

# **The impact of the digital era on marketing in the music business industry**

## Abstract

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Abstract <p>The thesis purpose was to explore the impact of digital era on marketing in music business. The music industry went to a lot of transformational processes due to digitalization. The digital era provided a lot of opportunities for the music business as well as new challenges.</p> <p>In theoretical part, the main history events of music industry transformation were studied. The impact of Napster, iTunes, Streaming services and Social Media on industry was explained. Based on historical events and marketing concepts such as marketing mix, social media marketing and customer relationship marketing, marketing strategy in music business were described.</p> <p>For empirical part, the questionnaire was created. It included question related to the topics of music consumption and music marketing. The answers were supposed to illustrate customer response regarding mentioned topics.</p> <p>As the result, the findings demonstrate that the digital era has a huge impact on marketing in music business. The digitalization process influences all four variables of marketing mix and has transformed marketing approach. The questionnaire results prove that adaptation to digital reality is vital for successful marketing campaign.</p>		
Keywords Music business, digital era, record labels, music marketing, marketing mix music business		

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### Appendix 1. Questionnaire

## 1 Introduction

Music is an essential part of many people's everyday life and can be identified as part of the entertainment industry which has a strong connection with the leisure activities. Over the time entertainment industry has been transformed owing to many history events. The rise of digital era put entertainment industry through another metamorphosis. The changes that were brought by digitalization process also impacted music as a business industry.

The digital era has provided plenty of new opportunities as well as obstacles for the music industry members. Overall, the digitalization has impacted the business structure of the whole industry from the production to consumption processes. In order not to stay behind the progress, the industry experts has had to adapt to the new reality and reconstruct existing business operations. (Hull 2011, 39.)

According to IFPI (2021), in 2020 music market grew by 7.4% even though the world had to face such obstacles as pandemic and, as a result, cancellation of concert tours, which is one of the revenue streams in the industry. Owing to new digital technologies including music streaming services, the market demonstrates the sixth consecutive year of growth. (IFPI 2021, 5.) Moreover, the digital world develops every day: new trends in social media, new social networks, improving in streaming service sector and other possible new features. Therefore, there is a potential growth for the industry, which should be taken into account by industry professionals for the business strategy development. By researching the industry changes due to the digital era and studying the current model, the development perspective of the music business in the near future can be considered from the business perspective.

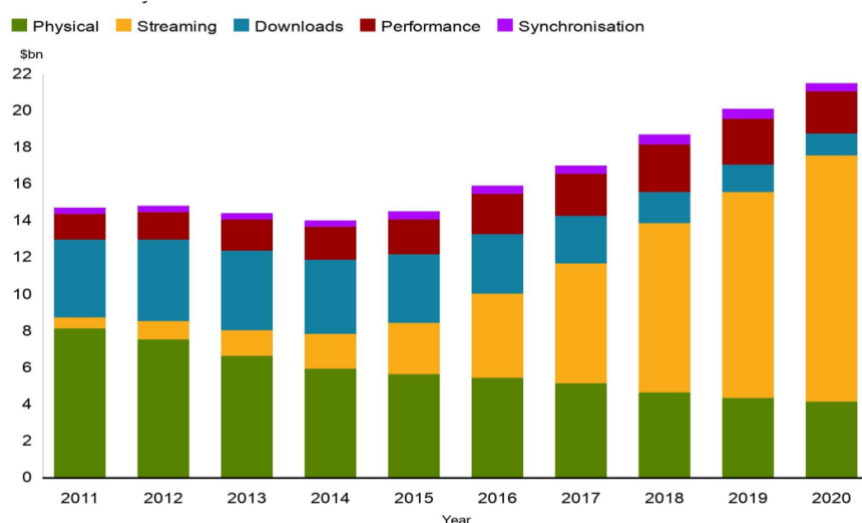


Figure 1. Music industry revenue 2011-2020 (IFPI 2021, according to Savage 2021)

## 1.1 Objectives

The objective of the study is to research and analyze the impact of the digital era on marketing in the music business. The study will focus on the marketing experience of leading music companies that operate worldwide.

The study objective is divided into 4 steps, which are:

- 1) Establishing a theoretical framework
- 2) Research the key concept that impacted the industry
- 3) Analyze the current marketing approach
- 4) Make analyzes of the possible future perspective based on the research

As the result, this research will explain the main transformations that have happened in the industry and how they have affected the development of the industry, present the current situation, and illustrate future opportunities for marketing in the music business.

## 1.2 Delimitations

This thesis work has a set of boundaries that are established by the author.

The music business industry can be researched from many perspectives. The industry includes many types of businesses. In this research, the focus is on the music recording business and companies such as record labels. The record label is music business that is responsible for artist management, marketing and product distribution. Moreover, the record labels, that is explored in the research, should belong to the big three leading music companies: UMG (Universal Music Group), Sony Music Entertainment, and Warner music Group.

Regarding time boundaries, the study will report about the music business from 2000 to the present day. Early 2000 is the beginning of the digital era for the music business. Even though CD existed before 2000 and it is a form of digital recording music, it is not a digital file share technology that has had a major impact on industry transformation and is the main focus of this research.

The study will analyze the main digital technologies that have reshaped the industry. The concepts include Napster (file sharing service), iTunes (online distribution), Spotify and Apple Music (streaming services), Social Media.

### 1.3 Research questions

The questions that are answered in this thesis are listed below:

- 1) How has the digital era influenced music business marketing?
- 2) What changes have arisen as a result of the digital era in music business marketing?
- 3) What is the current situation in the music business regarding marketing?
- 4) How do music companies utilize new digital instruments in marketing?
- 5) What are the perspectives for music marketing in future?

### 1.4 Research methods

The research for this thesis will be done on the basis of questionnaire.

The aim of the questionnaire for this research is to collect data about the current situation in the music business from consumer perspective. Based on the collected data the research should be conducted. The questionnaire was sent to the responders via email or shared link to the Google form. The questionnaire will target music business customers. Mostly it will reflect the current model of music consumption and music marketing. Therefore, the questionnaire will focus on exploring the streaming services position. For instance, which services is the most popular, which type of subscription is used, how customer operate with the streaming service, how people find new music there. Moreover, the questionnaire will demonstrate social media connection with the music industry, for instance social media as the effective promotional tool.

## 2 Music industry

### 2.1 Brief overview of music industry and recording music business

The music industry can be defined as an industry that earns money by producing music. That term includes various numbers of business activities that can be divided in separated type of businesses existed in the industry. Producers, songwriters, record labels, recording artist, booking management, and other parties are all members of the music industry. (Pastukhov 2019.) It appears that the music business is seen as a business, where only recording artist earns money, but of course, it's not true. Behind the success of a world-famous artist, there is the whole team of industry's professionals and support from leading music companies. The same as in any other type of industry, the precise establishment of business strategy is the core fact in building long-term successful career. Even though, it might seems that being talented is enough for launching career in the music business, unfortunately it cannot secure and guarantee the longevity of the career in the high-competitive industry.

The main focus of the thesis is on the recording business and companies such record labels. The record label is a brand created by music companies to produce, distribute and promote the artist music. Usually, the label has a control over management processes. The label as a company consists of several departments that are divided into two big division category such as creation, production and distribution, promotion. The first division specifies on music production and involves in processes of finding new artists, choosing repertoire, recording and song writing, and similar music creation activities. The second division is responsible for marketing activities. The aim is to distribute the right music to the right customer at the right time. It should be mentioned that record label also has departments like financial and international departments. (Strasser 2009, 84-85.)

### 2.2 The digital era and main transformation events

Back in the days when vinyl, tapes, and cassettes were the most common method of music consumption, CD (compact disc) format was a first important step towards digitalization process of music transformation. (Morris 2015, 15.) In 1982 CDs were introduced to the public and quite quickly removed vinyl and tapes from the pedestal (BBC UK 2019). With a CD people had more control over the way music was playing. The ability to skip songs you did not want to listen, compact size, and better-quality sound, attract people to prefer CDs over other formats. Owing to it, CD became dominating the market, even though there were people who still choose vinyl and cassettes. (Morris 2015,15.)

Even though CD invention was a huge step for the industry, the most significant transformation, that still influences the present-day industry, is the shift from CD to music in a form of digital file. Music in a form of digital file laid the foundation for digital concepts that reconfigured the industry. The following paragraphs explain the main concepts and their impact.

### 2.2.1 Napster

Napster is one of the most controversial events in the history of music industry. Napster is a digital file sharing platform that was developed at first as a project by teenagers in the 90s and later on turned into an industry-destroying business (Dowling 2019). The service was created by Shawn Fanning along with John Fanning, his uncle, and Sean Parker. (Strasser 2009, 97). Now, people can know Sean Parker as a founding president of Facebook (Hartmans 2021). Before Napster's existence, it had been hard to download and find music on the internet, and suddenly, when Napster was invented, it became simpler than ever with the P2P (peer-to-peer) sharing. Therefore, music was downloaded faster and the most important thing it was available free of charge. As Shawn Fanning said, *"to take down the record industry and give away free stuff!"* (NME 2009.)

While the music consumers had countless benefits with Napster, the record industry was suffering a crisis. In 2001 RIAA (Recording Industry Association of America) claimed that the industry experienced a decrease in record sales, especially in sales of singles. Moreover, Napster had to face lawsuits filed by well-known and valuable artists of the recording industry and RIAA. (ABC news 2006.) In 2000 the rock band Metallica released a lawsuit against Napster regarding a copyright issue. Since all music content was available for free on Napster's webpage, which was considered illegal, around 335,000 users of Napster shared Metallica music against the law. The case could be considered as one of the most impactful events in the music industry, which afterwards could be heard in other music business cases. Of course, Napster lost in court and the service had to shut down in 2001. (Dowling 2019.)



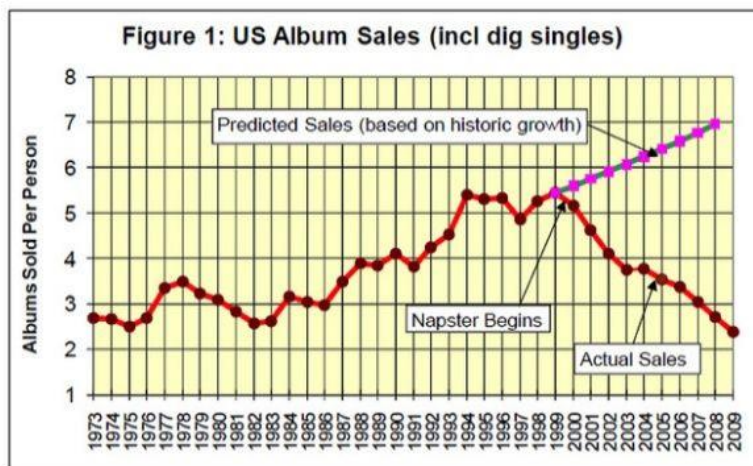


Figure 2. Chart by Stanley Liebowitz depicting the purported effect of P2P on music sales (Sinnreich 2013)

Even though Napster was not legally correct, the users of Napster had different opinion regarding lawsuits and copyright issues. Metallica fans were not very supportive towards idea of suing the service. Therefore, Metallica had a backlash from fans, since the basically conflict was perceived as a fight between millionaire artist and college student who developed Napster, especially since there were another web pages for illegal downloading. Due to this fact, the perception of conflict by the public differed from the vision of the music industry members. (Law 2021; Patel 2015.)

