DIGITAL MARKETING LEADING TOWARDS NEW BUSINESS OPPORTUNITIES
Searching for collaboration between Finnish music companies
and digital service companies

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Abstract
Digital technologies and processes have changed the landscape within the music industry by altering ways in which revenue is generated, thus opening new possibilities for marketing and sales. New marketing strategies and ways to identify and communicate with prospects and existing customers had to be found. In Finland, during the latter part of the last century, many small IT and digital services companies appeared, and therefore this thesis seeks to describe the degree to which these two types of companies are co-operating with each other within the music industry.

The research began by investigating existing digital marketing tools available for music industry. Next, a qualitative research approach was employed to explore insights provided by eight notable professionals in the Finnish music industry and digital service companies. The combination of secondary and primary data enabled to discover in both broad and deep contexts the digital marketing tools and strategies now available and the level of collaboration within the researched companies. In addition, the thesis focuses on explicating the use of web 2.0 applications by Finnish music and digital service companies.

The results show that digital marketing tools are embraced by majority of the companies studied. Collaboration between the two fields has encountered multiple obstacles although there is a lot of potential for broader business relationship. The existing digital marketing tools and the level of collaboration present inability to define how these can be used profitably in such a way that also does not negatively affect the attitudes and purchasing behaviours of customers. |

Keywords
Digitalisation, Digital marketing, Collaboration, Music industry, Digital service companies, Technology, Marketing strategy, Network

Miscellaneous
Appendixes: Questionnaire for the survey, Survey data, Interviews with Futurice, Musiikki & Media, Meteli.net, Backstage Alliance, Nokia, Warner Music Finland, IRC-Galleria, and Universal Music Finland, 44 pages total.

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Tiivistelmä

Musiikkiala on ollut murroksessa vuosituhannen alusta alkaen johtuen suurimmaksi osaksi internetin ja muiden digitaalisten kanavien kehittymisestä. Nämä kanavat ovat vaikuttaneet musiikkialan yritysten ansaintalogiikkaan siten, että perinteiset tulonlähteet eivät enää olleet yksin riittäviä. Kehitys on johtanut digitaalisten työ-, jakelu- ja markkinointivälineiden muodostumiseen ja hyödyntämiseen. Muutos on synnyttänyt uusia, palveluteknologiaan keskittyviä pieniä ja keskisuuria yrityksiä, jotka kehittävät erilaisia markkinointivälineitä ja digitaalisia palveluja asiakkaiden tarpeisiin. Kysymys kuuluukin; tekevätkö nämä kaksi luonteeltaan hyvin erilaista alaa yhteistyötä ja minkälaisia haasteita yhteistyölle on tullut vastaan? Tämä opinnäytetyö luo katsauksen tämän hetkiseen tilanteeseen kyseisillä aloilla ja pyrkii antamaan mahdollisimman laajan kuvan yhteistyön eri kulmakivistä. Lisäksi tutkitaan erilaisten digitaalisten markkinointivälineiden käyttöä ja laajuutta tutkimukseen osallistuneissa suomalaisissa yrityksissä.

Opinnäytetyö perustuu aihetta tukevaan aineistoon sekä kvalitatiiviseen tutkimukseen, joka käytännössä toteutuu digitaalisen markkinoinnin perusteiden katsauksella sekä kahdeksan haastattelun kautta suomalaisissa musiikin alan yrityksissä sekä digitaalisissa palveluyrityksissä.

Tutkimuksen tulokset osoittavat, että musiikkialan ja digitaalisten palveluyritysten välillä on vielä useita esteitä sujuvan yhteistyön muodostumiseksi. Muutamista onnistuneista esimerkeistä huolimatta useimmat yhteistyöyritykset eivät ole edenneet pitkäaikaiseksi yhteistyöksi. Vastaajayritykset käyttivät laajasti hyväkseen digitaalisia markkinointivälineitä, vaikka osaksi niiden hyödyllisyys ja vaikutus asiakkaisiin oli epävarmaa.

Avainsanat (asiasanat)
digitaalisuus, musiikkiala, internet, digitaalinen markkinointi, teknologia, innovaatio

Muut tiedot
Liitteet: haastattelukysymykset, haastattelutulokset, ja haastattelulitteroinnit yrityksiltä: Futurice, Musiikki & Media, Meteli.net, Backstage Alliance, Nokia, Warner Music Finland, IRC-Galleria ja Universal Music Finland. Yhteensä 44 sivua.

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1 INTRODUCTION

"Change constitutes time; time is nothing more than a continuous process of change. In that sense, change is inevitable" (Knuuttila, 2002).

Change has always been present throughout the history of our existence. Mankind evolves and endures through hardships and its right to survive must be earned generation after generation. Every era and time brings out the winners in life; the ones who adapt to change of technology, culture and social trends. The problematic nature of change is that it never comes as we would like it to come. Change is not necessarily something marvellous and futuristic as supposed in science-fiction literature but rather daily, affecting our way of living in a very concrete manner. We do not have a choice but to change or be left behind in the never-ending race of survival (Darwin, 1859). On the Internet world, that can be referred to as digital Darwinism (Wertime & Fenwick, 2008).

One of the greatest examples of the change phenomenon is the Internet and its effects on the socio-cultural environment. The Internet as we know today emerged in 1991 and soon affected the mankind world-wide (Hull, 2004). It changed remarkably the way people communicate, find information, and do business today (Rosendahl, 2008; Kusek & Leonhard, 2005). In practice, companies have had to adjust their operations and amend new technologies to correspond to the novel situation.

For the marketing and advertising industries, Internet brought enormous possibilities as it did also for the music business – it is nowadays a vital tool in promoting the artists, contacting the fans, and finding new business partners. All business people today need to be fully literate in the world of new media (Wertime & Fenwick, 2008). Finland has been seen during the 20th and 21st centuries as a technologically advanced country much due to the successes of Nokia, Tieto, other smaller technology companies and Linux inventor Linus Torvalds. In the beginning of 21st century, technological achievement index created by United Nations Development Program listed Finland as the number one country in the world based on creation of technology; diffusion of recent innovations; diffusion of old

innovations; and human skills (Nationmaster, 2001). On the basis of these, much is expected from companies in the international market and especially in the development of mobile solutions and information system building. This has generated expectations towards Finnish companies of benefiting from the Internet, mobile, and other digital tools as effectively and innovatively as possible, probably better than other countries. However recently, United Kingdom and other parts of Europe have bypassed Finland in the usage of mobile marketing (Merisavo et al., 2006).

In the field of music business the same expectations of digitalisation have remained. The business has seen the coming of the Internet for over ten years and slowly learned to utilise the new digital tools. However, the question is how effectively Finnish music professionals are currently benefiting from these tools. Are the Finnish music companies really using the latest technology? How well are they leveraging data intelligence and digital communications to engage with customers in order to optimize the revenue potential? This thesis explores digital marketing strategies in several notable Finnish music and digital service companies through qualitative interviews and a literature review on the subject of digital music marketing. Digital marketing generally comprises Internet, mobile, television, and other virtually transported marketing tools. Special emphasis is given on the collaboration of these two diverse fields and on the Internet marketing as it enables versatile and equal marketing possibilities to all kinds and sizes of businesses. The mobile side is recognised as a very influential and potential marketing tool, and for this reason it is a vital aspect in terms of the future of digital marketing.

2   THE LITERATURE REVIEW

The exploitation of Internet has grown in excess of 300% during the 21ˢᵗ century world-
wide (Internet World Statistics, 2008). Through this vast popularity, Internet content has
opened new possibilities in terms of marketing for many businesses; it has not only
brought marketing opportunities but also a vaster and more available customer base.
However, there are still differences in Internet penetration levels nationally: comparing the
European level of Internet penetration – which is a little over 48% (Internet World
Statistics, 2007) – to the Finnish level, 79% (Tilastokeskus, 2007), it can be seen that Internet
and its content reaches evidently more Finnish people than in an average European
country, and through that it could be in a more efficient use by the Finnish people.

The Internet itself evolved as a secured military defence network APRANET in the late
1960's (Hull, 2004). Ordinary people received access to the Internet in 1980's but it did not
become a mass medium until in 1991 when the World Wide Web was developed. The first
graphical browser in 1993 allowed consumers to locate information on the Internet, and by
the mid-1990s virtually all major and most independent record labels had their own
websites (Hull, 2004). In Finland, Internet bandwidth has grown exponentially since the
first connection set via satellite, which was 56kb/s in 1988. At that time, the Finnish service
provider was called Funet and it was part of a larger Nordic network, Nordunet that was
connected to a US-conducted network (Lukkari, 2008).

In the late 20ᵗʰ century, other new technological innovations emerged into consumers'
awareness (Lathrop, 2003). In Finland, for example the number of mobile phone
connections increased over 53% in 1995 compared to the previous year (Tilastokeskus,
2007). Internet connections in Finnish households have been growing steadily since 2001;
from 38% (2001) to 79% (2008) (Tilastokeskus, 2008). As the Internet and mobile phones
revolutionized the ways of interacting with people and transferring information, it led the
marketing companies to diversify their methods and tools for reaching people. These tools
– that comprise the Internet (websites), e-mails, mobile phones, PDA's (personal digital

assistant) and other new media solutions such as mp3 players and home devices – could be defined as digital marketing tools (Merisavo et al., 2006).

The new marketing possibilities have also affected the Finnish music industry – the music companies such as record companies, publishing companies, agencies, promotion and management companies, and companies alike – as the companies have incredibly versatile tools for promoting their artists at their hands. This field has lately utilised websites and e-mails as their marketing tools, but there should be an open attitude towards other improvements in technology. If neglected, profits could be lost to the growing international competition:

> "The industrial countries of today are experiencing processes that are shaping their societies and industries towards a knowledge-based economy. In this development the flow of goods in most economic fields will soon be replaced by the flow of knowledge and information. Together with increasingly intensive international competition, individual countries and regions are hard-pressed to improve their capabilities to rapidly generate and diffuse knowledge" (Ahlbäck, 2005).

This leads to the question of collaboration between the information technology and the creative industry in Finland – according to the research the two still appear to be taking their first steps together. Especially in the music industry, there have been so far a limited number of successful examples of such collaboration. One of them is a Finnish independent record company Backstage Alliance which won the world-wide "Web2Mobile Competition" in Silicon Valley, USA in 2007 (FinNode, 2007). The company had produced an innovative Mobile Backstage solution with a Finnish technology partner Geniem Ltd. Mobile Backstage is a Bluetooth technology based mobile solution for the music fans. As said, partnerships with technology companies are integral to the changing business model (IFPI, 2009). Surprisingly, even today this kind of collaboration seems to be very rare in the Finnish music industry, and for that reason this research concentrates on these types of undiscovered possibilities in the field of digital marketing.

