöyhönen, interview 28.4.2011.)

The basic thing is to keep the profiles of all employees and co-founders up-to-date. Pöyhönen says it also builds the image of the company. When the CVs are updated it emphasizes the 15 years of music business experience the company holds. (Pöyhönen, interview 28.4.2011.)

For AudioDraft LinkedIn is a way of keeping in touch and growing a network through the co-founders profiles. It provides a channel to the clients through communities and groups that bring together AudioDraft's prospects. However the company hasn't actually used LinkedIn for active customer acquisition. (Yli-Hollo, interview 4.5.2011.) GigsWiz hasn't utilized LinkedIn for acquiring new customers as such either but does use LinkedIn and even Facebook in day-to-day sales work and communications with existing customers. The company imports the customer's social media data to its CRM system. The process of using this data hasn't yet been clearly cemented since GigsWiz's sales organization is still in the building phase. (Vermasheinä, interview 3.5.2011.)

I myself have used it so that I contact the customer directly when I see from our CRM what that person has tweeted or whether he/she has had some changes in a LinkedIn profile or Facebook. Then the message can be clearly targeted. (Vermasheinä, interview 3.5.2011.)

## 6.6 Social media as a part of music startups' services

The music startups I interviewed not only use social media in their marketing, but being a part of the social media ecosystem comes naturally to them. For all of the companies I interviewed social media is an integral part of the business model and a crucial part of their service. All of them use connections to Facebook, Twitter or other networking services. Mobile Backstage's, Playmysong's and AudioDraft's services are each a social media on their own.

In many ways, music itself is also very social. Listening to and creating music and being a fan includes social behavior and interaction with others. Both GigsWiz and Mobile Backstage have noticed the increased importance of an artist's and a fan's relationship, and have chosen it as a key driver in their businesses. Social media has changed people's behavior both online and offline towards being more communal and on the other hand it has enabled a more direct connection between fans and artists. For ex-

ample, via MySpace, Facebook and discussion boards fans can interact with each other regardless of their geographical location as well as achieve direct connections with their idols. Vermasheinä (interview 3.5.2011) says that also many GigsWiz's ticketing competitors have noticed the importance of getting a grip of the fan. He believes social media has a key role in ticket sales and in the live music industry, even more so than in the field of record sales and music streaming, because listening to live music is social by nature. As unbelievable as it might sound one of GigsWiz's competitors, Eventbrite, a ticketing company in the States has calculated that each Facebook share done by a fan equals US\$2.52 in ticket sales. According to the company's calculations a Twitter share is worth US\$0.43, and a LinkedIn share is worth US\$0.90. (Schonfeld 2010.) The company presented an even higher estimate in March 2011 claiming that Eventbrite generates US\$12 in ticket sales per social media share (Shotland 2011).

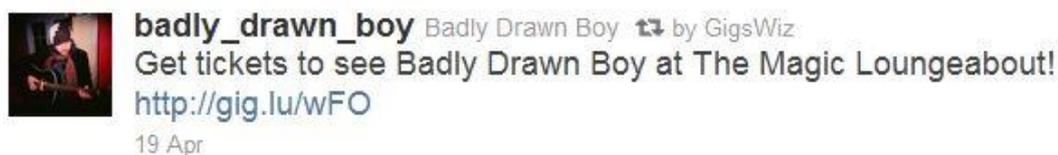


Figure 11. Example of a Twitter post with a GigsWiz ticket purchase link tweeted via Badly Drawn Boy's profile (Twitter. GigsWiz 2011)

GigsWiz has seen how much traffic a Facebook share made by a popular artist can bring to the company's ticketing page. As an example GigsWiz has sold tickets to an event headlined by Badly Drawn Boy. When the artist added GigsWiz's ticket purchase link to its Twitter feed, it brought in plenty of traffic to GigsWiz's service. However, the life cycle of a Twitter post is really short. Facebook post has a slightly longer life span. GigsWiz has noticed that a Facebook post lives for about 10 hours. (Vermasheinä, interview 3.5.2011.)