With Napster the paradigm of music industry development turned towards the digital word. It was the fundamental step that reshaped the industry, so music business never came back to the same state after Napster. Some people believed if the record industry reacted to the Napster existence in the other way, the industry could have avoided the crisis. Steve Knopper, *Rolling Stone* contributing editor, discussed in his book "Appetite For Destruction: The Spectacular Crash of Digital Age" that record labels did not explore of the potential of agreement deal with Napster which could be more profitable for industry than suing the service. Now, the industry profits from online music and streaming services, the same effect could be achieved in a faster way owing to Napster and the record industry cooperation. (NME 2009; Dowling 2019.)

### 2.2.2 iTunes

After Napster phenome and rise of illegal music downloading, the industry was not sure about how music could be legally sold online. Then in 2003 iTunes was launched. The service can be named as a leader in online music retailer business. (Morris 2015, 132). The iTunes was a "lifebuoy" for the industry. The service provided easy and accessible

opportunity to buy albums/singles legally. Moreover, iTunes was available not only for Apple environment products but also for Windows users, therefore expanded wider audience of online store customers. (Naughton 2019.) The iTunes sold one million tracks in its first week and became the leader in the music retail business. However, despite obviously successful launch for music industry since the Napster disaster, there was one factor that bothered the music companies. (Knopper 2013.) The average price for the CDs were around 14\$. The Steve Jobs and iTunes provided singles for 0.99\$ and albums for 9.99\$ which are drastically cheaper product than regular CDs (Morris 2015, 151). Therefore, the music companies had to accept the new digital consumption reality and iTunes's triumph was the last straw that killed the CDs. (Knopper 2013.)

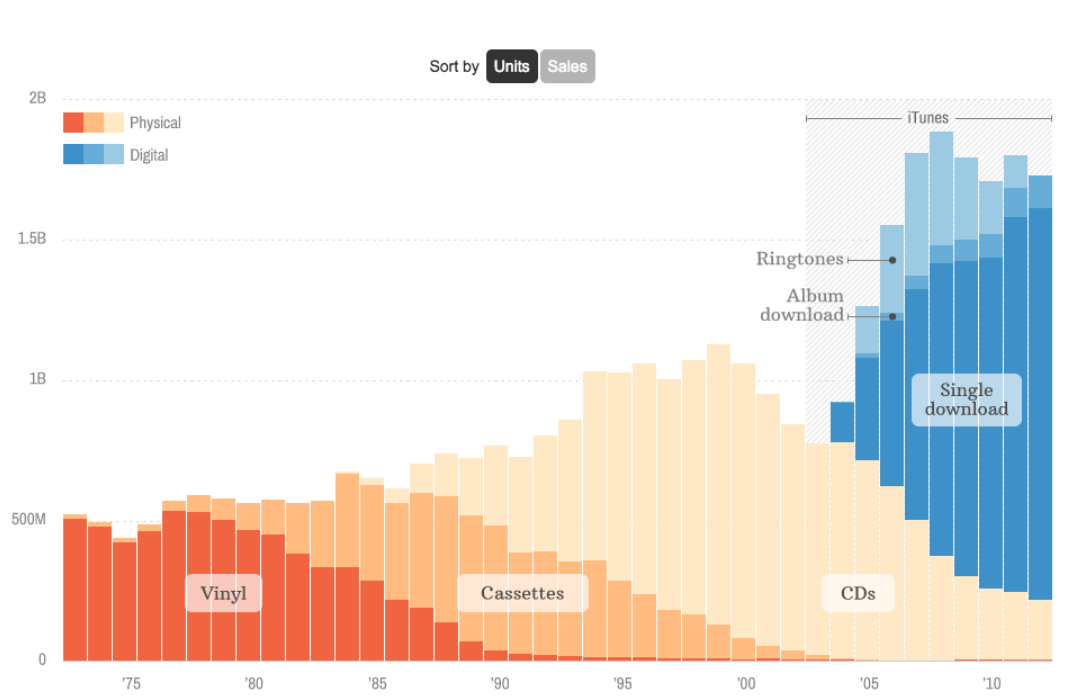


Figure 3. How iTunes crushed music sales (CNN Money)

Over the years iTunes was leader of the music distribution market. It has undeniable influence on the music industry and is an essential part of its evolution. Unfortunately, iTunes did not pass the test of the time. The service started to lose its popularity and in the end was replaced by the streaming services model of music consumption. The service still exists but not in the same way.

### 2.2.3 Streaming services

Despite the fact that iTunes partly won the war with the piracy, the music industry did not recover from the Napster case. According to the RIAA the industry revenue in 2015 was not

close to the performance ratios of 1999. Fortunately, streaming changed the situation to the positive direction.

In 2006 Swedish entrepreneurs developed streaming service called Spotify, one of the most popular streaming services in present days. The service launched for the USA market in 2011. (Robinson 2021.) Streaming services started to challenge iTunes in terms of music ownership. iTunes offered its users to buy album/song and own it, which was quite similar approach as buying CD/vinyl, but in a digital environment. On the other side, streaming service used the model of access and experience of the whole music library instead of owning a few pieces. (Morris 2015, 165). By the 2015 Spotify had 60 million users, and around the same year Apple introduced its own streaming service Apple Music. The company hoped the compete with the Spotify, so Apple prepared some exclusive content deal with the big artists like Taylor Swift. (BBC 2018.) Around the same time Jay-Z and his streaming service Tidal tried to compete with both Spotify and Apple Music. Since Jay-z is influential member of the industry, he secured the service support from another huge stars such as Rihanna, Kanye West and Beyoncé. All three of them released their brand-new albums (“Anti”, “The Life of Pablo”, and “Lemonade”) first on Tidal and consequently made their fans signed up for the service. It was a smart short-term business decision that boost Tidal activity yet did not provide a long-term effect for the service. (McAlone 2016.)

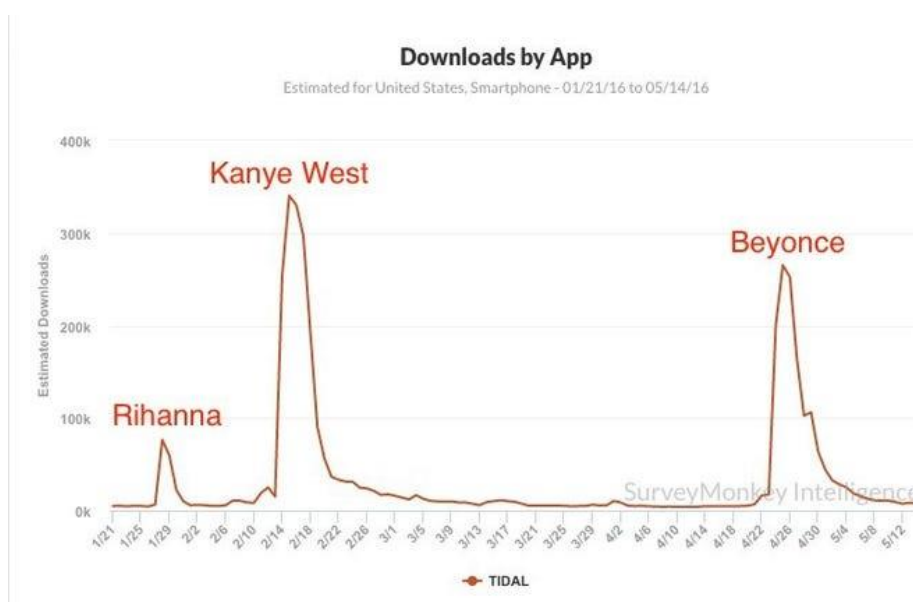


Figure 4. Tidal app downloads (McAlone 2016)

Nowadays, streaming is the main method of music consumption. The customers have a variety of choices between available services that offer different subscription plans and customers can choose the most suitable one for them. The streaming services saved the music industry. Right now, industry revenue is close to numbers of pre-Napster era (Figure

1). The number of paid-subscription users of Spotify is expected to grow in future even more as well as number of Apple music users.

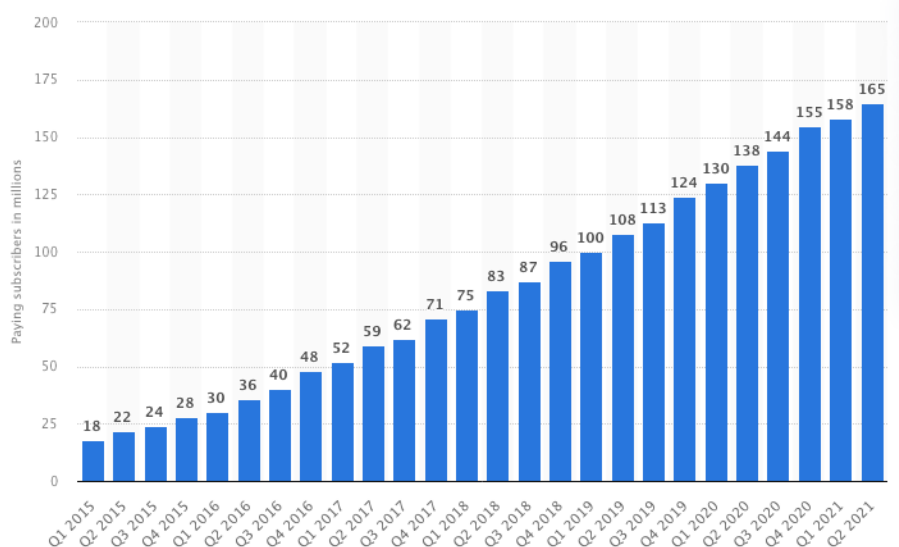


Figure 5. Number of Spotify premium subscribers worldwide from Q1 2015 to Q3 2021 (Statista 2021a)

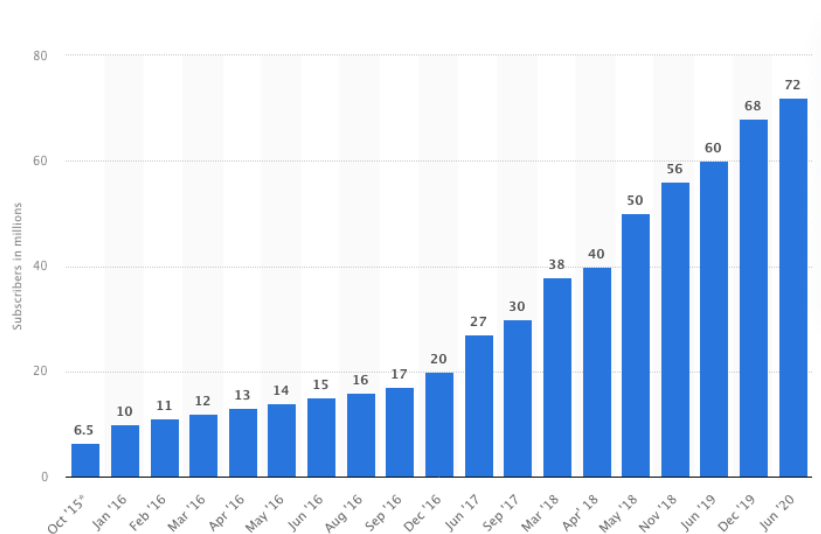


Figure 6. Number of Apple Music subscribers worldwide from October 2015 to June 2020 (Statista 2021b)

The record industry revenue started to improve with the streaming service, but on the other hand artists were not excited about streaming reality. The main conflict was the royalties, the payment from streaming services to artists, producers, songwriters and other people involving in the song creation process. The royalty rate was unbelievably low that some artists did not want to put their albums on streaming service. Taylor Swift and Spotify conflict is the major example. Taylor spoke up against streaming service payment policy and as an

act of protest remove her entire music catalogue from Spotify. The singer believed that service did not pay creators fairly. (BBC 2018.) Moreover, the artist criticized Apple Music for the three-month free trial period during which artists would not get any royalties. Apple Music took into account Taylor's statement and was paying royalties during free trial. (Tiffany 2017.)