2.1 Music – the business on the Internet

In the past, the marketing of music relied heavily on the traditional marketing channels such as TV, radio and magazines (Lathrop, 2003). The media was un-interactive; the consumers could only listen to the radio or read the papers without having the possibility to comment, forward, or publish content (Salmenkivi & Nyman, 2007). Today, consumers have countless opportunities to interact with the media – the digital revolution of information content has shifted the consumers to different portals. The marketing of music has diversified through the Internet and given more authority to the customers. Unlike conventional forms of mass marketing, the Internet is unique in its capacity to both broaden and narrow its focus at the same time. Using digital channels the traditional constraints like geography and time zones can be transcended to connect with a much wider audience (Ryan & Jones, 2009). Wertime and Fenwick (2008) declare the past to the present:

> "As we consider digital channels, it's important to note that we are not talking solely about new-fangled devices. Traditional media – television, print, radio, and outdoor – are in the process of going from analogue to digital; they are becoming digital media too. Over the next 20 years, the majority of all media will be digital".

According to Kusek and Leonhard (2005) more music has been enjoyed and more music has been available to consumers over the past two or three years than ever before. This is supported by the American NPD Group as the total music consumption (both licensed and unlicensed) increased by one third between 2003 and 2007 (IFPI, 2009). Moreover, contrary to what has been heard lately, the music business is still in a very good shape – the problem is with the traditional record industry (Kusek & Leonhard, 2005). In fact, Nielsen SoundScan reports that overall sales in the US hit an all time high in 2008, with music purchases across all formats totalling 1.5 billion, up 10.5 per cent (IFPI, 2009). The traditional ways of acquiring music have changed, and it has spelled impressive challenges to the traditional record labels such as the four big majors EMI, Sony (ex-BMG), Warner Music Group and Universal Music Group. They are slower to adapt to changes than the smaller and independent record companies (Gordon, 2005).

In addition, there is a need to ask what then the revenues from the Internet are for a music company. Geoffrey P. Hull (2004) demonstrates that there are three main income streams: the Internet as a promotional tool for artists; a distribution pipeline for hard (physical) and digital copies; and the legal battles being fought over unauthorised distribution and downloading of copies. Currently, and especially in Europe, the latter option is not as popular as it was in the U.S. in the early 21st century. Instead, merchandise – bought over Internet or during a live performance – has become one of the most important income streams for record labels. In addition, if the music company owned the publishing rights, the income is further increased by the revenues from copyright societies. Lately, also the digital sales have been going northwards as the sales increased internationally 25% in 2008 compared to the previous year (IFPI, 2009). The source actually indicates that the digital platforms – online and mobile – now account around 20% for music's sale percentages, which is 15% more than in 2007. These digital music platforms generate more revenue in percentage than the magazine, newspaper, and film industries together (Ibid.). This gives perspective to the importance of the digital era in the music business.

Although music is being enjoyed more than ever before, it has become rather difficult for music companies to monetise the possibility. This pushes the companies to deliver the music in as versatile ways as possible and to seek revenues from diversified platforms. These approaches range from à-la-carte download stores like iTunes and Amazon's mp3 store to subscription services such as Rhapsody and Spotify, all-you-can-eat business models such as Nokia's Comes With Music, licensing music in games and films and other synchronisations deals, merchandising, brand partnerships, ad-supported streaming sites such as YouTube and MySpace as well as collecting revenue generated by broadcast and public performance rights (Ibid.).

IFPI, the International Federation of the Phonographic Industry suspects (2009) that music industry revenues in the next few years are likely to come increasingly from revenue sharing deals with Internet Service Providers (ISPs), hardware manufacturers, handset makers and other technology companies. Technology companies find music to

add value to their services and enhance their own business model while music companies look to these partners for their enormous reach into consumers' homes and lifestyles.

2.2 Collaboration in business networks

Businesses are connected to each other, and like people, companies cannot exist alone but need the support of business relationships. Maintaining relationships and building the company network is critical in staying ahead of competition. "Business market can be seen as a network where the nodes are business units – manufacturing and service companies and the relationships between them are the threads" (Håkansson & Ford, 2002). These relationships enable the companies to cope with increasing technological dependency since the costs can be divided and, if necessary, technological competence outsourced. Better tailor made solutions to customers can be produced from the fruits of business networking. Companies in a relationship are both heavy with information and knowledge which they have accumulated over time. Time and money have been devoted to develop to combine different human and physical resources together (Ibid.). While companies need to engage in collaboration there are several factors that should be considered: the network works both ways and if one company does something it affects all the others in the network. Therefore, there is a place for discreet actions that are well-planned and carefully executed (Ibid.).

New innovations are born when networks collaborate together and utilise their assets in the development of products and services. One field of industry benefits from the inventions of another, and together they can produce services which are mutually beneficial. The music industry has been forced to cope with the changes of technology and the new innovations that the fast phased information technology (IT) sector provides. From the first recordings ever made to the latest applications of streamed music, technology has always been enabling the creative industry (Morton, 2005). On the other hand, some parts of the music industry, particularly lately, have been trying to fight against advances of technology and trying to limit the ways music is being used. Resistance of technological advances can hardly be reasonable or economically beneficial

in the long run. No industry can stand against the inevitable change and the advantages of new innovations (Morton, 2006).

2.3 What is digital marketing?

Digital marketing emerged in the late 1990's in Finland as the Internet became the main tool for searching information (Merisavo et al., 2006). Digital marketing is linked to the term "digital or wireless connection" as digitalism includes wireless operations, such as are Internet, e-mail and mobile phones. Most of the digital marketing is done on the Internet as it is currently the most popular practice to search information and connect with people (web 1.0) and to generate content to other people (web 2.0). Most importantly, most of the customers are at the Internet (Ibid.), and it is quickly becoming the most important medium for marketing (Salmenkivi & Nyman, 2007).

Internet has altered customer behaviour, scattered the field of media, developed digitalism and interactivity, and new services and networks have emerged. As a consequence of these profound changes, the field of marketing is going through a major alteration that has never been seen before. This change forces to re-write the basic models of marketing and to re-consider the multiple choices in media and channels (Ibid.). What is central during this new period is to understand the new models of customer behaviour – what makes the new digital channels, services, and networks important, and how to use and prioritise these opportunities.

The digital marketing phenomenon is one of the big global changes, such as climate warming, environment consciousness, political instability, the growth of population, and growing energy consumption and oil termination. These global changes affect directly or indirectly the western marketing models. Salmenkivi and Nyman (2007) have established three future directions in the western marketing models:

1) Digitalism and interactivity – digital information enables alteration, affordable save ability, and mobility. Sharing and delivering digital information is quicker and easier than ever before

2) Scattered media field – millions of smaller groups and media sources have enabled faster and versatile sources of information

3) Changes in customer behaviour – the power that customers have gained through digitalism, and understanding the novel situation.

Not many Finnish companies have understood the importance of the Internet, and Internet marketing is not yet even part of a broader marketing strategy. Usually what "Internet marketing" as a term reflects is the banner advertising that is only a small part of all Internet marketing possibilities available (Salmenkivi & Nyman, 2007). Internet marketing should be put to places where people run errands, buy or listen to music, search for new travel tips, read blogs… the list of possibilities is endless. The Finnish companies in the field of technology – and especially the Finnish music companies – need to understand when and how to market an artist or a product with these new tools.

Salmenkivi and Nyman (2007) also roughly separate four main marketing dimensions, which also could be reflected in a Finnish music company's Internet marketing strategy:

1) Visibility in one's own channels – webpage, search tagging

2) Visibility in other available channels – networking sites, organisational sites, vertical aspect

3) Communication – with customers, interactivity

4) Advertising – paid adverts and banners around the Internet

2.4 Different aspects of digital marketing

It is nearly impossible to list all aspects of digital marketing, but writers Kent Wertime and Ian Fenwick (2008) name the most common digital marketing channel options of today:

- digital television
- digital media
- radio / satellite radio
- gaming
- iPod
- packaging
- digital video
- 3G phone video

- podcasts
- mobile
- teleweb
- e-mail
- direct mail
- outdoor
- search (Google)
- point-of-sale
- RSS feed
- viral
- blogs
- live events
- sponsorship
- telematics
- video-on-demand
- digital signage
- instant messaging
- street theatre
- guerrilla marketing

Today "[marketing] can take many different forms in the digital world: companies can for example utilise search engine advertising and optimisation, electronic newsletters or banner advertising" (Raulas, 2008). These are the most commonly used Internet marketing practices, and one of the most popular search engine advertisement tool is Google and its AdWord advertising optimisation. It has also been seen that the influence of the traditional marketing tools has lately diminished (Wertime & Fenwick, 2008). The effectiveness of the traditional one-way marketing has declined as customers have become accustomed to interactive and virtual connections with the marketer.

As the marketers have realised to contact customers via digital tools such as e-mail or social networks, they have collected an enormous amount of data of the customers. That data can be addressable through the collected database and measured for customer profile building. Each individual's actions – every click, stop, or interaction – with the digital channel can be tracked. The more consumers interact with the media, the better effectiveness can be measured (Ibid.). However, as the marketers learn to target

advertisements to the customers, the adverts have started to annoy the customers. This has also led the customers to re-consider the amount of data they give to external parties.

> "There is emotionally charged issue of data privacy. Recent mergers mean that the marketers have unprecedented powers to cross-reference different types of information about consumers. While this composite picture of consumers will help marketing become more targeted and so more relevant, many people are nervous about the degree to which they are being tracked and analyzed" (Wertime & Fenwick, 2008).

In 2006 Merisavo, Vesanen, Raulas and Virtanen suspected the development of digital marketing to evolve as follows:

1) Everyday business and running errands will move completely over to the Internet
2) Internet will become a significant source of finding and delivering information
3) Digital tools are going to be the channel for successful customer relationships through improved customer-specific services.