Especially Facebook is also a channel for AudioDraft's clients for involving their fan communities. Fans of the brand who don't compose music themselves can participate in the contests and in the production by voting and commenting in Facebook. (Yli-Hollo, interview 4.5.2011.) Facebook is not just a marketing channel but it's also strongly tied to Mobile Backstage's product development. At the time of the interview Mobile Backstage was about to release its Facebook application to be used in a similar way as the mobile application. (Pöyhönen, interview 28.4.2011.)

It will become a new platform for us in addition to iPhone and others. Because when the fan is not in the phone, he/she is in Facebook. We now have means of getting all those Facebook fans hooked to the same community. When the users of smart phones and those who are on Facebook are added together we can probably get about 90 per cent of fans hooked. If they are not on Facebook they really don't even belong to our customer group. The fans need to get some pleasure from being social. (Pöyhönen, 28.4.2011.)

Facebook Connect is used for signing into websites and applications, meaning that people who have a Facebook account don't need to create separate user names for different services. "Facebook gets more users and we get analytical information: first name, last name, gender, age, interests. Everyone actually wins." (Pöyhönen, interview 28.4.2011.) Also Playmysong uses Facebook Connect. The company believes it lowers the threshold of starting to use the service because of its easiness. (Korhonen, interview 27.4.2011.)

As a principle Mobile Backstage doesn't market its services directly to music consumers. However Mobile Backstage offers its clients tools that integrate their application into other social media channels. When an artist makes an update in the mobile application it's possible to spread the update to all of the artist's social media profiles and to the artist's own website through a widget showing most recent posts. The widget also provides a channel for fans for downloading the mobile application and for participating in the mobile community. (Pöyhönen, interview 28.4.2011.)

## 6.7 Music startups' services as social media tools

Built-in social media features are an integral part of Playmysong's, Audiodraft's and Mobile Backstage's services. Each of them can be seen as a social media of their own.

Our service is kind of like a very own Facebook for the artist and the true fans. Fans come here [to the service] only because of the artist. Their sisters, grandmothers or friends are not here. It's kind of like going to a gig. Partly you go because of the artist and partly because you can identify yourself with other people. As soon as you find the unifying factor you're all friends. (Pöyhönen, interview 28.4.2011.)

Pöyhönen believes that Mobile Backstage becomes the artists' hub for updating real time content to all their other online channels: their website, Twitter and Facebook profiles. The key element is that the artists make the updates themselves, speaking personally directly to the fans. The artist and the fan are on the same level because everyone has their own profile page in the service. (Pöyhönen, interview 28.4.2011.)

Also the fans create content continuously. For example in Black Label Society's case hundreds of updates are posted daily, all kinds of stuff. It can be text, photos from a gig, a fan photo, something they want to share with the community. They have a reason to come back every day, again and again. (Pöyhönen, interview 28.4.2011.)

Mobile Backstage believes that by creating a space where fans can interact with each other and with their idol, solely focusing on that, converts into business in many ways, for example by providing ways of purchasing artist's music, concert tickets and merchandise (Pöyhönen, interview 28.4.2011).

## 6.8 Impact on music industry and artist income

Each of the startups I interviewed provides possible income streams for people working in the music industry field, for musicians and other professionals. Surely, their objective is to bring in revenue for the company itself but in their view creating value also for the music industry is crucial for the company's success.

GigsWiz's vision is clearly to provide a new income stream for the artists and bands through ticket sales commissions. GigsWiz believes to have found a part solution for filling the gap in musicians' income caused by the decline in record sales. Live music sales should be able to cover for the losses in record sales and GigsWiz plays a role in the process. Diverse ways of paying for live performances is challenging, however. (Vermasheinä, interview 3.5.2011.)

[... ] We can't and no one can say what is an average share of the [concert ticket] face value going to the artist. Of course someone gets nothing from it, someone else gets a beer wage but someone might get for example 50 per cent of the promoter's sales margin. The five per cent we offer is only an additional income stream but in today's world entirety is created from small streams. (Vermasheinä, interview 3.5.2011.)