#### 2.2.4 Social network

Social media is a crucial instrument for today's music industry. At first sight it seems like social network are utilized only for marketing activities but it's not a completely true. Of course, digital marketing has significantly changed business operation of a record labels, it will be discussed in the next chapter. The worth of social media for the industry is a music license. The networks pay quite good money to integrate music into platform feature. (Ingham 2020.) In 2020 Sony Music entertainment signed a deal of a long-term music license with TikTok for music promotion and discovery. It means that social platform has access to the Sony music catalogue. (Millman 2020.)

YouTube was and still is one of the crucial social media platform for the industry. YouTube is video sharing platform. The service value is a possibility to share music videos, performance video, and other video content. Instead of making a deal with television network to play music video, artist and label can upload video by itself and gain even more views than on television. Instagram, Facebook and Twitter allow to share lifestyle content with fans, make public announcements, promotion and control narrative on medias. The main purpose of all social network for the industry is promotion and managing relationship with fans and general public.

### 2.3 Current state of music industry

As it was mentioned before, streaming is one of the biggest revenue stream for the industry. For the consumer perspective, streaming music instead of its downloading and purchasing is more suitable option for the digital reality. The popularity of music streaming services is expecting to grow even more in a future years since companies constantly improve the services for the better customers' experience. For instance, Apple Music introduced lossless streaming and Dolby Atmos sound to provide "in studio" listening experience. Spotify prepares analysis of listening history every year for its users in a creative colorful presentation. (Welch 2021.)

Almost every recording artist utilize its social media accounts to promote and announce its upcoming projects as well as connect with the fans. It’s a powerful tool which has become essential marketing instrument and has a big impact on an artist career. Based on the MusicWatch study music artists and bands are the most popular segment of celebrities/public figure for following on social media.

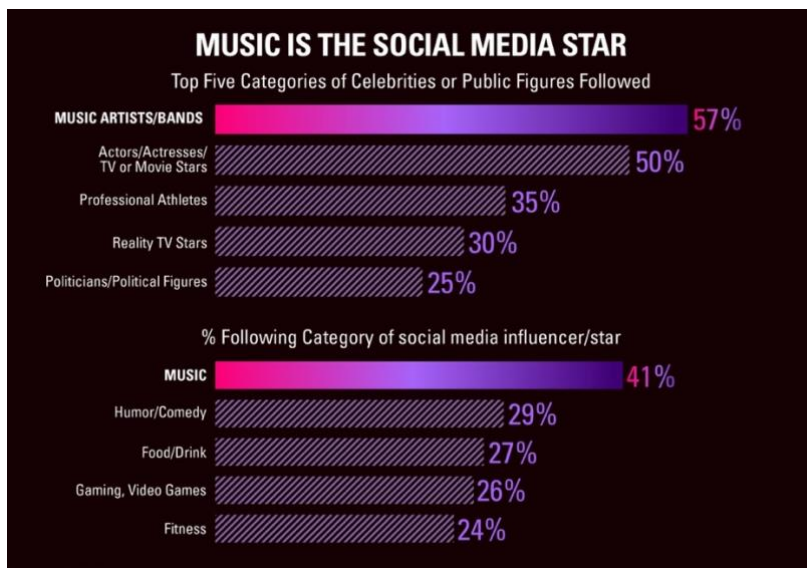


Figure 7. Music is the social media star (MusicWatch 2018)

In terms of record labels and music companies the current situation is as follows. There are three major music companies also called “big three”: Sony, Universal and Warner. These companies owned the most important labels for the industry and the biggest artists signed to them.

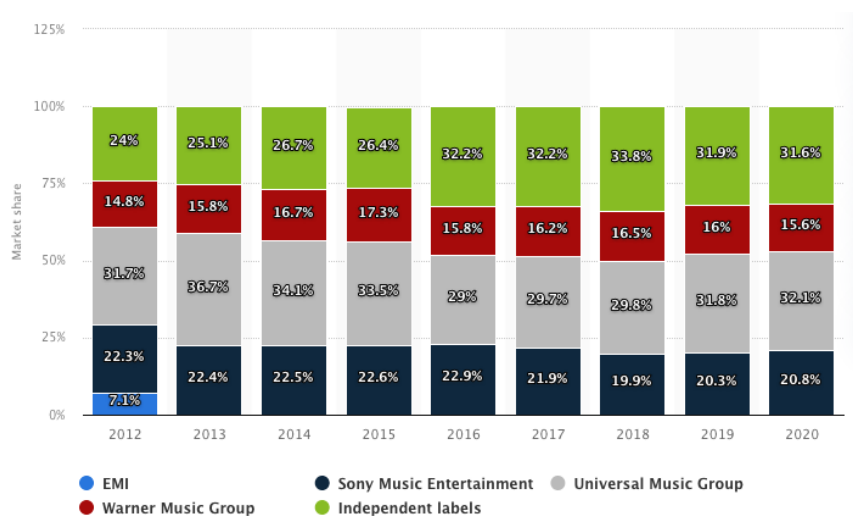


Figure 8. Digital and physical revenue market share of the largest record companies worldwide from 2012 to 2020 (Statista 2021c)

Warner records first was a music division of Warner brother film in 1920s. In 2004 Warner Music was purchased by private investor group and company went public in 2005. (Hull 2011, 175). In 2011 went private due the purchasing of the company by billionaire Lev Blavatnik. Recently, company applied for IPO and became public again. Nowadays, company worth is 25,4 billion dollars. (Aswad 2020.) Company owns 19 labels, the most well-known of them is Atlantic records and warner records. The labels are “home” for the current popular artist such as Grammy awarded pop singer Dua Lipa, Bruno Mars, female rap start Cardi B, and pop singer Ed Sheeran. (Warner Music Group 2021.)

Sony Music Entertainment (SME) is a company owned by Sony Corporation. The company revenue in 2019 was 7,82 billion dollars. SME owns 13 labels including famous such as Columbia Records, RCA Records and Epic Records. These companies working with recording artists like Beyonce, Harry Styles, Adele, Pharrell Williams, ASAP Rocky, Travis Scott and many other artists which names are now on hearing. (Sony Music 2021.)

Universal Music Group (UMG) is largest music company of the “big three”. The company was established in 1998 as an incorporation of Universal Music Group (formerly MCA) and PolyGram. The main company business activities include recording music, music publishing, and artist services. (Hull 2011, 174.) In such a complicated year as 2020 was, UMG improved its revenue up to 3,8% and the revenue was \$8,4 billion (Christman 2021). The list of company’s labels consists of Capitol, EMI, DefJam recordings, Republic Records, Interscope and other. According to Billboard hot 100 labels 2020, the first and the second places belong to UMG labels Interscope and Republic. (Universal Music Group 2021.)

### 3 Marketing

#### 3.1 Theoretical framework

##### 3.1.1 Marketing mix

The marketing mix is one of underlying concepts in marketing. With the help of this concept marketing could be explored through four P variables (figure 9). (Kotler 2014, 76-77).



Figure 9. Marketing Mix. (Kotler 2014, 76-77)

First variable is product. It is a product or service that company should market to the target audience. This variable covers product related topic including quality, product design, features, packaging. The “price” variable deals with the topic of payment in other words how much money customer willing to pay for the product/service. Moreover, the variable also investigates payment method, available discount, suitable pricing strategy for the market. The next “P” place is connected with product availability in terms of place, consequently variable has a strong relation with the logistics. The last variable “promotion” represents activities that tend to attract target customers and sell them the product/service. The promotion refers to marketing activities such as advertisement, selling speech, Public relation, and sales.

For prosperous performing of company’s marketing strategy, the perfect blend of all four variable is key for the positive outcome. In the present age, there are expanded versions of marketing mix exist and include more variables, for instance “people”, “process”, “physical evidence”, “partner” and others. Regarding the fact that marketing mix concept has evolved



and now can include more variables, the main four Ps remain as unchanged base for establishment of helpful marketing program. (Kotler 2014, 76-77).

### 3.1.2 Customer Relationship Marketing

Customer Relationship Marketing is marketing term that can have many definition. Many people know about CRM only as an analytical software that collect customers data. However, in this section CRM will be explored as a marketing tool which tend to improve customer experience, customer management and loyalty. (Roberts-Phelps 2001, 2-3.)

In present digital reality communication with the customer has a direct type. The old passive communication method such as posters, banners, television advertisement is still suitable option to connect with the broad number of audience and increase company's awareness. With the help of new technologies company establish a two-way communication with the customer and improve long-term relationship. (Roberts-Phelps 2001, 140.)

Customer Relationship Marketing is focusing on customer experience and direct marketing activities towards improvement of customer interaction with the brand. The purpose is expansion of engagement and trust rate with the customers. When company has a strong relationship with the customer it saves money on attraction of a new customers and spends on maintaining existing relationship and improving customer profitability. (Cross 2018.)

### 3.1.3 Social Media Marketing

Social media marketing (SMM) is a term is used to describe marketing campaigns via social media platform. The concept gained its popularity with high-rate social network activity. SMM and CRM is connected because both concepts are customer engagement oriented and social media play a vital role in the marketing strategy. Marketing campaigns in social media age spinning around publications and audience response to it. Depending on social network type, marketing managers decided publication type, message, and what outcome is desired. Moreover, with the social media tools customer segmentation process perform in a more effective way regarding target the right audience. Also, social media marketing can be evaluated through different metrics such as CPC (cost per click), views, engagement rate. (Hayes 2021.)

In spite of the fact that social media marketing is powerful modern marketing tool, it has its own disadvantages. One of the most crucial is audience response. If the response is positive, it appears as no issue to the company. But the negative reaction has a possibility to destroy the company reputation and public image since information shared quite rapidly

and people has tendency to discuss negative things more often. Consequently, business has to face major backlash and launch strategy for PR recovery process. (Hayes 2021.)

## 3.2 Marketing mix in music recording business

### 3.2.1 Product

In music business the product is recorded albums and singles that are marketed to the audience. During the product creation process, usually A&R and production departments are involved. Producers, songwriters, recording artist, musicians, sound engineers work together to complete music project. The aim of the marketing department to distribute and promote the project to the audience and make it profitable for the record label though the sales itself and other type of revenue streams such as copyright licensing and live performances. (Hull 2011, 230.)

During the history of music industry, music as a product evolved. It went from physical medium to the digital file. This transformation also affected other variables of marketing mix. In terms of “product” variable music became more customized. In the past people bought full album on CD, but now with the streaming services and online distribution platform, people have ability to pick and choose what exactly they want to listen.

Recorded music as other type of product has its life cycle. The life cycle consists of 5 stages: introduction, growth, maturity, decline and withdrawal. In music industry many factors influence the product life cycle. Depending on artist status and popularity longevity of stages differ. For instance, some artists promote their albums before it come out with the lead singles that usually increase interest in the album. Other artist (usually famous global artist) can drop album as a surprise release or simple without any promotional singles. Back in the days when music physical medium like CDs, vinyl and tapes, the product life cycle was noticeably shorter. The product reached the point when it is no longer profitable and financially good to keep it in stores. However, with the streaming services and online distributors, old projects do not have to be removed from the platform, consequently life cycle of the product expand. (Hull 2011, 230-231.) For instance, The Weeknd album “Kiss land” was top 7 iTunes USA chart in 2021 even though album was released in 2013 and has not had any recent promotion campaigns. And now, there are even more examples like this because people has almost unlimited access to the music industry products.

Album as a product usually has at least two versions: regular one and deluxe. Deluxe version differs from regular one by the number of tracks. Sometimes, instead of deluxe version, label decides to release a remix or divide a long-play album into smaller EP, so

people can listen EP if they do not like the whole LP piece. The various album/singles versions are created to maintain audience enthusiasm towards the product. For the artist and label these versions influence chart positions, commercial success and therefore profitability.