The sections two and three have become the de facto of information driven businesses. Internet is the media of today for information, and marketing professionals have realised and utilised the potential of the customer-specific data. A hindering aspect of using the developed Internet marketing tools is the lack of successful examples. If competitors do not show the "way" to the specific tool, it is more unlikely that the company itself will harness the tool (Merisavo et al., 2006). Controversy arises because the key to success in business is to deploy such strategies and tools that are most difficult to copy or reproduce by the competitors (Kotila, 2005).
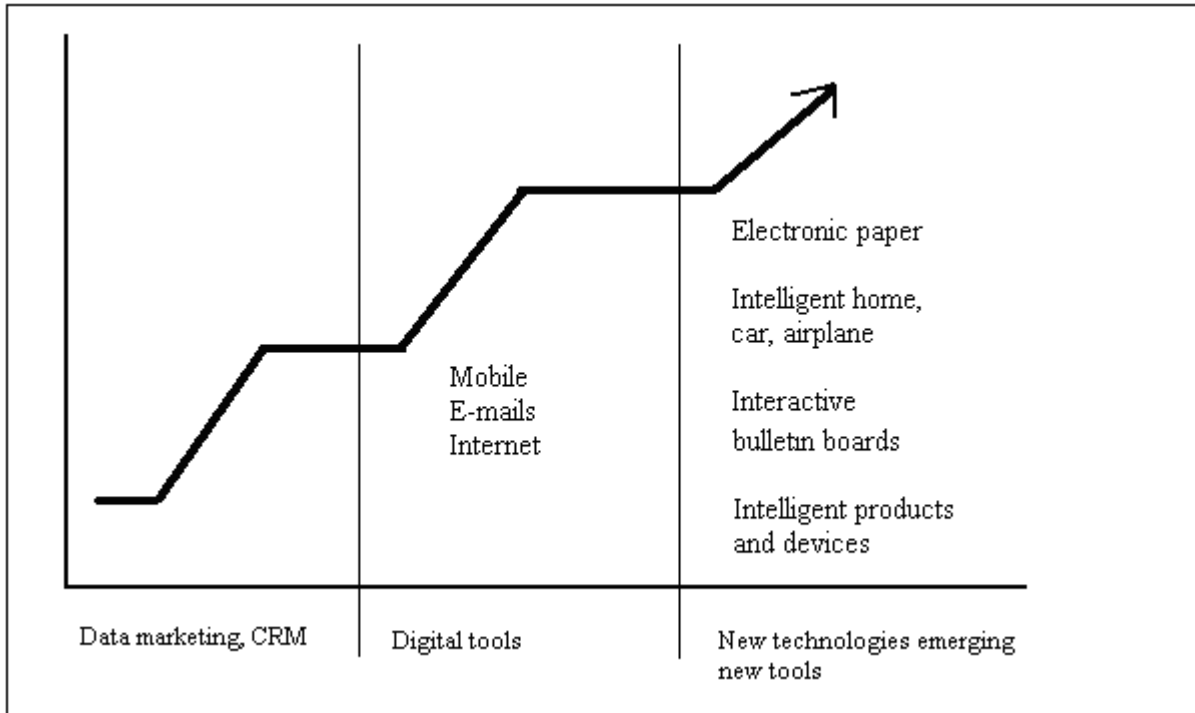
Figure 1. Digitalisoitumisen kehitys (Merisavo et al., 2006)

Figure 1 describes the predicted direction of the phenomenon of digitalisation. The beginning is utilisation of the data by using digital programmes developed for re-organising and managing the content, such as CRM (Customer Relationship Management). The next level is the current situation: exploiting the mobile, e-mail and Internet possibilities. In the future the comprehensive digitalisation includes understanding customers with intelligent products and devices. This gives us a bridge to the approach of the *web 3.0*; the web will do and know more in user's behalf (Wertime & Fenwick, 2008). For example, instead of searching for hours a right holiday package, the Internet will search it for you. For the music industry, web 3.0 will suggest interesting events, new bands, or merchandise. This is firmly connected to the much spoken intelligent homes and other interactive products.

Internet users have been ahead of marketing companies in terms of finding and interacting with new people and tools – and this has been recognised as one of the biggest problems in the digital marketing area. Another problem is that many companies still do

not know exactly how to exploit the information gathered from the customers, and the possible dialogue with the customer remains as a monologue (Merisavo et al., 2006). These problems have lately been recognised, and Internet marketing have been growing by 30-50% annually in Finland and in other developed countries during the years 2004 and 2005 (Ibid.). However, it seems as if 95 % of Finnish companies are still lacking a strategy for digital services (Laurinen, 2009). A strategy is the key word for indulging the possibilities as efficiently as possible; otherwise the financial resources will be wasted.

2.5 Digital marketing strategy

"Without a coherent strategy of engagement and retention through digital channels your business is at best missing a golden opportunity and at worst could be left behind, watching your competitors pull away and ever-widening digital divide" (Ryan & Jones, 2009).

The base of digital marketing strategy is to decide the specific route(s) in order to reach to correct customers. Developing a strategy begins at concentrating on the objectives and the data at hand. There are many digital tools available, for free, on the Internet, which can assist in collecting the data and systemising the information for the marketing efforts. Considering the development of a strategy, following the progress, re-considering the strategy, and if failing, tracking the weak points are processes which require resources from a company to make the digital marketing strategy work. In terms of resources this means workforce, knowledge, and time. On the positive side, and the most important reason to overall deploy a digital marketing strategy, is the redundancy of financial resources. This is also why a digital marketing strategy is a rather easy practice to begin marketing for any business (Wertime & Fenwick, 2008).

Although the growth of digital and Internet marketing has been remarkable, there is still paucity in innovative experiments with different digital marketing tools (Merisavo et al., 2006). The reason for this can be the lack of clear digital marketing strategies. Other reasons are the absence of good examples and practices by competitors. When there are not many experiences of the new tools, it is more unlikely that companies invest time and staff resources in a tool whose usefulness is not guaranteed (Merisavo et al., 2006). This is

a mental aspect of the problem because the technical side is available but the problem lies in the inauguration of the tools. The challenges in deploying the digital tools in marketing can be summarised in the list below (Ibid.):

1) The lack of strategy and vision
2) The lack of experiences or paucity of experiments
3) Caution or prudence (fear of spam mail)
4) Supply of services – buying digital marketing is easier
5) The lack of positive examples.

One problem in major companies in deploying a holistic digital marketing strategy is the diversified departments. It is difficult to build a sufficient brand if the customer service, marketing, and public relations departments are separated from each other (Ibid.). Marketers face similar problems in today's digitised world: integrated marketing campaigns have to be done in co-operation with many different companies, such as new media, advertising, PR, and event agencies. The customer's perspective should not be forgotten, and for this reason it is important that marketing strategies are not developed loosely in separate departments.

It is critical to understand customers' preferences on the Internet when developing a digital marketing strategy. Although the traditional "passive system" model that feeds information to a customer without response (Peltomäki, 2006), such as newsletters is easy, it might not give enough value to the customer (Merisavo et al., 2006). Moreover, it definitely does not give enough value to the business either, as the marketer is not learning anything about the customer. The marketer has two options: to learn its customers' behaviour and target the content and timing via the right channel or, to build a dialogue with the customer, for example by using a push-model where the marketer makes the information available to the customer and the customer accepts the content (Peltomäki, 2006). The best source for a dialogue is the customer's initiative from the Internet – and this should be regarded seriously.

When having built the relationship with the customer, it is crucial to contact the customer regularly and appropriately. It has been shown in many investigations that the most common reason why a customer has switched over to a competitor is the insufficient communication with the customer (Merisavo et al., 2006). The digital technologies of today, such as Internet, e-mail, mobile and digital TV, enable active and affordable interaction with the customer. Further than that is to enable the customers to produce valuable content both for himself and for the company (Salmenkivi & Nyman, 2007).

The operative objective is to enforce a company's current business, communication and processes. The strategic objective is then to build better value for the customer with enhanced communication in the future (Merisavo et al., 2006). This leads to the point that a strategy should always lean to the future – strategies are not made for evaluating the past, although a realistic perspective should be taken into account. Companies who fail to adapt to the growing customer needs are bound to lose profit shares to competition (Treacy et al., 1995 cited in Merisavo et al., 2006).

2.6 Digital marketing in music business

A successful project or outcome many times relies on a marketing strategy. A good marketing strategy does not always need a big marketing budget as these days the Internet has brought fast, cheap and effective ways to inform, connect, and receive feedback from clients and fans. An efficient and useful presence on the Internet requires a digital marketing strategy. This means a plan of what, where, and when to publish on the Internet. It consists of precise information of schedules, tools, and partnerships with other companies such as sponsors or digital marketing agencies (Merisavo et al. 2006).

In the music industry a digital marketing strategy can be referred to as:

"What I mean by strategy is a long-term vision, plan or direction that you have for your career as an artist, business or brand. It is not only the vision, but the roadmap that helps you plan your course. Your strategy may change over time or adapt to circumstances, but the point is that you are not just blindly plodding along hoping for the best. In contrast, a marketing campaign is a short/mid term promotional plan, usually around a specific product or event, such as an album release, or a tour. Such a campaign would be one element of your overall strategy" (Beer, 2008).

Although digital tools and strategies have had a remarkable difference in terms of efficiency and accessibility, there can be problems in finding the right channels to expand the information and to have the time to constantly update and communicate in several different sites.

> "The social networks only work if you work them and are best used consistently and not just for promotions – otherwise you will turn people off with your advertising and lack of personality. Many labels I come across are guilty of this. They set up a MySpace for a particular album release and promote it for about 2-3 months but after that it languishes" (Ibid.).

The point in strategies is to build a long-term plan that defines one's band, brand, and fans. It would seem that the more one has material in as many destinations as possible, the better – and this applies to all possible media. Many experts do not agree with such approach which to them is a waste of resources and impossible to implement in practise. There is a certain limit to marketing efforts that one company can do and what is reasonable. As the media, the alternatives in which to advertise are growing exponentially. There needs to be logic and research behind in choosing which media are being used. Companies should concentrate on advertising and making themselves visible in places where potential customers already exist (Kari, 2009). Smaller companies and family businesses especially need to maximise their assets and carefully choose the right media. It could mean the life or death of a marketing campaign if wrong media is chosen and no customers are attracted towards the campaign and thus the product. There are digital marketing strategy theories that help to lay out the general target position and the practises which to obtain (Merisavo et al., 2006). MySpace Music executive Courtney Holt envisioned in Digital Music News:

> "I'm focused on brand-building. The brand – and brands we are creating – will help drive our business forward, and the effective CPM[1] on an artist on MySpace is not going to be subject to the same rules. Our revenue spread is going to be much broader than that" (Resnikoff, 2009).

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[1] CPM is frequently used in advertising to represent cost per thousand (where M is the roman numeral of 1000). When used in online advertising it relates to the cost per thousand page impressions (Wertime & Fenwick, 2008)

There is a little literature of digital marketing in music, and the best source for this is in blogs, newsletters and other similar portals on the Internet. For this reason, it is difficult to find accurate research information of the Finnish music companies or even global ones. Companies do not want to reveal their strategies or they might not have one in this fairly new field of competition. The lack of data and public information was the key reason for the decision to research Finnish music companies and their digital strategies.

Digital marketing of music is visible best at sites where buying music is attached to some other services or products. As an example, Last.fm and Pandora are Internet radios that recommend similar types of music for listener's taste and also give the option to buy the music (Salmenkivi & Nyman, 2007). Generally, there are many more other sites that will try to sell music alongside giving it for free for only listening purposes. One of the newest products is Spotify that enables the user to hear any music from a music library of millions of songs (Ahlroth, 2009). The user can only stream the songs, and currently (17.3.2009) there is not a buying option. Spotify makes its revenue from advertising from a wide range of sources or by monthly payment. They allow advertising not just from recording companies or artists but from politicians, car companies, gambling sites, and other non-music related fields. The most notable advertising Spotify uses is by interrupting the listeners' stream of music with voice commercials. The company aggressively advertises its own services and promises listening experiences without interruptions for just 9,99€ a month. In the user interface there are placements for adverts and pictures and album release information to promote the artists.