Whereas GigsWiz is on the side of the performing musicians, Audiodraft concentrates on the musicians who create music. Audiodraft's vision is to help the music makers by providing them a direct channel towards potential customers, companies that pay for composed music. AudioDraft describes the contest prize sums as adequate and fair for the artist so in principle it's possible to make a living as a composing artist. First and foremost in the early phase of a musician's or a sound designer's career it is important to get references. Audiodraft's contests provide opportunities for the music makers to work with a big brand and get some material in their portfolio. Besides customers, the community members may receive visibility, earn money and develop their skills. (Yli-Hollo, interview 4.5.2011.)

There is one guy in a small town in the UK, an incredible talent who can make all sorts of music but doesn't have anything in his portfolio and has no access to the market. This guy has won over eight of our contests so far and now he has big brands, international companies in his portfolio so it's looking very different for him now. Another example is a gaming company which ordered theme music for a game. They liked the result so much they ended up recruiting this guy [contest winner] for a sound designer. (Yli-Hollo, interview 4.5.2011.)

Mobile Backstage believes that an active mobile fan community can enhance the sales of digital music as well as concert tickets and peripheral products and services, bringing in more money for the artists and their driving forces, managers, record labels and so on. (Pöyhönen, interview 28.4.2011.) Playmysong helps the music playing venues. Using Playmysong can bring in new clientele and therefore improve bars' sales. Playing recorded music in public places also brings income for artists in the form of royalties. Even more direct benefits for the artists and record labels dawn in Playmysong's future visions but it's too early to talk about them. (Kari & Korhonen, interview 27.4.2011.) Through the interviewed startups' affiliate programs also other individuals than musicians as well as companies can benefit from their businesses and earn some money.

Maybe even more than musicians' income the Finnish music startups' services could affect the relationship between the artist and the fans. The relationship becomes more direct but also more equal. One possibility for financing musicians' careers in the future could be fan-funding. Music makers can already sell their music as well as concert tickets directly online to their listeners around the world. Regarding do-it-yourself artists the role of the middlemen, the managers, agents and promoters becomes less significant. Ever since music piracy and peer-to-peer networks became common a large

share of music listeners has acquired music for free. Maybe now it's the time for music listeners to take more responsibility of supporting the music makers' careers. After all making professional music is a source of livelihood, not a hobby.

Startups don't have plenty of money and time to leave their mark to this world. According to Vermasheinä (interview 3.5.2011) this forces startups into creating new ways of thinking. In his view this is naturally the role of startups, not the old companies like Live Nation or Ticketmaster. In a way it's positive that startups don't have to please everyone. Pöyhönen (interview 28.4.2011) believes that the key to saving record sales can be found from making listening to and acquiring digital music as easy as possible. When getting music legally is made easier than piracy people won't bother to get illegal music. Also in its communications Mobile Backstage wants to focus on presenting solutions rather than new restrictions and law sections.

Both Mobile Backstage and Playmysong see great potential in mobile devices. Mobile Backstage wants to jump this train and is working on selling their vision to the record labels as well. (Pöyhönen, interview 28.4.2011.)

Smart phones and applications become commonplace and it doesn't stop with you being able to use your phone as a spirit level or something but it replaces your wallet and everything. You carry it in your pocket, and everything you can do electronically you do with your phone. (Pöyhönen, interview 28.4.2011.)

Playmysong is especially interested in the development of location data based services and applications, Foursquare being the most important consumer service at the moment. Korhonen believes in the strong user experience that mobile application combining location data, music and sharing features can create. (Korhonen, interview 27.4.2011.) Future of Playmysong is quite strongly tied to the popularity of other location check-in services and whether these kinds of services emerge in popularity among the great masses of bar goers.

## 7 Conclusions

The main research question of this thesis was “How do music industry startups use social media in their marketing communications?” I received many answers to the question via the interviews and by studying the companies’ use of social media tools. It was surprising for me to understand the depth of social media features in their own services. While conducting the interviews I realized that for these startups social media really is not merely a tool of marketing communications, of networking and customer acquisition but it’s also an integral part of their business models and philosophies. Come to think of it more closely I shouldn’t be surprised. Social media features are such a natural part of almost any website we use in our everyday lives. For example most online news media services have blogs and comment features, as well as social share options. It seems like the whole web has gone communal. For music it’s natural. After all the whole music industry exists because of the interaction between musicians and music listeners – the industry is helping the listener to find music and the musician to find listeners.