Moving to the product packaging and design, the product transformed. In terms of physical medium album has various covers besides the original one which is the same cover for digital form. The new covers usually created as exclusive version for a certain distributors. Also, if album sold as a physical version, sometimes there are special packages configuration that include some souvenirs and accessories besides the album itself. For streaming services, some albums have “motion” covers. It is not a must feature but can highlight the album from the other.

### 3.2.2 Price

Since music projects are now available in different forms, the price range also became more various. In terms of vinyl and CDs the average prices right now are from \$20 – 40 for vinyl and from \$10-15 for CDs for the album long project. The online version of the same product is drastically lower in pricing. The comparison table of prices for the Billie Eilish latest album “Happier than ever” in physical and online stores below.

Store	Vinyl	CD	Digital
Wal-Mart	\$26,35	\$18,51	
Wal-Mart exclusive version	\$32,97	-	
Target	\$26,35	\$12,59	
Target exclusive version	\$27,99	\$13,99	
Artist webpage	\$35,00	\$14,00	\$12,00
iTunes			

Table 1. Prices for the album “Happier than ever”

By examining the table, the tendency can be defined. The vinyl is the most expensive type of product. The vinyl’s price depends on distributor and version. The exclusive one costs more even though it does not have any new songs or additional music content. The price of CDs is closer to digital album price, so it is a better deal than vinyl. However, in present days not a lot of people have CD player so it is more optimal to buy digital album because it can be played just on the phone. It is obvious that digital album is a cheaper option since it does not require physical production. But as it was before the streaming form of music

consumption, therefore table below compare average price between streaming service and physical, digital album price.

Vinyl Average price per album	CD Average price per album	Digital Average price per album	Streaming service Average subscription price per. month
\$30	\$15	\$12	\$10

Table 2. Prices comparison of different album options

The table 2 demonstrates that price of a one digital album is close to the monthly subscription price for the streaming service. Most likely customer will prefer paying for the streaming service due to access to the broad music library compared to paying for one 12 track album. However, in terms of streaming, the label has no control over price of music project there is only a royalty policy that is more complicated structure compared to sales structure. Of course, there is a royalty policy for CDs and vinyl's sales to too, but it differs from streaming calculation.

The music business is a type of business where price strategy usually does not play a crucial role in terms of profitability since all albums especially at online stores cost the same. The profitability depends on sales and streaming amount. Moreover, sales indicator demonstrates project success, demand and position on the market. Billboard chart form its chart based on sales, streaming points, radio airplay, and price does not influence chart position. However, discounted product can increase sales number for a little but in general price does not influence sales performance. It also based on the fact that customers do not choose what album to buy based on the price, they buy product that they want, and a in decision making process price is not a crucial factor regarding purchase.

### 3.2.3 Place

With the online reality music accessibility and availability achieved new high point. With the technology's development music can be accessed via smartphone. It made it easier for labels to distribute music to the customers. Moreover, independent labels and artists now have an ability to upload their music online, so basically there is no need in a big label for online distribution. However, without label support it is unlikely that project will receive promotion from the streaming service and will get into the biggest playlists from the start. Also, distribution of physical albums to the retail stores, especially that belong to big

corporations such as Walmart and Target, is almost impossible without a proper network which big recording labels have.

During Napster and illegal downloads era dominance, distribution process was a sensitive topic. The illegal file-sharing disturb usual structure of music distribution. In present days, the situation with illegal music sharing is quite stable owing to the streaming services. Commonly, label releases album on all streaming platform at the same time. It significantly boosts album performance from the start. But in some cases, label has a special agreement with a certain streaming service, and because of it launch album on a platform in advance or provide additional content. In addition, streaming service promote the project through its own platform by placing songs in the biggest playlists and in a recommendations for the users. Besides this, the artists picture on the cover of the playlists that also attract attention to the artist.

#### 3.2.4 Promotion

This variable is crucial for marketing strategy since it directly influences the music project sales and overall performance. The lack of promotion is the main reason why album does not success besides the album quality itself. The promotion plan usually consists of many components that tend to increase interest and anticipation for the product. The vital component is media coverage that is crucial during pre-release era for the project. The media coverage usually includes radio promotion, music videos, interviews, public performances and social media content. Usually, promotion campaigns start in advance, a few months before release date. However, as it was mentioned before some world famous artists starts drop the album as a “surprise drop” without any ahead promotion, but still there is a promotion after the project launch.

During media coverage stage, artist appears a lot in a television, participate in interviews for printed media, conferences and press releases. Therefore, artist and his team work along with the publicist, who prepares artist for this kind of events and is responsible that everything goes smoothly and as planned, since artist public image is significant for the reputation. Ordinary, artists attend TV shows such as SNL (Saturday Night Live), Jimmy Kimmel and other similar programs where artist is the center point and can speak about new release. Some tv shows format also allows to conduct a song performance which is also a beneficial promotion tool. In terms of publishing, artists quite often appear on the magazine cover before or during project release. (Hull 2011, 263-265.) For instance, Adele was on British Vogue November cover while her album was expected to drop 19<sup>th</sup> November. People were discussing her magazine cover as well as interest in her album was increasing. Besides, TV shows and magazines, music award shows seem to influence

artist publicity and album/song sales. Pop artist Dua Lipa performed medley of her two hits from her last album “Future Nostalgia” at Grammy and won award for the best pop album the same night. The following week, her album and single demonstrated improved position on Billboard charts, consequently Grammy performance positively influenced the commercial success of the album.



Image 1. Billboard the hot 100 chart. Week of March 27, 2021

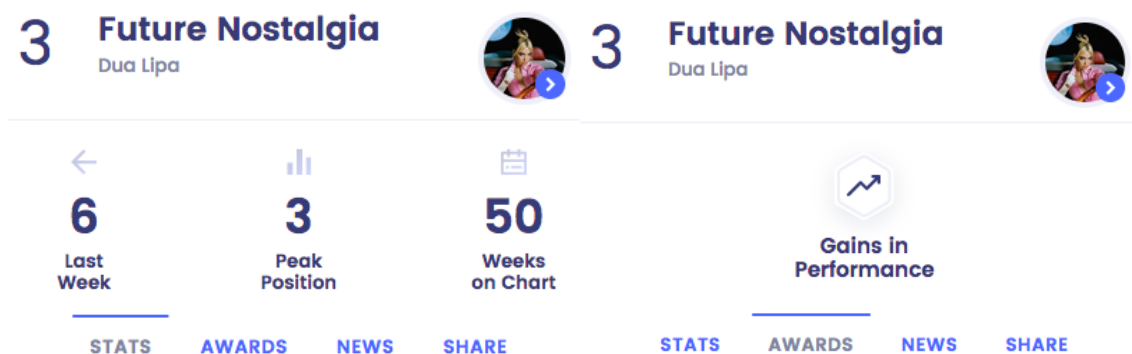


Image 2. Billboard 200 chart. Week of March 27, 2021

Before release of an album itself there is concept of lead single. It is song that has more promotion than other album song, and its main purpose to make potential audience interested in the album. The lead single has its own promotion campaign that includes steps such as social media announcement, music video, performance, and radio airplay. Besides lead single before album release that usually released a few month before album release there are other singles that been promoted after the release date. Even though presently is streaming era, radio airplay is still one of the effective promotional tool for the purpose of reaching broad and more old audience. The release of music video for the single is also effective since provide visual content for the project and increase interest to it.

Promotion timeline of one of the most successful album of 2020 “After Hours” by The Weeknd is an excellent example of promotion strategy. Before album release, the artists

released two lead single in 2019, “Heartless” and “Blinding lights”. Both songs have music video, have reached #1 spot in Billboard Hot 100 chart, and were performed on a television shows. With the successful performance of singles, the album has become highly anticipated project for artist’s fans and general public. Moreover, besides two singles, artist preview two other songs from upcoming album, but they were not marketed as a singles. After album was released, there was a third single “In your eyes”. The song has a music video and was performed on a television. Also two remixes were created with the participation of Kenny G and Doja Cat, it gave song a fresh sound. The last album single is “save your tears” a massive hit that also has music video, television performance and remix with the huge pop star Ariana Grande. Furthermore, the artist participate in prestigious music award shows such as MTV VMA and American Music Award. Moreover, The Weeknd was performing at Super Bowl halftime show, which is one of the biggest “scene” for any artist. The “After Hours” promotion strategy also included collaborations with the TikTok, Spotify and Vevo. With the TikTok, The Weeknd organized the virtual interactive concert experience where he was an animated avatar in a created universe (Spangler 2020.) Spotify presented its customer personalized experience with The Weeknd. The project called “Alone with me”, based on AI technology, provides users a personal chat with The Weeknd hologram. The hologram responds to the user based on listening data from Spotify. (Leung 2020.) Since, due to pandemic live concerts were cancelled, Vevo and The Weeknd recorded official live performances of 3 songs from the album. Performances were uploaded to the artist’s YouTube channel and gained more than 4 million views each. Besides performances, collaborations and successful release of singles, the artist appeared in a big media such as “Time” and “Billboard” that influences The Weeknd public image and publicity in a positive way. It is undeniable fact that “After Hours” has a huge marketing campaign which benefited project success. The various performances, lead singles campaigns, video content, show appearance and development of a special projects with other companies, did not go unnoticed and album’s marketing campaign won “Clio Music Grand” which “*awarded creative contribution of the marketers*”. (Nudd 2021.)

### 3.3 SMM and CRM in music business

Customer relationship marketing ties with the social media marketing in current situation since social media is the main communication channel between artist and his fans. In modern world social media has an essential value for the marketing. Moreover, one of the latest marketing tendency is customer orientation and establishment of strong relationship with the customers. Social media is exact tool that provide direct-to-fan communication. Almost every artist has active social media accounts on Instagram, Twitter and YouTube.

Depending on content publishing purpose, the social network is chosen. For instance, YouTube is more suitable option for publishing music video, record of performance and other video-visual type of content, while Twitter and Instagram are perfect option for announcements, promotion, lifestyle content, communication with the fans, and public statements. Utilization of social media can possibly go beyond that and be an additional creativity tool for the artist. It is a quite often practice that artists rebrand their accounts according to the style, image, and overall atmosphere of the upcoming project. Therefore, artists create a whole universe for the album which is more professional level of creativity. Nowadays, social media encourage users to produce more content especially video type of content. Music and video are inseparable alliance. Therefore, the record labels try to adapt to this feature and embrace new opportunities. Right now, there are plenty video features in social media that use music, for instance, reels and IGTV on Instagram, YouTube shorts and TikTok videos. With the various type of content, artists and label strive to establish connection with the audience and interest them in the project. Viral type of content of social media can significantly improve sales of the album/single. The main challenge of social media for label is keep up with trends new features since in current situation they change rapidly. A great example is Doja Cat's single "Streets". The song went viral on social media as an unofficial remix and video challenge. Later on, the artist released music video for a song with the exact same remix and performed challenge in a video. The remix of the song was uploaded to the streaming services as an official song. As a result, the song achieved new peak on Billboard chart owing to increase in streaming.