For artists in the digital era it is important to have presence and visibility in the key locations of the new media. Often the record company is in charge of delivering and updating the information, and sometimes the record company does not agree with the licenses of the portal. There still exists resistance to the new technologies although they are vastly embraced by the biggest target audience of the industry, the youth. The latest example is an argument between YouTube and the record companies – although one of the interviewees explained that ad-promoted social networks bring surprisingly good income for the music company.

2.7 Web 2.0 and social media

A total alteration happened in the Internet-sphere in the mid 2000's as Internet users began to upload material into different sites (Merisavo 2006). Earlier, consumers spent their time at the websites that were generated by companies but nowadays the consumers bring their own content to the web and share it with other anonymous users – and this is called as web 2.0 (Merisavo, 2006).

As one of the firsts Tim O'Reilly began to use the word *web 2.0* in 2004 and soon the term became stabled among the users (Salmenkivi & Nyman, 2007; Ahlqvist, 2008; Wertime & Fenwick, 2008). O'Reilly, however, did not mean the same with the term as it is currently known – the next step of Internet development. Instead, O'Reilly's ideology was about a collection of new thinking, producing, and procedures that evolved the Internet. It was all linked to networking and publishing information about the user. This was easily mixed with the current specification of 2.0, as some users understood O´Reilly's definition incorrectly. Figure 2 describes the mind map of O´Reilly's original ideology of web 2.0.
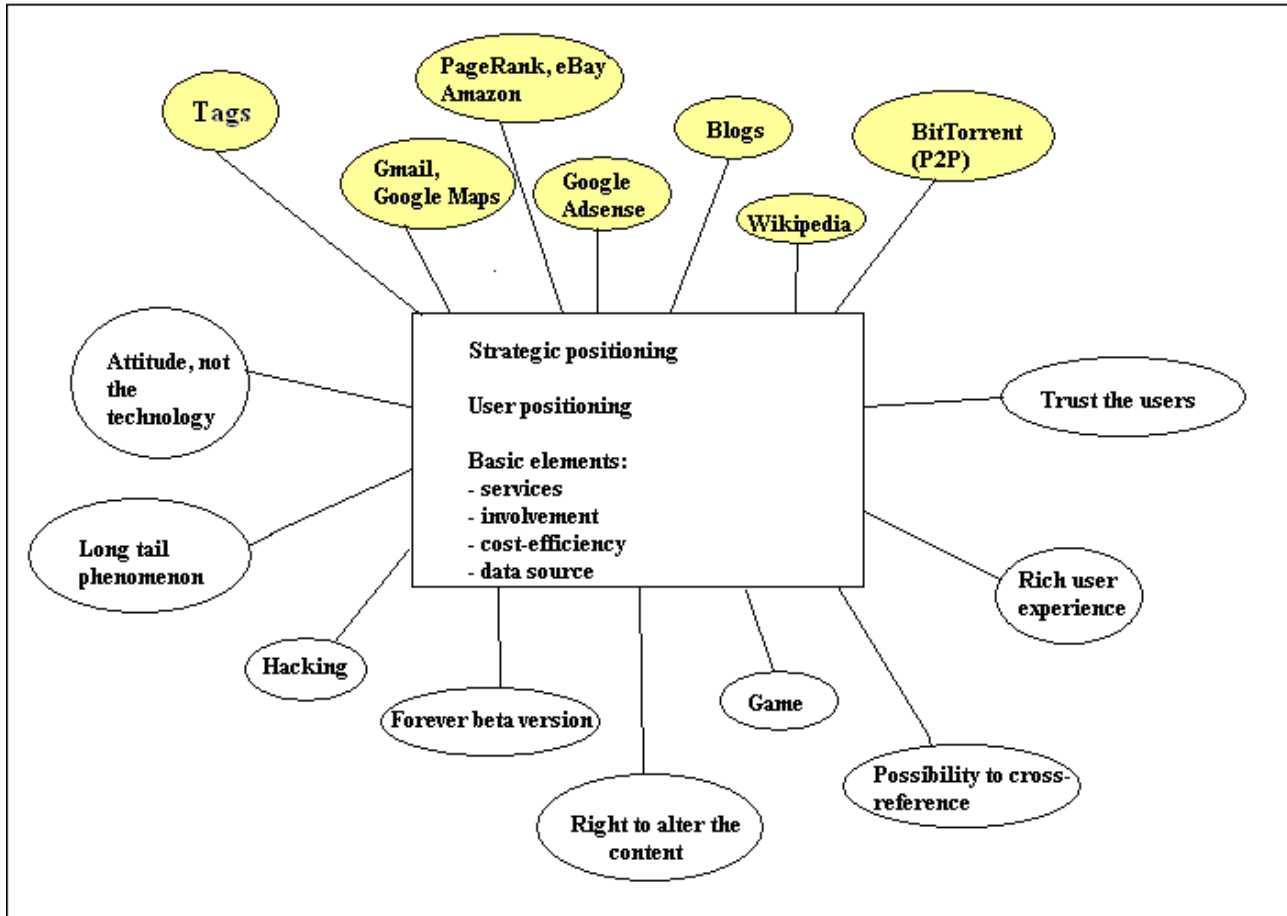
Figure 2. Web 2.0 (O´Reilly, 2005)

However, the current definition contains more aspects of social networking and user generated sites than O'Reilly's original plan. It might be slightly different but sufficiently near in order to be used generally.

According to the current definition of web 2.0, the Internet portals, where the user publishes the content, are social networks. The networks have an umbrella term *social media.* Social media is built on three elements: content, communities, and web 2.0 (Ahlqvist, 2008). Those are for example YouTube, MySpace, Facebook, and Wikipedia. Social networks, alongside with other frequently updated information sources such as news and Internet TV, have become the new standard on communication and advertisement. The popularity of these networks comes from the possibility to reply, comment, tag or pass the content on to other people (Wertime & Fenwick, 2008). In these communities hundreds of millions of people contact each other, and that is a clear

indicator that people are now globally reachable online (Koistinen, 2007). As an example, already in 2005 half of the American teenagers had generated content to the Internet – and the figure is ever rising (Merisavo et al., 2006). However, the year 2006 can be regarded as the breakthrough year of social media. At that point, the popular portals like Wikipedia and MySpace had gathered a significant number of users while Facebook and YouTube were introduced to the public (Ahlqvist, 2008).

As the people are now spending even more time on the Internet and in the social networking portals (Merisavo et al., 2006), the advertisers have found an excellent place to advertise their products to millions of customers at once. A social network where the customers enter their personal information to the portal makes the marketing and advertising very easy for targeting purposes. This leads to the value of the networking sites; the value is defined by the popularity of the networking sites – the more users, the better value. Companies are willing to pay billions of dollars for owning these networks and their advertisement assets. For example, YouTube was bought in 2006 by Google Inc. for $1.65 billion (MNSBC, 2006). Intermix Media Inc., the owner of MySpace, was bought in 2005 by News Corporation for $580 million (BBC, 2005).

One of the top brands in social networking, MySpace reached its 100 millionth account in August 2006, and currently MySpace has 124 million monthly unique visitors (Smith, 2009). In contrast to YouTube, MySpace has one to seven times bigger viewing rates when comparing music and video clips than YouTube (Resnikoff, 2009). In practice, this means that a song is played on YouTube as many times in a week as it is played in a day on MySpace. Accurate measurements are difficult to produce because the nature of the services is different (Ibid.). In MySpace a song is automatically played every time a user enters a page of an artist. In YouTube the user searches more specifically a certain song or artist. Therefore, it could be argued that the musical content watched and listened to in YouTube is more valuable. In addition, one should not ignore the fact that the sites have different linking and engagement systems and YouTube is far less automatic with views – that ultimately reflects to the rates. As Paul Resnikoff, the editor of Digital Music News (2009) wrote:

> "The difference is glaring, and critical knowledge for those crafting online marketing strategies. Still, the comparison does raise apples-to-oranges problems. MySpace Music features audio streams, and YouTube offers video clips - different formats with different rules of engagement. Moreover, each site offers different usage rules and experiences, also critical aspects of the analysis"

Recently, MySpace extended from the world of music discovery into a commercial music service called MySpace Music in 2008 (IFPI, 2009). MySpace Music features virtually every band in existence, but generating revenue from it has so far been problematic. However, data, which contains information about the users, is irreplaceable. Furthermore, data, according to MySpace Music executive Courtney Holt (Resnikoff, 2009), is a critical part of the strategy of moving forward. That includes the ability to understand who is listening to what, and how those listening experiences are connected to other bands and friends. Information opens the possibilities, and theoretically allows MySpace Music to tighten connections with fans and bands. "My goal is not only to provide that data back to the consumer, but also back to the artist", mentions Courtney Holt (Ibid.). And, when properly presented, dissected and relayed, the data opens innumerable possibilities. Fans are more engaged, discovery is piqued, and connections are tightened. Similarly, artists can theoretically gain a deeper understanding of the demographics of their fan base, and discover related groups (Ibid.). Data mining and forming an insight about the customers through data analysis should clearly be part of the essential digital strategy of every music company. Companies who do not have access to this type of data are in a serious disadvantage compared to ones who actively participate in finding updated and accurate information of customer behaviour.

Facebook Inc., created in 2004, began as a Harvard students' networking site and gradually spread to other American colleges and universities. Soon it comprised people around the world, and currently Facebook has over 300 million active users worldwide – and half of them are online daily (Digital Music News, 2009; Helsingin Sanomat 8.4.2009; IT-viikko 16.9.2009). One of the keys to success was to give the members the opportunity to enter as much information about themselves as they wished. This personalising was

important also marketing-wise (Kobsan, 2007 cited in Pääkylä, 2008). Advertising revenues for Facebook were estimated at $210 million in 2008, with an increase of 45 percent from 2007. However, market analysis companies are now diminishing their advertising forecasts for the social networking sector (Digital Music News, 2009). Generally, social media sites are aggregating large audiences but it will be challenging to drive significant growth in advertising revenue in the future (McGuire, 2008). In contrast, the Finnish IRC-Galleria is by far the most popular networking site in Finland site with over 500 000 users. Every tenth Finnish person has a profile in IRC-Galleria and 25% of them visit the site daily (Salmenkivi & Nyman, 2007).