It seems clear that for a music startup, or probably for any startup, the more traditional means of marketing communications such as press releases or advertising are not the most effective means. The companies I interviewed were quite doubtful towards traditional press releases. When the company’s everyday operations aim towards achieving some of the first sales or developing the product, marketing communications can’t be very fancy or designed. As simple as it sounds the means of marketing need to be as cost and time effective as possible. I believe that this truth which naturally concerns all companies and organizations is especially viable when it comes to startups. It’s really swim or sink. Then again one high profile customer can turn out to be the key to success, like Playmysong’s co-founder pointed out.

Music startups’ marketing communications rely to a large extent on content marketing, telling a story and becoming a thought leader. Push marketing is definitely not on their agenda. It doesn’t work online especially if the company wants to create a quality brand image and gain credibility. Most important social media marketing channels are Facebook, LinkedIn and Twitter and companies’ own blogs. All of them require constant long-term work, being interesting and both reactive and proactive. In Twitter one

has to take part in conversations and start new ones as well as answer questions. Transparency is a key requirement. Whatever the company does in social media is public.

Most of the interviewed music industry startups have more likes in Facebook than followers in Twitter. The amount of Facebook likes or Twitter followers doesn't prove anything as such although it does increase the company's visibility and its chances of creating a viral hit. It's important to get the attention of the right people, potential customers, media representatives and influential figures in the industry. LinkedIn seems to be quite an unexplored possibility for the music industry startups but it holds interesting potential for business-to-business marketing and networking.

It is interesting to follow what the future holds for the startup companies I interviewed for this research, as well as the other startups in the music field. Clearly there are plenty of players trying to find their place in the changing music industry field and it's too early to say whose idea will fly highest. Like GigsWiz's co-founder said startups don't have plenty of money and time to leave their mark to this world but it is required from them to be innovative because the old companies are not. Music startups' views for the future of the music industry seem quite hopeful. There are still huge changes ahead but for the music consumer and for the music fan they seem quite positive. A closer relationship and an interaction between the artist and the fan does sound nice, and so does the stronger return of the live music experience after the long period of record releases dictating the rhythm of the music business. It is interesting to see what more the evolving online and mobile technology will bring to the music experience.

I hope this study finds its audience and helps organizations that are pondering the use of social media in their marketing communications whether they are in the music industry field or not.

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## **Interview questions for music startups**

1. Name of the interviewee and role in the company.
2. Description of the company's business idea and current situation.
3. What are the company's target groups, who are its customers?
4. How are potential customers and users of the service approached?
5. What are the most important means of marketing?
6. Does the company use Twitter? If yes, how?
7. Who in Twitter speaks with the company's name?
8. What kind of experiences does the company have from using Twitter / other social media channels, good or bad?
9. What kind of expectations does the company have from using Twitter / other social media channels?
10. Has the company set goals or objectives for using Twitter / other social media channels?

## **GigsWiz's Twitter marketing communications campaign**

The concept for GigsWiz's marketing communications campaign was designed in late 2010 and the campaign is planned to be launched during the year 2011. Length of the campaign is at least six weeks.

### **Background**

GigsWiz's marketing communications is done mostly by personal selling, by PR in industry events, and by email based interactive marketing. Social media not only supports these other marketing means but also enables access to a far wider audience. In an optimal situation follower requests in Twitter would be scheduled to go together with email marketing creating multiple points of contact. The most important requirements for the GigsWiz's marketing communications campaign are fast implementation, flexibility and low costs. All work for the campaign is done in-house, without the help of a marketing agency. Social media marketing can be cost effective but it requires work efforts into planning as well as implementation like any means of marketing communications. Therefore it's important to track and meter the effectiveness of a social media campaign carefully. However in best case its reach and impact per work hour can be much more extensive than that of personal selling for instance.