Image 3. Billboard chart the Hot100. Week of 20 March,2021

The social media was a topic for many debates and music industry experts were discussing the impact of it on the industry for years. Of course, social media has brought various benefits for the industry and it has become of the most vital part of modern marketing strategy but on the other hand it could be damaging as much as beneficial. As it was mentioned before, social media for the artist is type of direct communication and engagement. Consequently, it involves reaction from the audience which is not always



positive towards a certain things. In recent years the term “cancel culture” has been popular among social media users. The term supposes that person or company, that does a distributing, offensive, questionable act, is declined in support from the audience. While many people believe that this concept is harmful for “cancelled” person and should not exist in form it exists now, others tell that “cancel culture” only appears on the internet and cannot destroy someone’s career in real life. The concept is complicated topic, since it is hard to predict what kind of consequences and backfire have to be faced. For labels, “cancel culture” is a sensitive topic. There is no universal plan for situation when artist has to face the “cancel culture” yet. The label has to make a decision towards strategy by evaluating damage of public relation, image, reputation and other factor that could influence the business. Every case of “cancel culture” is different and it depends to some extend on relationship between artists and fans. Loyal audience is more likely to forgive the artists and continue supporting him. The loyalty rate can be improved though maintain constant engagement with the fans through different communication channels and social media is still the most effective one for this purpose due to direct-to-fan communication.

## 4 Questionnaire

To examine and explore current situation in a music business from customer perspective, the questionnaire was developed. It consists of 24 questions that cover topics of music consumption and music marketing. The questionnaire was created in Google forms, so it could be accessed online. The link to the questionnaire mostly were shared among university students, but also the link was posted online on social media, therefore everyone could participate. In total 159 respondents participated in the research.

The first two questions were intended to collect basic information about participants including their age and employment status. The charts demonstrate that majority of the respondents are students that belong to the age group of 18-25 years.

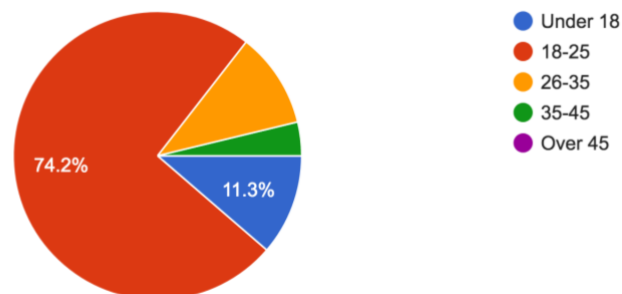


Figure 10. What is your age

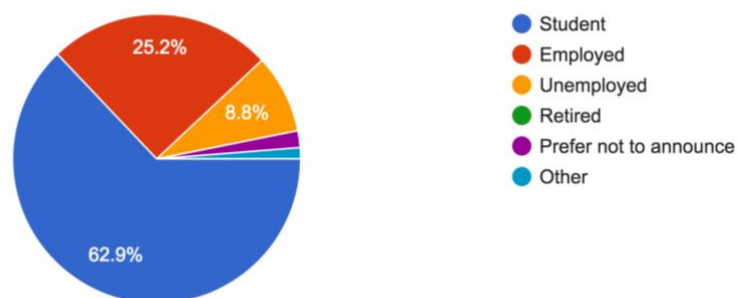


Figure 11. What is your employment status

The following questions are related to the topic of music purchasing. The answers show that most of the participants have purchased music in a form of digital or physical. Moreover, for 67,4% of people music purchasing is still present form of consumption which is quite high percent for streaming services era. It means that even in the age of streaming the concept of music ownership is disappeared. It can be assumed that people still purchased music for different purpose beside listening to it itself. For instance, people still buy vinyl

and CD as a collection items. Talking about digital format, people might buy it to have an ability to use music somewhere else, like add music during video editing for example.

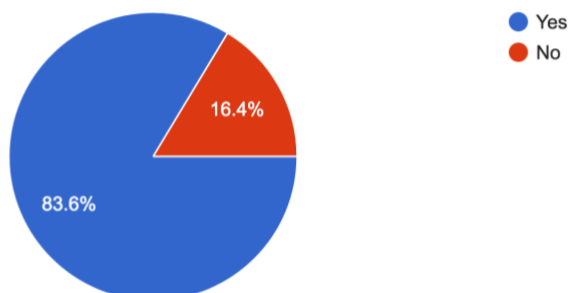


Figure 12. Have you ever bought or paid for music in any form, excluding streaming services? (e.g. CDs, tapes, iTunes online store, vinyl)

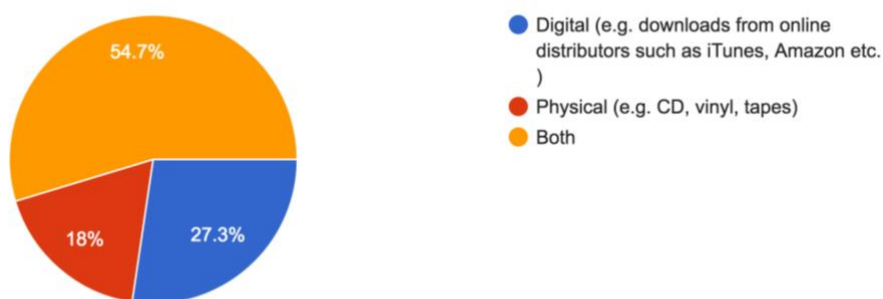


Figure 13. If you ever bought music, in what format

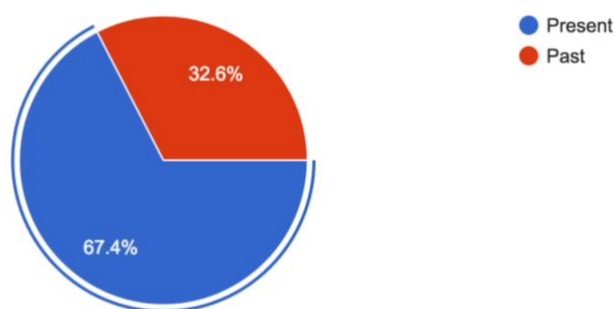


Figure 14. Is "music purchasing" your present or past practice? (present-you still buy music in physical or/and digital format, past- you bought music in the past both do not do it anymore)

The streaming services is popular music consumption method according to participants responses. 152 persons out of 159 at least once tried to use streaming services and 127 respondents currently have paid subscription to the service. The most popular option among streaming services is Spotify, the second place belongs to Apple Music. The result of this

questionnaire confirms that these two platforms are leaders of the present music streaming service market. Also, a major part of people who have paid subscription are satisfied with the prices set by the service providers. Because of this fact, it is more likely that people will continue to pay for the service in future which is positive factor for establishing loyal customer base.

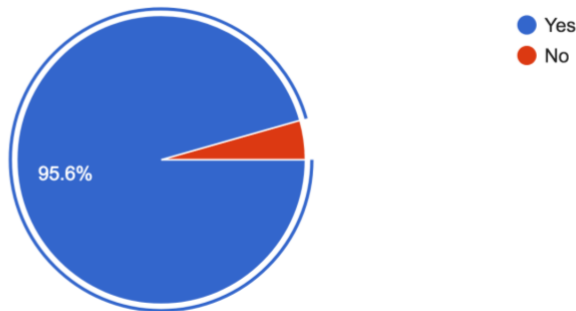


Figure 15. Have you ever used music streaming services

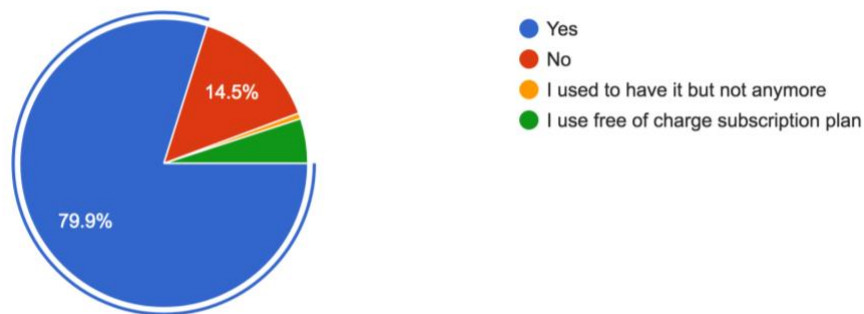


Figure 16. Do you currently have a paid subscription to any streaming service

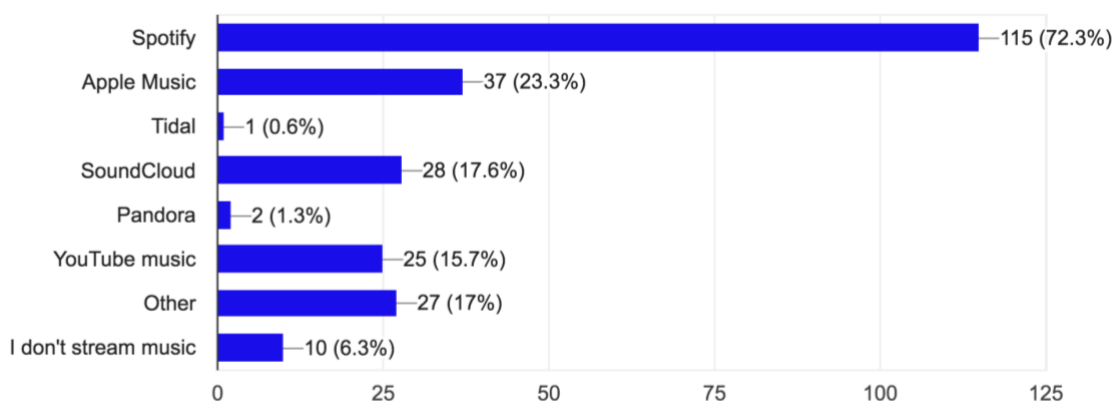


Figure 17. Which of the following streaming services do you use

As it was discussed before, with the increased popularity of streaming services, music industry could figure out the consequences from the Napster and rise of illegal music file

sharing on Internet. According to the questionnaire results 88,7% of interviewed have consumed music form illegal or unauthorized websites. Fortunately, this kind of consumption method is on the past for 84,7% of participants.

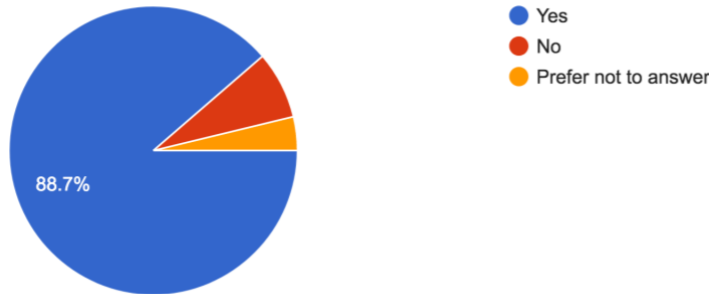


Figure 18. Have you ever downloaded/streamed music from illegal/unauthorized websites

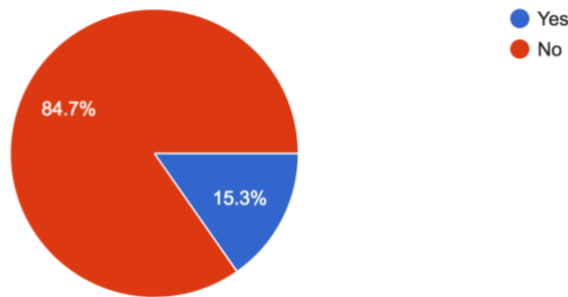


Figure 19. Is it still your main music consumption method

There is a possible correlation between people that used illegal sources in the past and people that subscribed to the streaming service now. To test the hypothesis, Chi-Square test was used.

**2.7Have you ever downloaded/streamed music from illegal/unauthorized websites? \* 2.3Do you currently have a paid subscription to any streaming service? Crosstabulation**

		2.3Do you currently have a paid subscription to any streaming service?				Total
		I use free of charge subscription plan	I used to have it but not anymore	No	Yes	
2.7Have you ever downloaded/streamed music from illegal/unauthorized websites?	No	Count	0	0	4	8
		Expected Count	,6	,1	1,7	9,6
	Prefer not to answer	Count	2	0	1	3
		Expected Count	,3	,0	,9	4,8
	Yes	Count	6	1	18	116
		Expected Count	7,1	,9	20,4	112,6
Total	Count	8	1	23	127	
	Expected Count	8,0	1,0	23,0	127,0	

**Chi-Square Tests**

	Value	df	Asymptotic Significance (2-sided)
→ Pearson Chi-Square	14,741 <sup>a</sup>	6	,022
Likelihood Ratio	9,408	6	,152
N of Valid Cases	159		

a. 8 cells (66,7%) have expected count less than 5. The minimum expected count is ,04.