For the consumers, as the problem is most likely the cost of the music, the social media sites are at the moment an excellent tool to reach customers and to promote the music to the right audience. This is why music labels and artists must increase their investments in relationships with social media sites that are focused on music (McGuire, 2008). Moreover, when a company makes investments in Internet sites, it should also make investments in the employees' knowledge and time for using the Internet. Internet researcher Don Tapscott recommends:

> "Traditional training programmes are not sufficient any more. There should be more encouraging in learning at work [by new Internet technologies]. Do not deny the use of social networks at your work place. Listen to the kids, and let them show you what things can be found from the Internet" (Rosendahl, 2008).

A recent research by Forrester (Henttonen, 2009) shows a back-up for taking social networks seriously: 53% of the companies are going to invest in marketing in the social media sites, and only 5% of the companies were planning to cut off marketing efforts in the social media. The research indicates that companies' marketing investments are still quite scarce and that there are growth possibilities in the social media. Forrester's analyst Jeremiah Owyang (2009) highlights that companies should not oversee social media as a testing field – at this point they should already have a concrete marketing strategy for social media presence. A comment at Owyang's blog:

"We don't really need "social media experts" - we need good marketers. All marketers should understand social media by now. A core element of being a communications professional is staying at the edge of how society communicates" (Singer, 2009).
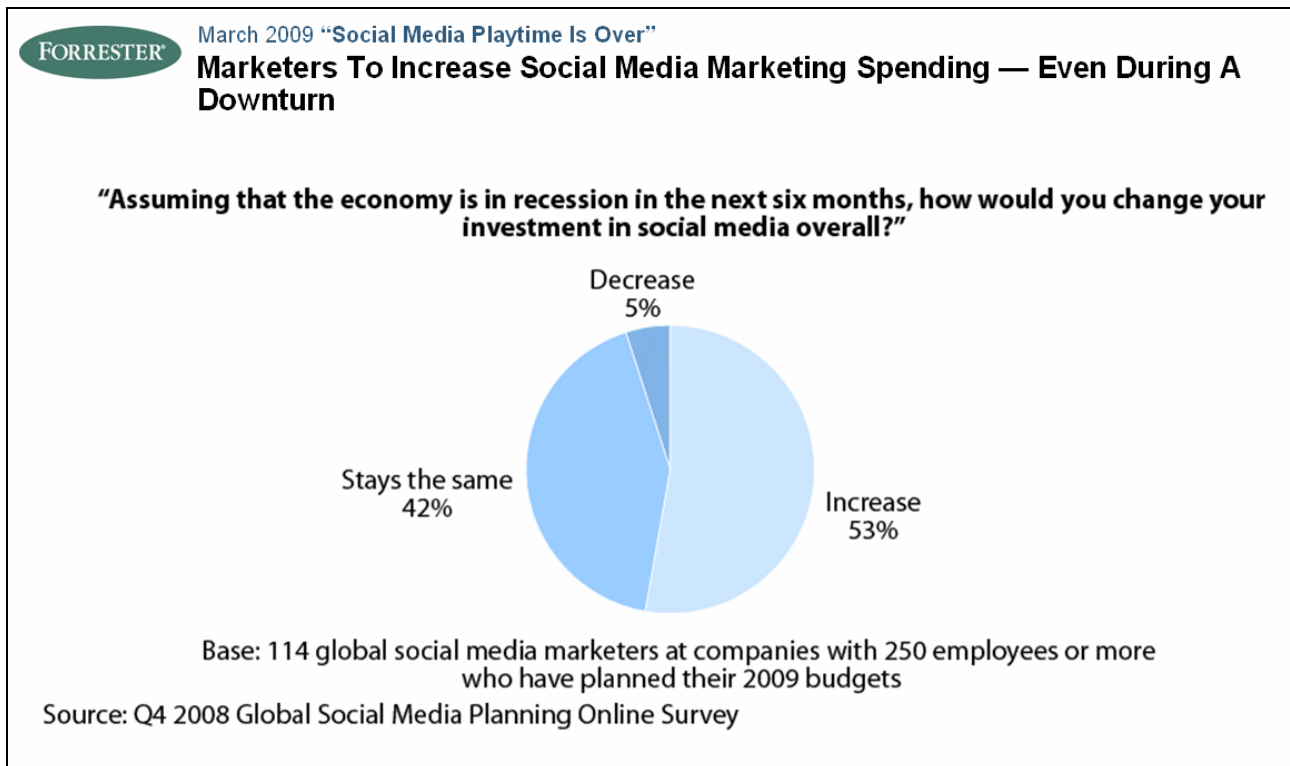
Figure 3. Marketers to increase social media marketing spending – even during a downturn (Owyang, 2009)

Figure 3 describes the situation in the beginning of 2009. The figure 3 is based on the fact that a recession is to be continued in the year 2009. Finnish government's research department VTT has researched the social media: the study indicates that recession will favour the deployment of social media and other digital tools, as the "Internet generation" will eventually replace the aging workforce, there will be a breakthrough in digital marketing (Ahlqvist, 2008). Although social media is currently highly respected, it can present multiple challenges for companies. Good news and bad news move forward quicker than ever before, and a company's activities have become transparent (Pitkänen, 2009). This reduces a company's power in brand and image building, and forces the company to keep its promises (Ahlqvist, 2008).

The literature review indicates a strong need for digital marketing actions in music companies. Therefore, developing a digital marketing strategy should be current for all kinds of businesses (Laurinen, 2009). Artists are being promoted in various medias, and other industries, such as information technology and digital service industries are now enabling the development of novel digital marketing strategies. Some researched companies in this thesis have recognised the possibility and have formed business relationships with companies from fields outside their expertise.

3   RESEARCH PROBLEM

Music industry's core competences are in finding new, successful artists and trends in music (Fader, 2006). On the contrary, digital service companies have the know-how in technological and IT skills to produce and administrate new tools in reaching the customers. Therefore, this thesis explores the extent of collaboration between these two fields; Finnish music companies and Finnish digital service companies. Finnish music companies and Finnish digital service companies could benefit from each other, as the latest example of Backstage Alliance has shown, and for this reason the interest is in whether or not these two fields are co-operating, how much they have collaborated and what the problems have been along the way. There is a need for looking deeper in collaboration and for trying to formulate the landscape of the current situation. The problem is what could be done and how to ease the beginning of collaboration. The research question thus is "Is there co-operation between the Finnish music industry and Finnish digital service industry?" It was also found necessary to research how the Finnish music and digital companies are utilising the possibilities which the Internet enables (Wertime & Fenwick, 2008), and that is why digital marketing strategy was chosen as the other main research topic. The prediction is that the more digital marketing tools a company uses, the more likely it is to collaborate with the opposite field.

To reach the research objectives these questions need to be discussed:

1) What kind of digital marketing strategies are the companies using?
2) Do Finnish music companies and digital service companies collaborate?
3) If they do, has the collaboration been successful?
4) What kind of problems have the parties experienced?

Before starting the actual interview part of the study, the researchers had a hypothesis about the results based on their experience of working in the music industry.

Numerous times the researchers had encountered situations where a digital service company or a music company complained about the problems concerning the collaboration with each other. It was hypothesised that the two industries do not collaborate enough due to a lack of mutual trust that would be needed to build long term business relationships.

4 METHOD AND METHODOLOGY

4.1 Method

The method of the research was qualitative due to the nature of the subject. The study also contained one quantitative question in order to generate supporting mathematical data. Ragin (1987, cited in Creswell 1998) declares that the qualitative approach relies on few cases and many variables when the quantitative approach studies few variables and many cases. The purposes for using an inductive qualitative approach were 1) to summarise extensive and varied raw textual data into a brief, summary format; 2) to establish clear links between the research objectives and the summary findings derived from the raw data; and 3) to develop a model or theory about the underlying structure of experiences or processes which are evident in the raw data (Thomas, 2003). This is clearly seen in the process of qualitative data as the research questions and assumptions are explored through extensive interviews and the results formulated into a conceivable conclusion.

> "Qualitative research is an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem. The researcher builds a complex, holistic picture, analyzes words, reports detailed views of informants, and conducts the study in a natural setting" (Creswell, 1998).

The purpose was to develop a direct link from the preliminary idea of the collaboration into a verifiable dissertation. The observations were conceived and implicated to affect the research results through a qualitative data analysis. The result pursues to answer the research problem, and hopefully no longer will there be a question about the current situation related to collaboration and its possibilities with the music and digital service companies.

In practice, qualitative method was executed through eight interviews among the Finnish music industry and Finnish digital technology professionals – five interviews were among digital service companies and three among music companies. At the beginning it was known that qualitative analysis requires precisely considered questions, otherwise the research results would easily indicate towards a false direction. In addition, qualitative research easily delivers broad or unspecific answers, and those should be considered

critically. For these reasons, the purpose was to ask as direct questions as possible, and therefore the questionnaire included supplemental questions. For example the question could be: "What kind of digital marketing tools are you using? Specify why these tools and positive and negative aspects of them." This kind of approach and the supplemental questions asked during the interview situation enabled the research result to be as close to the truth as possible. However, the questions were formed to have a little air – too narrowed questions could have had the possibility of hampering the research results.

The qualitative data was analysed according to Taylor-Powell's (2003) guidelines. All interview results were transcribed from Finnish to English in order to familiarise with the data as well as possible. See transcriptions in the appendices C-J. The next step was to categorise the raw data into sections (Ibid.). This assisted remarkably in developing coherent answers to specific questions. Mathematical data could also be delivered after constituting the categories. The categories indicated patterns and connections within and between the categories (Ibid.). On the basis of the analysis the research results became visible and this made it possible to proceed to the summaries.

4.2 Methodology

The research follows the traditional research approach, which includes presenting the problem, collecting and analysing data, and answering the question (Creswell, 1998). The research was conducted based on the literature review, which declared that not much literature or other data on digital marketing in Finnish music companies existed. The use of applicable literature is considered a common problem when contributing to qualitative research (Ibid.). However, the lack formed the gap for the information to be collected, and it opened the possibility and need to research the topic. The research commenced as the final idea of the subject was shaped; do Finnish music companies co-operate with digital service companies in order to strengthen their digital marketing strategy?

The literature review was executed in the very beginning of formulating the thesis in order to be capable of begin the thesis with relevant information about the subject. The main literature was found in newly published international books and magazines, and the

nature of the subject encouraged to search for most of the information on the Internet. However, as finding literature directly on digital marketing in Finnish music companies was difficult, the researchers found important information in the virtual media. Because of lack of specific material published on the subject at hand, the exploitation of digital marketing in the Finnish music companies and music fans seems to be an un-researched area. This also indicates that the thesis topic is essential and necessary for the field and it needs to be explored (Ibid.)