GigsWiz uses four main social media tools in its marketing communications: its own blog, Facebook, LinkedIn and Twitter. The tools have been chosen because their use is free, and they are very convenient and most of all they are popular. Twitter is a natural choice for GigsWiz's campaign because its reach within the target groups is good and GigsWiz has already gained some positive buzz in Twitter– without much effort.

GigsWiz's most important target groups are:

- music promoters,
- venues and festival organizers,
- bands and artists,
- music managers, and
- agents.

The targeted music genre is not limited, but most potential customers are in the rock and pop genres. Limiting the target groups is based on the size of the venues. GigsWiz targets small and medium sized venues. Respectively targeted promoters are those working with venues of similar size and artists with gig potential in them, as well as managers and agents working with the artists. In the starting situation of the campaign the potential customers are not very familiar with the company and its services. This is the main problem that requires actions. The marketing communications campaign is one way of gaining awareness within the target audience. Other ways are continued email marketing, content marketing in other channels and personal sales work. As an indirect result of these actions company may also gain awareness through word-of-mouth within the music field.

### **Campaign objectives and measurement**

Campaign objectives have been set on a high level. Key business goals are gaining new customers and potential customers, generating leads and increasing GigsWiz's social media coverage. Success of the campaign is evaluated based on campaign meters as well as the general view of campaign's results. It's especially interesting to discover if GigsWiz's business can be grown with the help of social media. In the end, has the campaign been able to bring the company new customers? Simply put, if the answer is yes the campaign has been a success. But even if it's not possible to draw a straight line from the campaign actions to new customers the efforts done in the campaign might have other positive effects. It might raise the overall awareness of the company and its services, and have a positive effect on its brand image.

The marketing communication objectives can be described through the AIDAS response hierarchy model (see Chapter 3.1). As most of the target audience is unaware of the GigsWiz service, the first aim of the marketing communications is to gain the customer's attention and by doing so build awareness and knowledge of the service. In the next stage, when attention is attracted, GigsWiz should attain customer's interest. Customers should like the service and prefer it to its competitors. Customer needs to be convinced in order to create a desire. Finally, marketing communications' aim is to get the customer make an action, a purchase decision.

In GigsWiz's campaign marketing meters are used not only for evaluating the overall success of the campaign but also as a basis of corrective measures during the campaign. Corrective measures are planned so that they can be taken into action in case the campaign is not succeeding like expected. All meters can be monitored via different web services where the data is automatically generated and stored. Meters are set before the start of the campaign, monitored during the campaign and finally analyzed when the review period is finished. During the campaign monitoring times are tied to certain actions in order to make justified assumptions of the effects of a single Twitter post. Because of the nature of the company and the experimental nature of the marketing communications campaign no specific targets are set for each meter.

The marketing communication meters are described in Table 1 and their correspondence to the AIDAS model is shown in the last column titled Indication. The meters are divided into primary and secondary ones. Data source as well as what the meter indicates is listed for each meter.

Table 1: Measurable marketing meters of GigsWiz's Twitter campaign

| <b>Meter</b>   | <b>Data source</b> | <b>Indication</b>   |
|--|--------------------|---|
| <b>Primary meters</b>  |                    |   |
| Number of Twitter followers  | Twitter            | Number of target persons ( <i>attention</i> )                         |
| Number of clicks per published Twitter marketing message (leads to landing page or blog) | Bit.ly             | Number of reached target persons ( <i>interest</i> )                  |
| Number of defined actions on landing page variant A (e.g. book a demo)                   | UnBounce           | Number of potential new customers ( <i>desire</i> )                   |
| Number of defined actions on landing page variant B (e.g. contact GigsWiz)               | UnBounce           | Number of potential new customers ( <i>desire</i> )                   |
| Number of registered users   | GigsWiz service    | Number of new customers ( <i>action</i> )                             |
| <b>Secondary meters</b>  |                    |   |
| Number of retweets per published general Twitter message (external source)               | Twitter            | Width of company's general visibility on Twitter ( <i>attention</i> ) |
| Number of retweets per published Twitter marketing message (incl. blog)                  | Twitter            | Width of company's services' visibility ( <i>interest</i> )           |