Figure 20. Chi-Square test

The test results show that 116 people who used to download from illegal sources, have a paid subscription to the streaming service. Also, Pearson chi-Square significance is 0,022 which is less than 0,05, so there is correlation between these two variables. Therefore, this demonstrates that streaming services did help industry to recover from piracy era damage.

The marketing related part of the questionnaire examines customer perspective regarding social media, publicity and artist's reputation. The study shows that participants are active users of different social networks and spend more than 3 hours on average daily basis on social media. Instagram, Twitter, and YouTube are mostly favored by the audience.

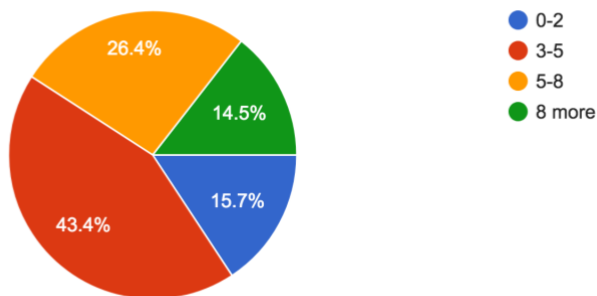


Figure 21. How many hours do you spend on social networks daily

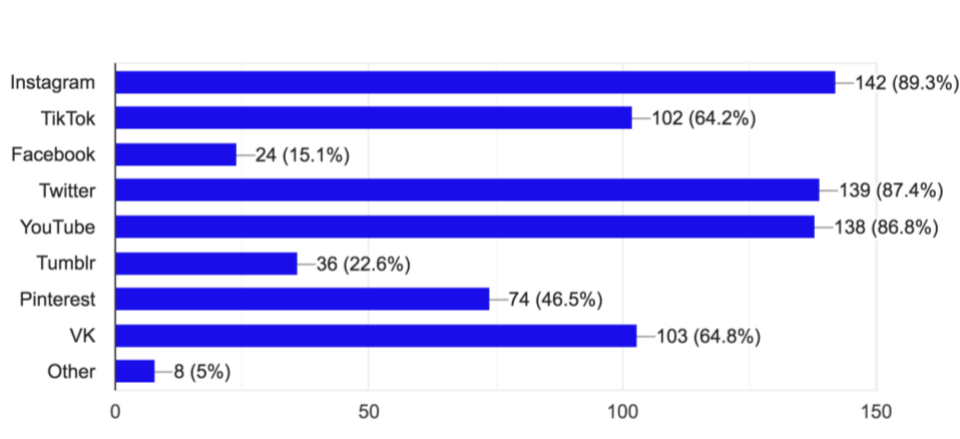


Figure 22. What social media do you use

Quite new social media platform TikTok is gaining popularity among users. The questionnaire presents that 84,3% of respondents follow music artist on social media, Instagram, Twitter and YouTube are once again the most popular options. For the industry, these top 3 is the most essential social media in terms of marketing. TikTok possible will be also an essential social media tool for marketing in near future, since already some artists and labels try to explore and utilize network in marketing.

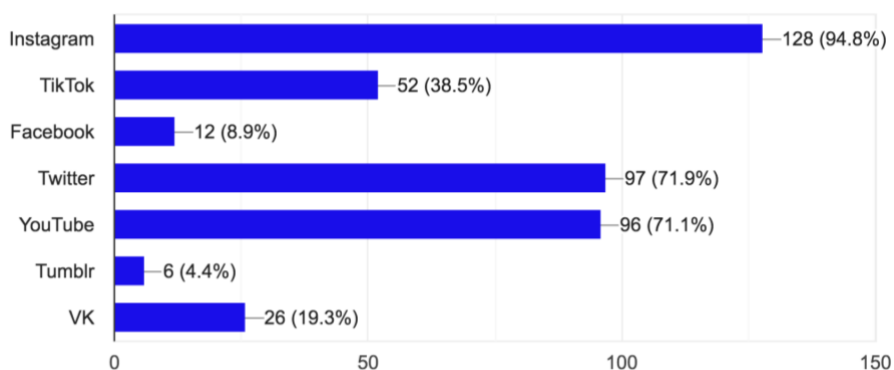


Figure 23. On which social media platform/s do you follow artists

According to the study, social media play vital role in discovering new artist and music. The record label should bet on advertising through social networks while developing marketing strategy for brand new artist or upcoming music project for already established artist. Due to the fact that most people use streaming services, service suggestion is also important promotional tool for artist, since study shows that 69,8% of interviewed discovered new music in this way. And of course, besides external recommendation, most people find out about something new in music world from their friends. Interestingly, radio is promotional tool is not effective according to the results. But it should be taken into account that the majority of questionnaire's participants are students and young adults who barely listen to radio nowadays. However, radio still can be considered as an effective promotional tool to target older audience. For targeting younger audience, placing music in soundtrack list of popular serial or film is more suitable choice.

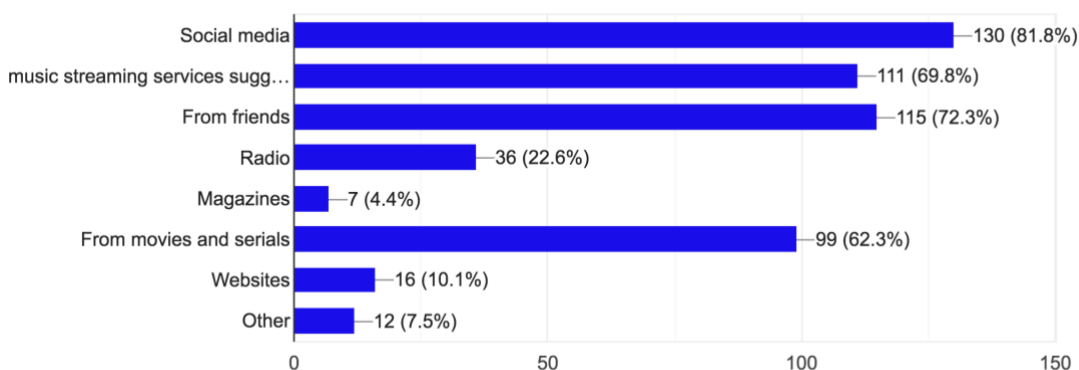


Figure 24. Where do you find new music (new artist, albums, singles)

Despite the fact that at some point in history of music business, people were not interested in videos as they used to be, it seems that the situation has changed. It can be assumed

that due to increasing popularity in sharing video type of content via internet, music videos have become popular again.

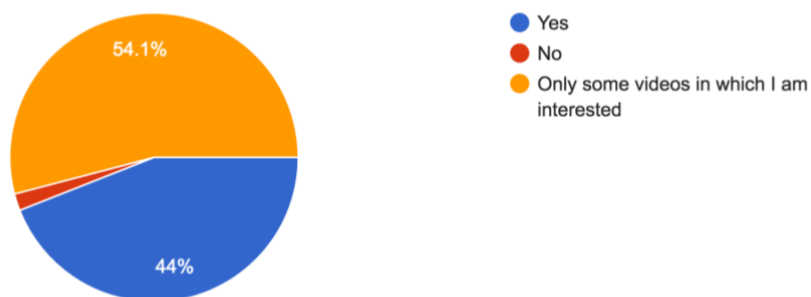


Figure 25. Do you watch music videos

From customer perspective, publication on music related magazines and album critical reviews do not influence perception toward artist a lot. This is one of the reasons why, for instance, some Grammy awarded artists are not known by general public. Awards and high critical scores have more value for people that are in the industry rather than for consumers. Though, it does not mean that such things have no matter for artists and labels, but they should not consider as a promotion and good advertising tools. High critical review of an album can attract music enthusiasts, but the album is still needed in right promotional strategy from the label to be marketed to the broader audience.

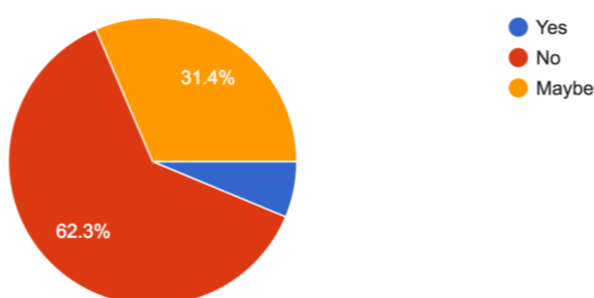


Figure 26. Do high critical reviews and prestigious music awards influence your perception of the album/song/artist

Performance at music award show is a good advertising tool for a broad audience especially during digital era. It is common practice right now that performances uploaded to artist's YouTube channel that allows more people to watch performance. For instance, Dua Lipa's Grammy performance. In 2021 Grammy was watched by 9.23 million viewers on CBS



channel (Porter 2021). Dua Lipa's Grammy performance, which was uploaded to her YouTube channel, by November 2021 has 53,8 million views (YouTube 2021). Her performance alone has more views than the whole ceremony. Based on this case and many other examples, it is clear that people are no longer interested in watching the whole ceremony when they can just watch and re-watch the best performance of the night on YouTube. The questionnaire answers support this idea, 37,1% of respondents do not watch any music award shows at all and 50,9% watch only if their favorite artist is performing or nominated. Therefore, music awards shows are existing and valuable for audience as they used to be, since the highlights of the show easily can be found on social media.

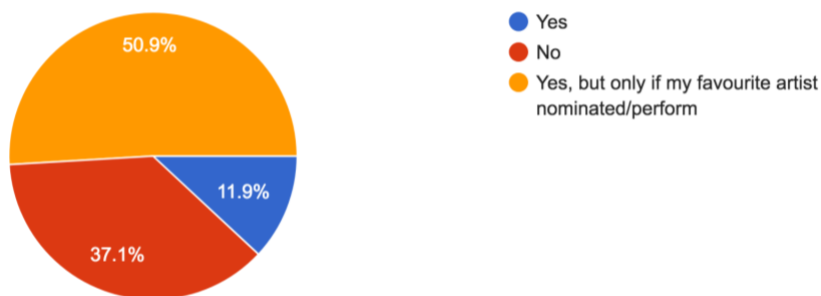


Figure 27. Do you watch any music awards show

As it was mentioned before artists reputation, public relation and relationships with fans are important for the success. Bad reputation and sequence of disturbing actions can totally destroy artist career. In current age of social media, where news sharing happens all the time, artist's actions are always a topic for discussion. Recording artists are also people that can make mistakes, but their actions judged by millions of people. The term "cancel culture" that was mentioned before usually goes along with the judgmental and dissenting comments toward artist. The study demonstrates that the controversy in artist's words or actions repels audience.

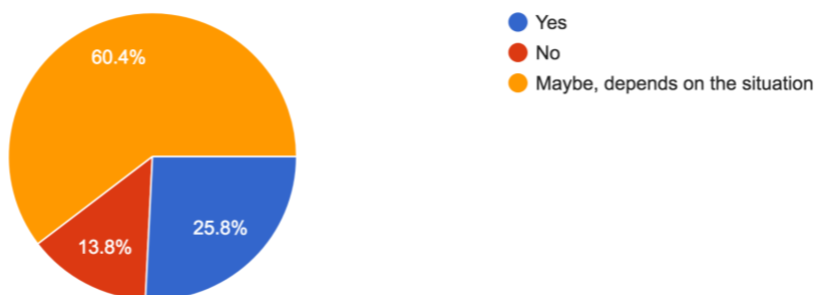


Figure 28. Does controversial content influence your decision to listen to an artist, e.g. provocative music videos, problematic opinions, artist political beliefs

Overall, the questionnaire results illustrate information from previous chapter on a practical examples. It represents customers tendencies toward marketing baseline of music industry.