After the supporting data i.e. the literature review and general information on Finnish companies' digital marketing strategies was collected, the subjects were divided between the thesis authors. There was a considerable collection of data on digital marketing, and this assisted in understanding the research results better. At the same time, a list of possible interview companies was formulated. The key aspects in choosing the companies were their activity in their market and a presumption of their input for the thesis on the matter. In addition, the first interviewed person Tommi Hietavuo from Futurice gave excellent suggestions on subsequent interviewees. The interviews were arranged individually with all the respondents and the researchers met the respondents in their natural settings (Ibid.), i.e. at their offices. Both authors attended all interview situations; Laura Immonen was responsible for conducting the interviews and Jaakko Joensuu for the recording of the session. The interview situations were very successful and both of the authors collected valuable data for the thesis.

Secondly, the research questions were formed from based on the knowledge at hand and the information that was needed. As a part of qualitative research, the interview questions were slightly revised after the first interview. "Questions change during the process of research to reflect an increasing understanding of the problem" (Ibid.). It was decided that the qualitative research questionnaire would be divided into two separate parts: the first part of the questionnaire "*Generally about digital marketing*" would contain questions of digital marketing strategy. This digital marketing part included deep analysis on the company and the interviewee's job description and the company's digital marketing strategy and tools. Importance was given to the reasons why a certain strategy

or tool had been chosen. Questions concerning the attitude towards new developments and future actions were also included here. The questionnaire had one quantitative question *"What digital marketing tools are you currently using, please tick a box"* and it concentrated on the use of digital marketing tools. The second part *"About the collaboration between the music companies and digital service companies"* focused on of the collaboration between the two fields. That part tackled important questions such as whether the company had collaborated with a music/digital company and what the reasons were for being or not being involved with the other party.

The expectations were to find questions and discussion answers in the thesis relat4ed to general attitudes towards of digital marketing and the current level of collaboration between the two fields. The research aimed at finding the indication, if possible, of the level of collaboration situation in Finland. The goal was to collect the companies' opinions as well as the individual thoughts and insights. There was no predetermined agenda with regard to the results of the research, which could show itself in the selection of the questions although a separate hypothesis was presented. Rather the questionnaire reflected the heart of the thesis – to explore the current situation. Perhaps there were not defined answers and only more questions would arise (Wolcott, 1994b).

The reason why qualitative research method was chosen was the nature of the subject (Creswell, 1998) – it was a rather fresh but sensitive topic as it confronted both sides to ponder the situation. The aim was to dive into the subject and open discussion between the parties. The purpose was to find the underlying agendas and opinions that may have not been said out loud; hear comments and opinions about the possible co-operation between the two fields and the reasons behind it. In addition, the researchers combined their know-how as Jaakko Joensuu has knowledge on digital marketing tools and Laura Immonen in-depth information about the Finnish music industry. It naturally motivated us to work on something that both of us had always been very interested in. The motivation towards the chosen subject developed during the years of studying music business (2004-2009) as the digital transformation had been incredibly visible: from floppy discs to memory sticks, phones transforming into a mix of a camera, mp3 player and web

browsing tools, and the impact of Internet on music industry. All these examples include technical and digital innovation combined with a new user.

Since it is clear that today's music industry professional must be capable of operating in the new digital environment (Kusek, 2005), it seemed obvious to research the usage of the rather infant marketing tools and approaches. The interest is to see if the Finnish music companies have recognised and utilised the knowledge and possibilities that many Finnish digital technology companies could enable for them today.

4.2.1 Survey

We conducted eight interviews; three interviews from the Finnish music companies and five interviews from the digital service companies. The qualitative research does not have to be practically large in scale but it has to contain enough information in order to generate answers and trends (Taylor-Powell, 2003). The companies interviewed were Futurice, Musiikki & Media, Meteli.net, Backstage Alliance, Nokia, Warner Music Finland, IRC-Galleria, and Universal Music Finland. Many of the companies could not be exactly identified to either of the groups; for example some record companies are pursuing very strong digital service strategy, and some digital companies are approaching the artists' assets and might even have a record company subsidiary.

The goal of the research interview was to find out a) the company's marketing strategy and tools that are used; b) do the companies' strategy include collaboration with digital/music company (depending on the company); c) what kind of experiences and opinions the interviewee had about this type of collaboration; and d) what kind of opportunities there are for collaboration between the chosen industries. The survey and the interviews were conducted in Finnish, and later the interview questions and answers were transcribed into English (see appendix C-J).

The first survey questions aimed at finding information about how effectively the Finnish music and digital service companies are currently using the available digital marketing tools. The data and know-how of digital marketing could be then reflected towards their interest in collaboration. This is why the questions 2, 3 and 4 concentrated

on companies' digital marketing strategy. Question 3 – what digital marketing tools are being used – was crucial for analysing the actual deployment and usage percentage of digital tools, such us blogs, networking sites and mobile services. When formulating the interview questions it was first debated if it was necessary to ask whether the companies were budgeting more resources on digital marketing (question number 4), since it could be assumed that companies are increasing resources in such important matter. However, the interviews revealed surprisingly versatile answers, and that proved the validity of including the question in the research.

Part of learning the current situation of the use of digital marketing tools within Finnish music and digital service companies was to research their attitudes towards web 2.0 phenomenon. Question 5 addressed on finding the answers for whether the interviewees were familiar in using social networking tools as a part of the company's marketing strategy and what their general opinion of social networking was. From the question 6 and onwards the survey concentrated on the collaboration; how potential the interviewees saw the collaboration between Finnish music companies and digital service companies, and has the particular company collaborated in the past. If they had, what were their experiences and what kind of problems had occurred along the way? These questions gave solid basis to begin the analysis with the interviewed companies and to begin the discussion of the problems and possible solutions. For example, what kind of efforts would the interviewed company be ready to make and try to reach a situation where both parties would be satisfied? Important part of the question number 8 was to find out if the company was ready to invest resources for the development of collaboration. These survey questions outlined the core of the thesis and imported the valuable data. Of course, there should be a question that researches the attitudes and opinions of digital marketing in the future. Therefore the last question number 9 asked how they perceive the future of digital marketing.

Before proceeding to the survey results a short description of the companies and people interviewed should be stated in order to understand the complexity of research and the meaning of the answers: Futurice is an information technology firm and Tommi

Hietavuo is a connector whose job description is to connect new customers to Futurice. Lauri Laurila from Musiikki & Media is an event producer who runs his organisation completely in digital environments and uses the digital tools to gather customer data. Patrik Lindberg from Meteli.net is a long-time developer of the music forum which provides information about artists and events. In early 2009 Meteli.net opened a digital music store where customers can buy DRM free music. Kimmo Lehtosalo is Senior Marketing Manager working for Nokia's Digital Marketing Programs where music is one of the five digital marketing program streams. Gugi Kokljuschkin was at the time managing director of Warner Music Finland and currently the head of the company board. Niko Nordström is the managing director of Universal Music Finland, these two companies represent the views of major record companies. Matti Kari, head of PR in IRC-Galleria, is one of the founding members and developers of social networking site IRC-Galleria that is currently owned by Sulake. He is a solid professional consulting many companies and government offices about issues of social networking and specially giving insight about the behaviour of younger people. Paavo Bäckman is the head of all digital developments in the independent record company Backstage Alliance which is heavily investing on developing new digital services.

5   RESULTS

The interviews revealed several interesting points regarding the attitudes towards digitalisation, digital marketing tools, and collaboration. Digital marketing strategy as a concept was not unfamiliar to the interviewees, and all interviewees took a long thought before answering how the strategy was being implemented in their company. Most of the interviewed music companies were familiar with the basic digital marketing tools such as Google Analytics, Google AdWords, Facebook and MySpace but they did not utilise the popularity of blogs or left it solely to the artists' responsibility (figure 8). On the opposite, digital service companies were very active on the *blogosphere* (Anisimoff & Suova, 2008) – they participated constantly on forums, created new blogs and followed others' blogs. On the other side, the music companies used MySpace when digital service companies did not find it useful in their marketing strategy. These results already indicate the differences in the approaches and practises between the two fields.

5.1 Interview results

5.1.1   Digital marketing strategy results

Digital marketing strategy was broadly applied in the interviewed companies: 75% of the researched companies had a digital marketing strategy and most of them were music companies (figure 5). The 25% that did not have a defined digital marketing strategy were among the digital service companies (Futurice and IRC-Galleria) (Ibid.). Both companies' business models used their reputation and the established networks as their marketing approach. For example, IRC-Galleria as a Finland's leading social network site would harm from marketing; the users only like to use a social network which is approved and recommended by other users, not advertised by an outside source. "The social networking sites seemed to do better when they do not advertise the service", mentioned Matti Kari from IRC-Galleria. Tommi Hietavuo, the connector from Futurice, explained that their reputation from previous projects, customers' evaluations and recommendations had generated new customers without any marketing efforts. In the Finnish business world deeds seem to have more value than words, and a good reputation is more important than

marketing. Futurice felt that it was the right choice to create a credible image among the professionals, much due to the above-mentioned fact that successful projects speak louder than advertising. However, currently they are formulating a marketing strategy since the company was awarded the respected Deloitte's stellar performers prize (Deloitte, 2007), and many external parties began to show interest in the company's marketing strategy. At this point the company had grown to such a portion that a valid marketing strategy was seen necessary.

40% of the music companies with a marketing strategy were following a strategy formulated at global headquarters such as the interviewed major record companies, Universal and Warner. Local subsidiaries have a say in marketing for the established domestic artists. Networks are valuable since they can be used to draw from the pool of resources, which are outside the company's core competences. Geographically small Finland brings an advantage as most of the marketing efforts can be handled via personal contacts, which brings economical benefits and lessens the need for a more specific marketing strategy, declared Meteli.net's founder Patrik Lindberg. The circles are quite small in the music and media industry in Finland. That also applied to Futurice as they contact directly the potential customer, without a marketing effort (e.g. an advertisement etc.) in between. Positive hearsay and professionally executed projects were described as effective marketing efforts in all of the interviewed companies.

Most of the researched companies (75%) were against unwanted spamming or bulk mailing. This is a straight logical reaction towards keeping a creditable and professional company brand image. However, that did not include e-mail newsletter for customers that have joined the mailing list, as 87,50% of the participating companies were sending newsletters to their customers as a part of their digital marketing strategy. The results from this marketing tool were not measured, but it was experienced to be useful and cost-effective.

As mentioned, choosing the right marketing channel was determined by the result to be as credible as possible in front of the potential customers. That also indicated that in order to succeed one has to listen and follow the customers. This meant following the

trends and keeping up with the changing customer behaviour. Standing and watching from aside was not an option for the most recognised Finnish company Nokia. The company's senior marketing manager Kimmo Lehtosalo said it right: "fighting against change is actually fighting against the consumer's needs and wants". This approach can be seen in the launching of Nokia's Ovi service public beta in August 28, 2008 (Nokia, 2008).

Many digital service companies such as IRC-Galleria, Meteli.net, Nokia, and Futurice held important to keep the public information of the company accurate. That was considered as one of the most efficient marketing efforts. Backstage Alliance faced a development challenge related to the pace of technological advancements; they have pushed hard to keep the information updated and as accurate as possible, as they were developing a new mobile service for the fans. Backstage Alliance aimed at building an intensive and sustainable connection between their artists' and fans.