The monitoring of the above meters is tied to the publication of the marketing messages. This makes it possible to evaluate and compare the effectiveness of individual marketing messages (tweets). Each tweet is followed by using a spreadsheet that includes the following information: Twitter marketing message text, target url shortened with Bit.ly, publication date and time of the message, amount of followers the Twitter account has at the time of the publication, amount of followers 24 hours after the publication, number of retweets of the message, number of clicks of the shortened url in 24 hours, number of clicks of the shortened url in 1 week, number of defined actions on a landing page in 24 hours, number of defined actions on a landing page in a week, number of new registered users in GigsWiz's service. The last two cannot be traced back to the individual tweet so the connection between the marketing message and the metric has to be critically evaluated.

In addition marketing messages leading to GigsWiz's blog and a limited amount of general Twitter messages are monitored with the following information: Twitter marketing message text, target url shortened with Bit.ly, publication date and time of the message, amount of followers the Twitter account has at the time of the publication, amount of followers 24 hours after the publication, number of retweets of the message, number of clicks of the shortened url in 24 hours, number of clicks of the shortened url in one week.

### **Twitter campaign description**

The aim of the campaign is to direct potential customers through Twitter posts to landing pages to do specific actions. The landing pages as well as the desired actions are designed based on the target group. Potential customers are also directed to GigsWiz's blog with the aim of spreading awareness of the company and its services. Besides GigsWiz's own marketing messages the majority of tweets link to external sources. The general tweets can be for example hand-picked articles and blog posts that might be interesting for the group of followers accompanied with short commentaries.

A separate Twitter account is created for each target group (e.g. GigsWiz for Promoters). Potential customers are identified with a separate tool for finding people on Twit-

ter based on their bios and added as followers for the corresponding GigsWiz account. If the potential customer (e.g. a promoter) has basic Twitter settings on, Twitter sends an automatic email message to them telling that GigsWiz Promoters is following them. The idea is that the promoters recognize themselves from the title GigsWiz Promoters in the email and potentially get interested. They might directly use the link in the email to visit the GigsWiz for Promoters Twitter profile page or start following the account back, or even click on the link in the bio and end up in the landing page specifically customized for the target group. The landing page contains more information about GigsWiz's services and might include a call-to-action, for example an invitation to watch a presentation video, book a time for a demo, contact GigsWiz directly or even register for the service and start selling tickets.

Used online tools:

- Twitter ([www.twitter.com](http://www.twitter.com)) micro blog service which is used for publishing marketing messages and other material.
- Tweet Adder ([www.tweetadder.com](http://www.tweetadder.com)) is a Twitter management service which is used for finding relevant followers for Twitter accounts.
- Unbounce ([www.unbounce.com](http://www.unbounce.com)) is used for creating landing page variants and optimizing them based on their performance.
- CoTweet ([www.cotweet.com](http://www.cotweet.com)) is used for publishing for several Twitter accounts with single log-in.
- Bit.ly ([www.bit.ly](http://www.bit.ly)) is used for shortening web addresses to be used in Twitter messages and for monitoring their clicks.
- MailChimp ([www.mailchimp.com](http://www.mailchimp.com)) is used for managing email lists and for sending newsletters.
- WordPress ([www.wordpress.com](http://www.wordpress.com)) is the blog platform used by GigsWiz.

Campaign preparations before the actual campaign begins include creating user accounts in Twitter and completing them with personalized background images and biographies, publishing material on Twitter accounts to increase its credibility, creating landing pages on UnBounce, creating a detailed action plan including general marketing messages and their timing as well as related blog posts. Preparations and planning is also needed regarding for example what hashtags to use in tweets. The action plan

describes how many messages are to be published per week per account, and how many of them are marketing messages. Also the blog posts and their subjects are planned.

Campaign actions:

- TweetAdder is used for adding new followers to GigsWiz's Twitter accounts
- Approximately ten general messages are published per week per account.
- Four marketing messages are published per week per account.
- Blog posts are published and tweeted once a week.
- Accounts are monitored daily: new follower requests accepted, replies sent etc.
- Unbounce and bit.ly are checked daily to monitor clicks and leads.