## 5 Summary

### 5.1 Future perspectives

In future technology will be developing as well as music industry. Based on current situation, near future trends could be predicted. Most likely streaming services will remain as the main music consumption method. Nevertheless, the features of the service can be expanded. Possibly, with the sound technologies development, users could customize sound settings to have more personalized listening experience. The service would evolve into something that is beyond just music listing service. With the arise popularity of virtual concerts, likely in future artists will have mini session/concerts on streaming services which potentially could be great promotion and customer relationship tool. Moreover, there could be more collaboration features between streaming services and social media. Right now, people can share music from streaming service to social media. In future, there would be more complicated features that would build connection between music, streaming and social media. Talking about virtual concerts, the experience from live performance is completely different from virtual concerts, consequently, virtual concerts will not replace live events. However, virtual concerts have potential become next tool for marketing. Recently, virtual concerts were organized for big artists on social media, streaming services and even video games. But, in future it will turn into common promotion method for artists regarding their popularity status.

Over a few last months, NFT (non-fungible tokens) gained recognition from music artists. The token is a proof of ownership. In terms of music industry, the simple example ownership of an album. Experts believe that with NFT industry has huge creativity potential. Special music collection access, concerts, and other type of similar things can be applied as NFT. It is an idea of special ownership without third-party involving. For instance, buying vinyl from the store it is not the same as buying album direct from artist. NFT is a win-win future situation for artists and fans that is needed time to unlock the potential. (Grey 2021.)

It is undeniable fact that the industry will develop with the arise of new technologies. It will transform into something new and exciting in terms of technology progress but maintain its humanity in terms of art and inspiration spirit of music.

### 5.2 Conclusion

The thesis purpose was investigating the impact of digital era on marketing in music business. By analyzing the historical events that played major role in transformation process, it was clear to see how music business was reshaped. The idea of music

ownership, that was represented by music in form of physical medium, changed to the idea of music experiencing with the digital file sharing technologies and streaming services with almost unlimited access to the music collections. Since music as a product significantly transformed, the way product marketed to the target audience transformed as well. Record labels had to adapt to the new digital reality where music is sold, consumed, promoted and even performed. Promotion campaigns from billboards and television relocated to the social networks and streaming services where marketing strategy has to be developed differently. The digital era almost destroyed the industry with the illegal and uncontrolled file sharing of music industry products, but later on brought music business into new internet era. Internet marketing is a profitable modern marketing approach which was successfully adopted by the record labels and expanded list of traditional marketing tools.

The study explored marketing of music business through four variables of marketing mix and concepts of SMM and CRM. The analysis represents that artist success depends a lot of promotion activities on Internet and constant production of various creative contents including performances, interviews, public appears, posting on social media. The aim of record label to develop suitable marketing strategy for the artists by taking into consideration state of current situation on a market. To gain a better understanding of current situation from customer perspective, the questionnaire was conducted. The results of it demonstrates the dominance of social media and streaming services as promotional and consumption unities. Thereby, confirming the fact of digital technologies dominance in music industry.

In future with the new technology invention and improvement of current technologies, the music industry will go through another exciting transformation that will bring new opportunities and obstacles for the industry.

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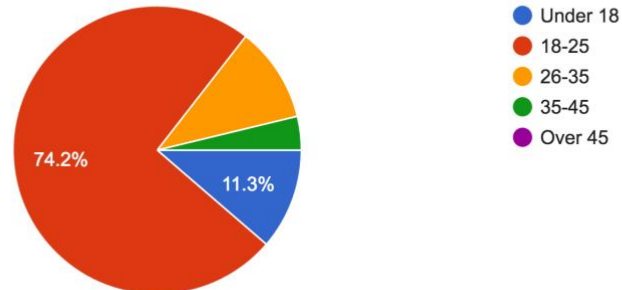


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## Appendix 1. Questionnaire

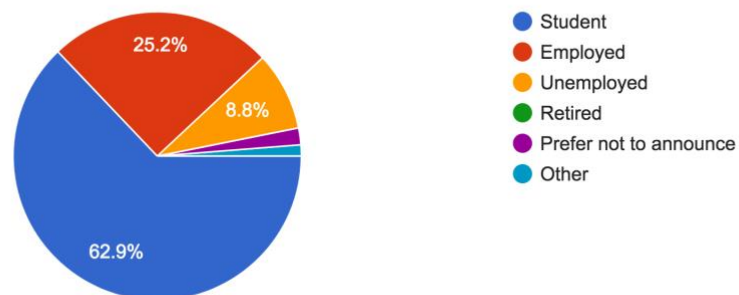
What is your age?

159 responses



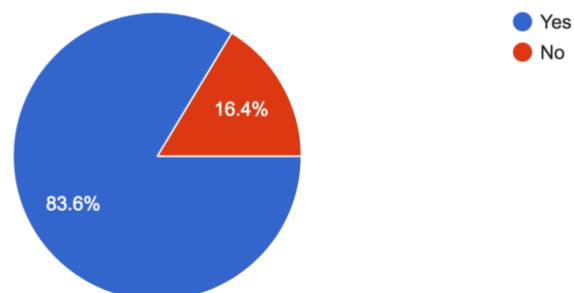
What is your employment status?

159 responses



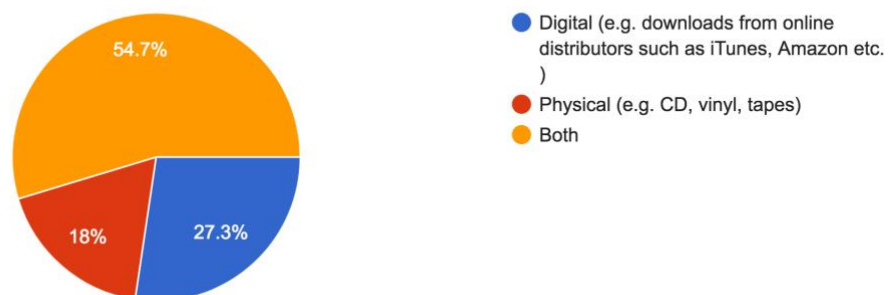
2.1 Have you ever bought or paid for music in any form, excluding streaming services? (e.g. CDs, tapes, iTunes online store, vinyl)

159 responses



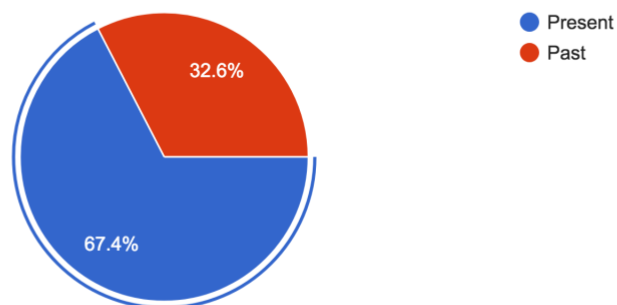
### 2.1.1 If you ever bought music, in what format

139 responses



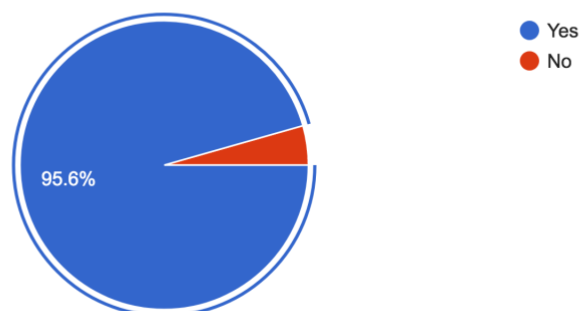
### 2.1.2 Is "music purchasing" your present or past practice? (present-you still buy music in physical or/and digital format, past- you bought music in the past both do not do it anymore)

138 responses



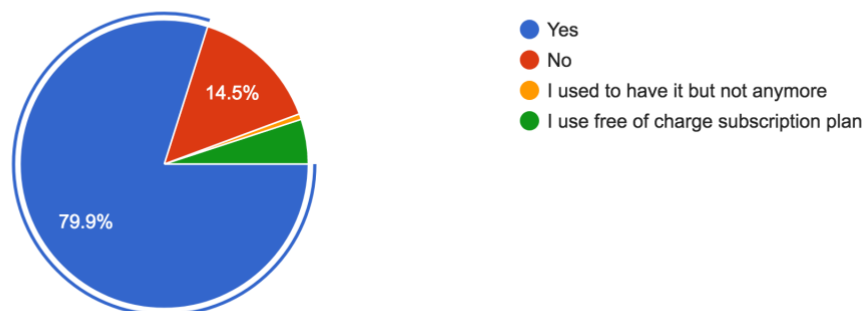
### 2.2 Have you ever used music streaming services?

159 responses



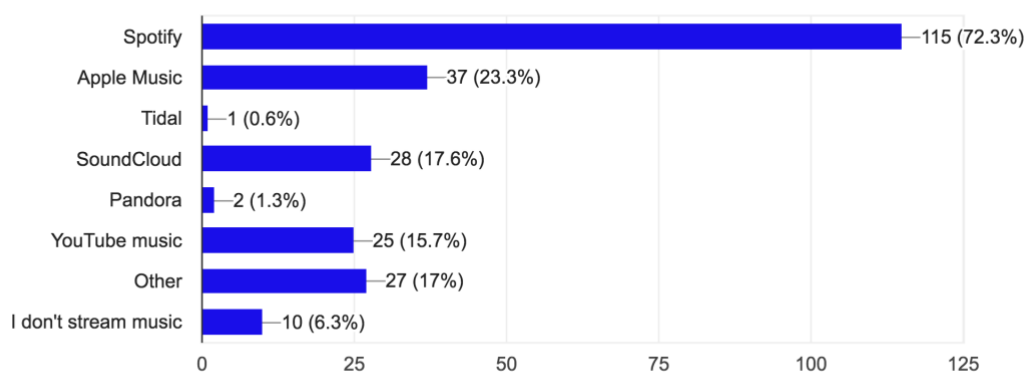
### 2.3 Do you currently have a paid subscription to any streaming service?

159 responses



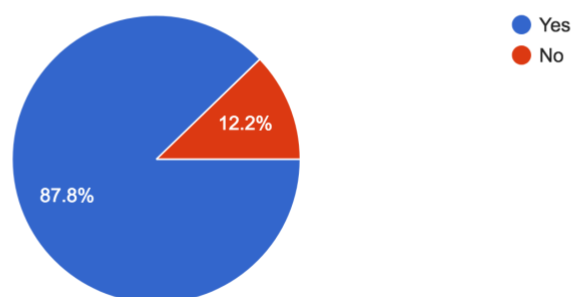
### 2.4 Which of the following streaming services do you use? (multiple choice apply)

159 responses



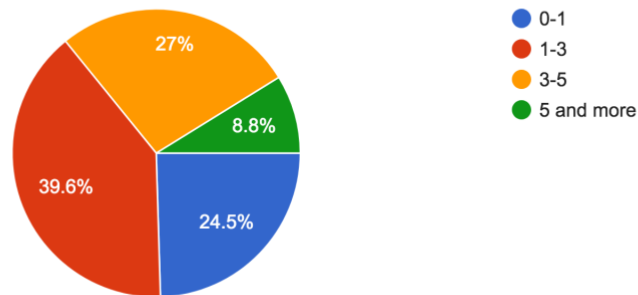
### 2.5 Are you satisfied with the subscription price for the streaming service? (do not answer if you have free of charge subscription plan)

139 responses



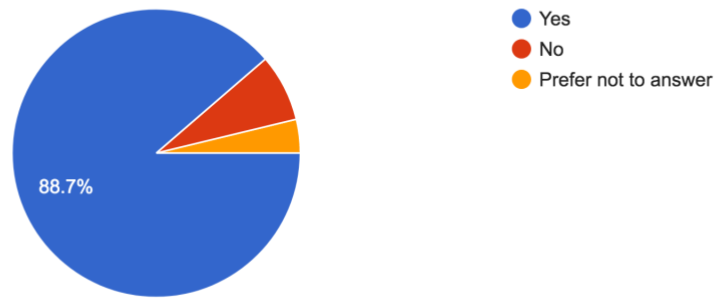
## 2.6 How many hours do you stream music daily?