Nokia and Meteli.net are offering excellent ways to market your artists. For example, Meteli.net presents 2000 events per month, 12.000-13.000 Finnish artist profiles, 2.7 million songs online, and has 60.000 visitors per week on their Meteli.net site (TNS Gallup Finland, 2009). That gives enormous possibilities to inform the fans of any new updates or live performances. Nokia has naturally even larger appearance on the web: millions of their customers are using the Internet from their Nokia mobile phones, and many of them visit e.g. Nokia's local MySpace sites, Facebook fan pages or Royal Artist Club, Lehtosalo highlighted. Royal Artist Club is a site for the artists that have made a deal with Nokia to produce and publish content (blogs, videos, and photos) with their Nokia handset and gives the fans a chance to watch new content and interact. This indicates of Nokia's purpose to rather make endorsement agreements with music companies than traditional sponsorship deals, which Lehtosalo confirmed.

Based on the interviews, some companies did not use traditional print media at all. One of them is Musiikki & Media, the music industry event held annually in Tampere, Finland. Their marketing strategy had evolved during the last couple of years, as they recognised that print media too often ends up in the litter. Digital marketing were used

more effectively for informing and advertising purposes; in addition, the company has an extensive database for contacting the customers through digital channels.

The interviewees were asked to answer whether their company was using a certain marketing tool or not. See appendix B or figure 8 for numeric data. Below the options presented to the interviewees:

- o Home page
- o Targeted web pages
- o E-mail / newsletter
- o Blogs
- o MySpace
- o Facebook
- o YouTube
- o Twitter
- o Other social network
- o Google Analytics
- o Google AdWords
- o Text messages
- o 3G / mobile Internet
- o Electronic forms
- o Affiliate links
- o Banners

The most common reasons why a specific tool had been chosen among the interviewed companies as a part of their marketing strategy were:

1) The popularity – customers are using the tool

2) Credibility – a credible source to find new customers

3) Easiness and cost-effectiveness – to better familiarise, use and exploit the tool.

Major part of the interviewees used web 2.0 and social networks for marketing purposes: Facebook was far most common tool as 87,5 % of the companies were using it (figure 8), the only one not using it for marketing purposes was Futurice (Ibid.). Music companies mainly used YouTube and Twitter; however Universal was not involved with the latter one (Ibid.). Interviewees were also actively using other social media sites excluded in the list, such as LinkedIn, Jaiku, Picazaa, IRC-Galleria, and Last.fm.

Interestingly, Google Analytics – a free web analytics tool which gives the users insight about website traffic data and marketing effectiveness – was better known and more used than Google AdWords, as 50% of the interviewees were utilising Analytics but only 37,50% were actively using AdWords. However, 62,50% was still using banner advertisements although the numbers indicate a mild decrease for the future (figure 4).

Half of the interviewees were planning to increase resources on digital marketing in the future, research revealed (figure 6). Event organiser Musiikki & Media and social network IRC-Galleria were not sure about it, partly because the effects of next year's marketing investments had not been informed yet and partly because not having the authority to retell about future marketing plans. Furthermore, Warner was not specific about their future marketing plans and they did not want to separate traditional and digital marketing from each other. Other music companies were ready and willing to invest financial and human resources towards developing their digital aspects in their marketing strategy.

All participants thought that web 2.0 has been a positive phenomenon: Futurice's Tommi Hietavuo said it has stabilised the competition and given better opportunities for smaller companies, developed new free marketing channels, which Kokljuschkin from Universal thought was good, and some companies like Musiikki & Media and Backstage Alliance were totally leaning on it. Nokia's Kimmo Lehtosalo mentioned that in a way we all are already building the next generation of web 3.0 as mobile phones will bring the context to Internet services. When social network IRC-Galleria began its activity in 2003 there was no term "social network". All researched music companies verified that web 2.0 has altered radically the ways to make revenue. For example, Backstage Alliance had realised that the more you give music for free, the more money you get back from social network sources like YouTube. They also have seen that the music companies that used to be against the transition and digitalisation are now interested, but unfortunately many opportunities are lost because of their huge delay.

As a conclusion, web 2.0 and social networks had changed many of the interviewees' way of doing business and enabled them to communicate with the fans and the customers

more efficiently. It has also brought the technology sector closer to music industry, as music companies have been forced to start learning more about the tools and possibilities that Internet provides, as Hietavuo from Futurice mentioned. Most often the reason lied behind the simple fact that as their customers are in the web, the companies could not afford to stay outside and let someone else influence on the customers buying decisions. This brings us to the heart of this thesis: as a result of the digitalisation, the new ways to communicate, operate and make business on the Internet, the collaboration between digital service companies and music business companies have become more important and created new opportunities to make more profit for both parties. Below figure 4 describes the digital marketing tools used by the researched companies. In the research questionnaire the figure 4 below refers to question no 3.
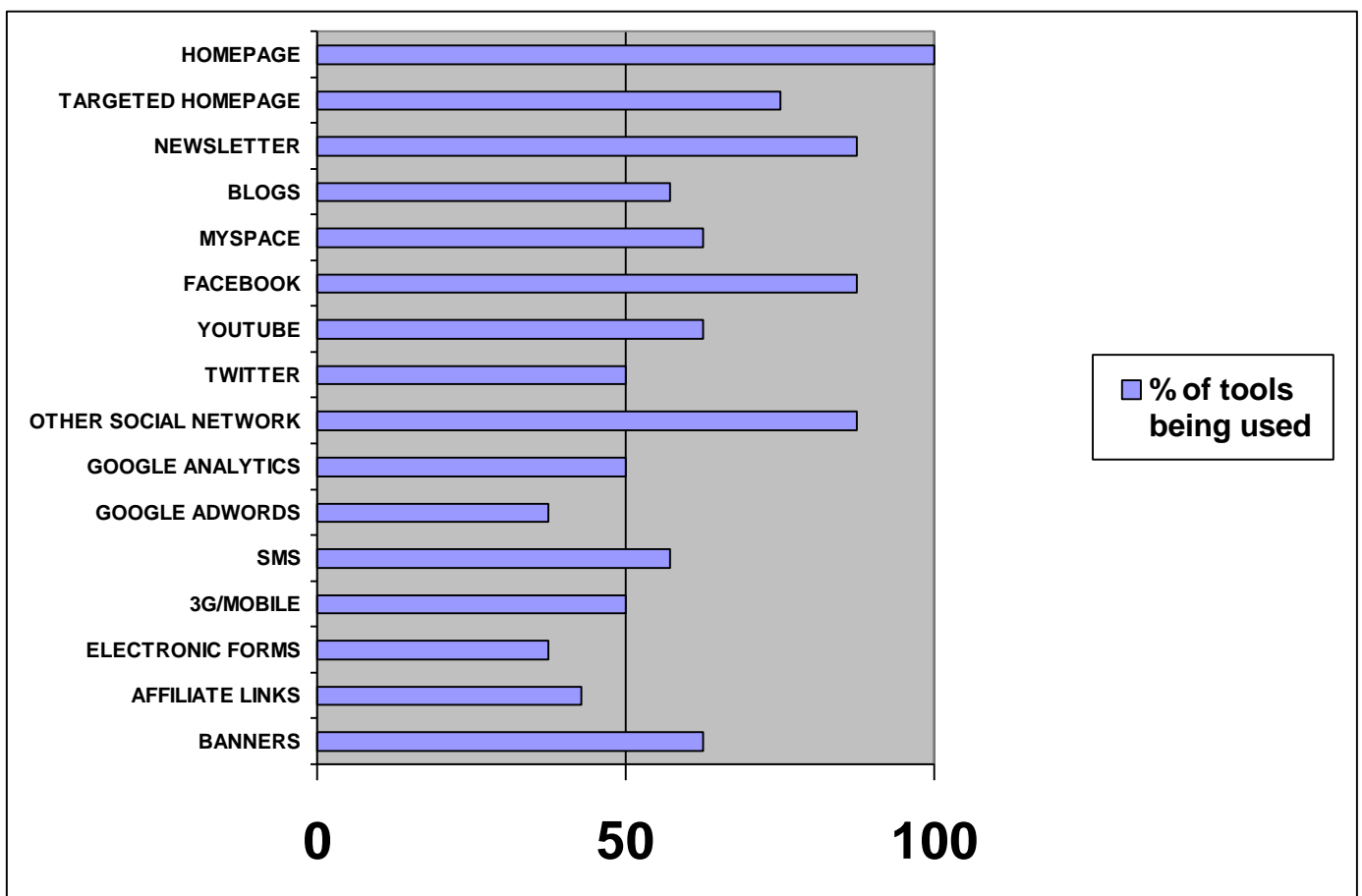
Figure 4. Percentages of digital marketing tools used by the companies

Figure 5 shows the amount of digital marketing strategies companies currently have. In the research questionnaire this figure refers to question 2.
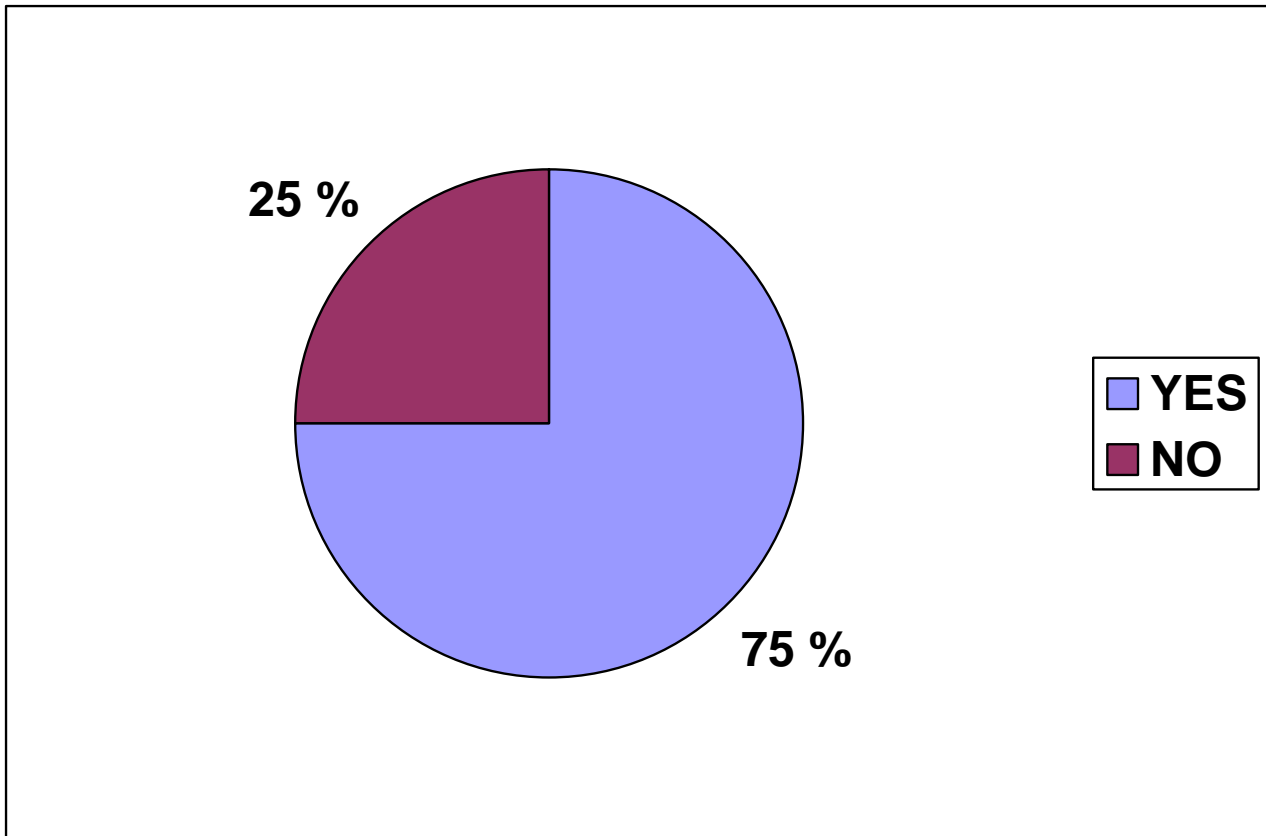
Figure 5. Does your company have a digital marketing strategy?