159 responses



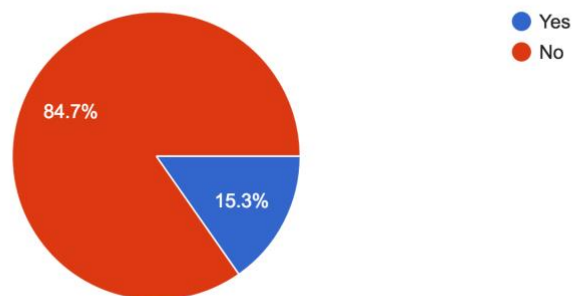
## 2.7 Have you ever downloaded/streamed music from illegal/unauthorized websites?

159 responses



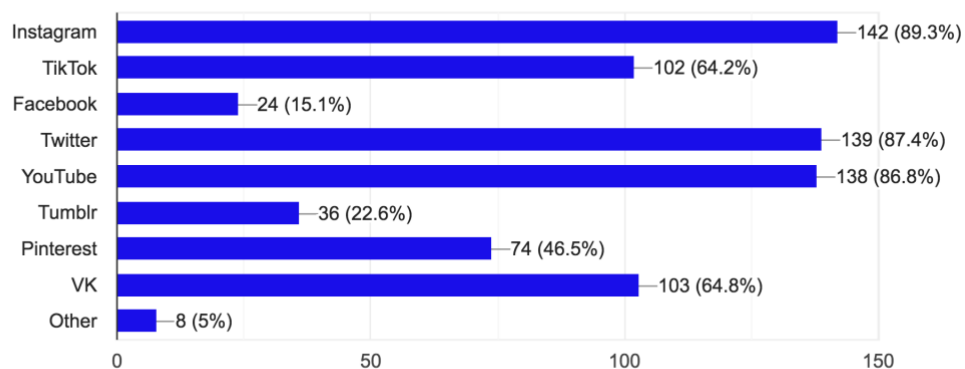
## 2.7.1 If you answer yes, is it still your main music consumption method?

144 responses



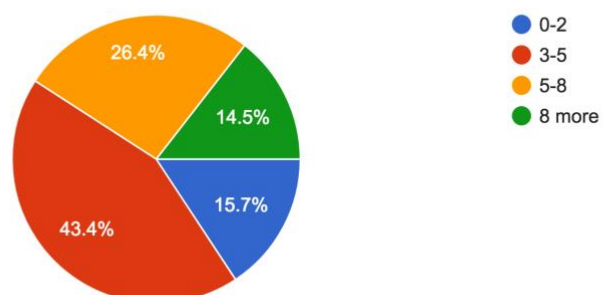
### 3.1 What social media do you use? (multichoice available)

159 responses



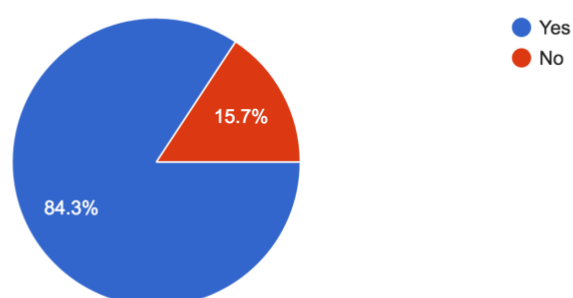
### 3.2 How many hours do you spend on social networks daily?

159 responses



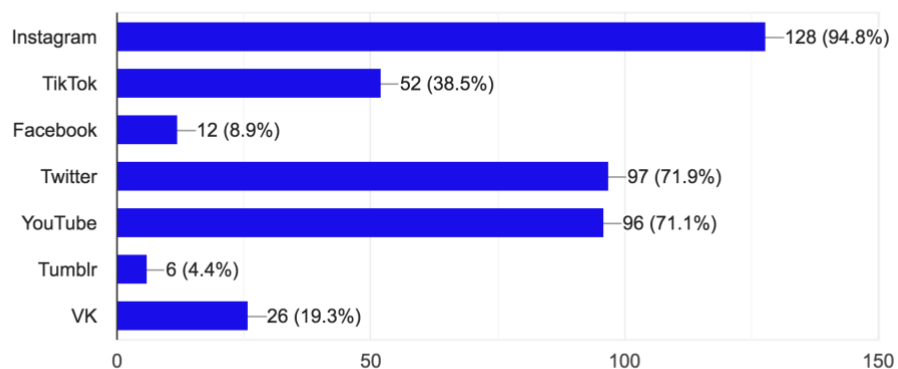
### 3.3 Do you follow your favourite music artist/s on social media?

159 responses



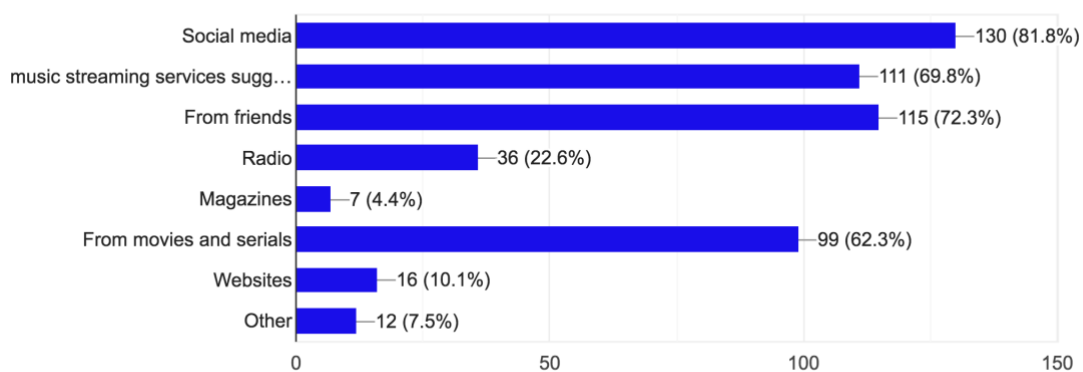
### 3.3.1 If you answer yes, on which social media platform/s?

135 responses



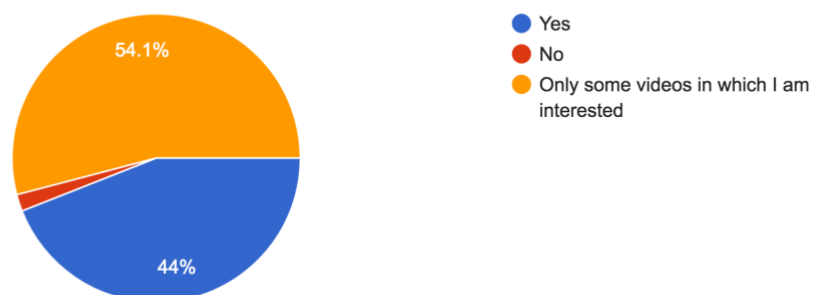
### 3.4 Where do you find new music (new artists, new albums, singles)? (multichoice available)

159 responses



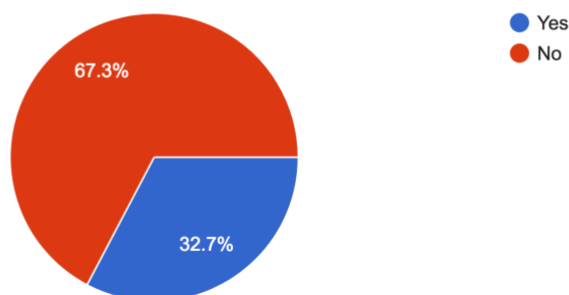
### 3.5 Do you watch music videos?

159 responses



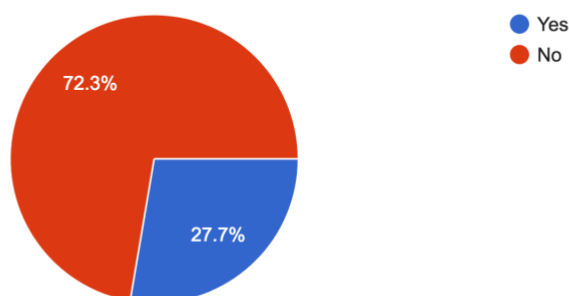
3.6 Do read or follow on social media any music-related magazines? (e.g. Billboard, Pitchfork, Rolling Stone, Variety, Complex Music, NME)

159 responses



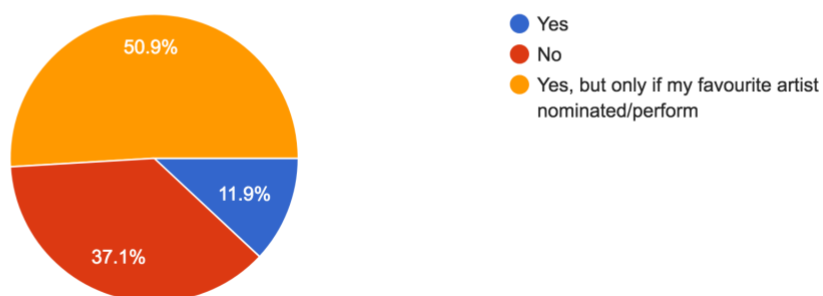
3.7 Do you read critical reviews of songs/albums? (Pitchfork, Metacritic, Rolling Stone, Variety, NME, The Guardian)

159 responses



3.8 Do you watch any music awards? (MTV VMA, Grammy, Billboard Music Award, American Music Award, BRIT, BET, MTV EMA, iHeart Radio Music Award)

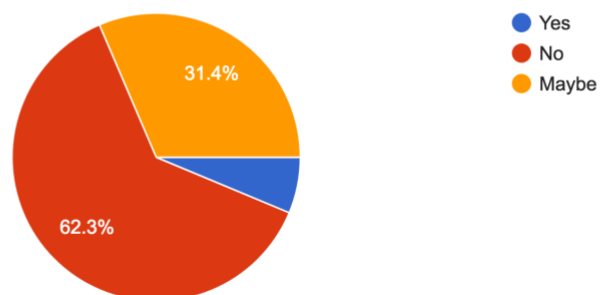
159 responses





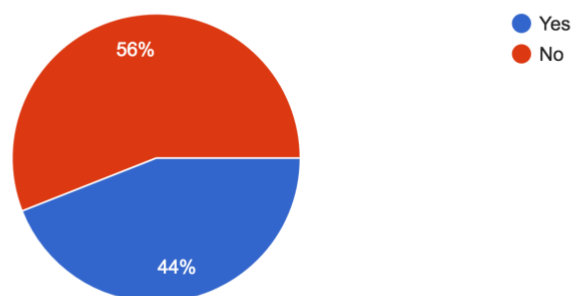
### 3.9 Do high critical reviews and prestigious music awards influence your perception of the album/song/artist?

159 responses



### 3.10 Is an artist appearance important to you?

159 responses



### 3.11 Does controversial content influence your decision to listen to an artist, e.g. provocative music videos, problematic opinions, artist political beliefs?

159 responses