Figure 6 describes the companies' future investments concerning digital marketing. In the research questionnaire this figure refers to question 4.
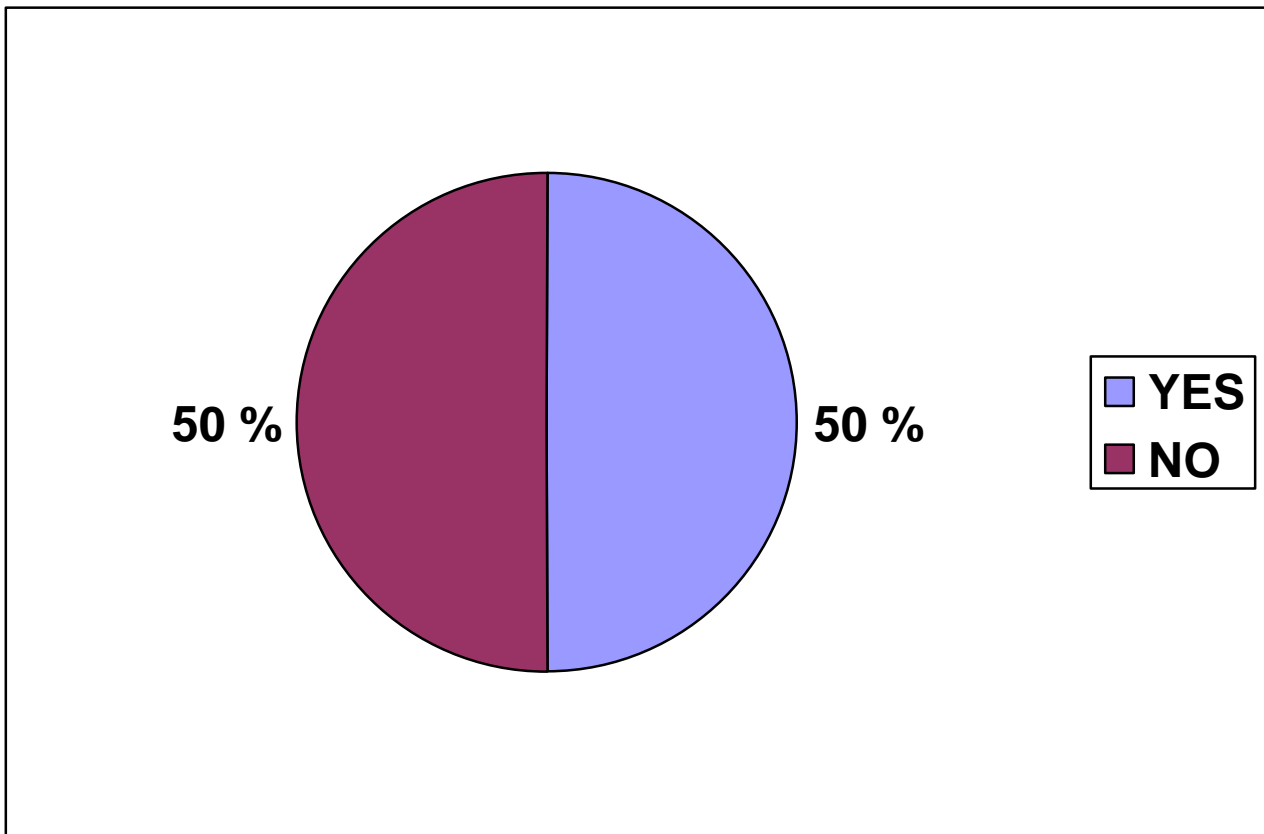
Figure 6. Are you planning to increase your digital marketing budget?

Figure 7 describes the common problems companies listed which are blocking the potential collaboration between the two fields. In the research questionnaire this figure refers to question 7.
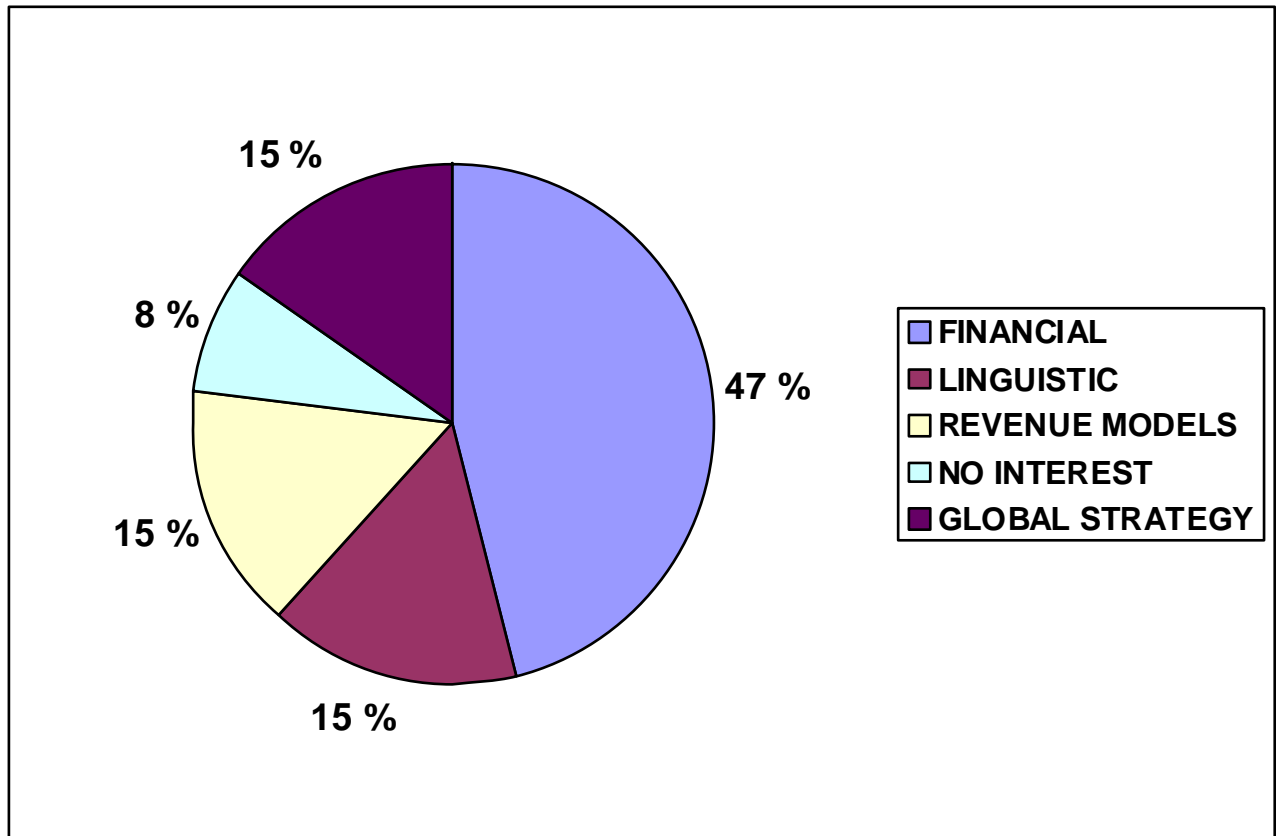
Figure 7. Problems in collaboration between Finnish music companies and digital service companies

Figure 8 shows what digital marketing tools the interviewed companies are specifically using

3) What digital marketing tools are you currently using?								
		*) Musiikki & Media	**) Backstage Alliance					
Date	26.2.2009	20.3.2009	31.3.2009	7.4.2009	16.4.2009	11.5.2009	12.5.2009	18.5.2009	
Name	Futurice	M & M*	Meteli.net	BSA**	Nokia	Warner	Irc-Galleria	Universal	
Kysymykset / questions	43	30	35	33	35	40	27	62	38,125
Homepage	1	1	1	1	1	1	1	1	100,00%
Targeted webpage	0	1	1	1	1	1	0	1	75,00%
E-mail / newsletter	0	1	1	1	1	1	1	1	87,50%
Blogs	1	1	forums	0	1	0	1	0	57,14%
MySpace	0	0	1	1	1	1	0	1	62,50%
Facebook	0	1	1	1	1	1	1	1	87,50%
YouTube	0	0	0	1	1	1	1	1	62,50%
Twitter	0	1	0	1	1	1	0	0	50,00%
Other social networking site	1	1	0	1	1	1	1	1	87,50%
Google Analytics	0	1	1	0	1	0	1	0	50,00%
Google AdWords	0	0	1	0	1	0	1	0	37,50%
Text messages	0	0	users	1	1	1	0	1	57,14%
3G / mobile Internet	0	0	1	1	1	0	1	0	50,00%
Electronic	0	1	1	1	0	0	0	0	37,50%
Affiliate links	1	1	vice versa	0	1	0	0	0	42,86%
Banners	0	1	1	1	1	0	0	1	62,50%
Other social networking site	LinkedIn	Jaiku		Last.fm		Irc-Galleria	Irc-Galleria	Irc-Galleria	
		Picazaa							
		LinkedIn							

Figure 8. Digital marketing tools used in interviewed companies

5.1.2 Results on collaboration between music companies and digital service companies

Based on the interviews, music companies and digital service companies were interested in each other's services but collaboration has been unusual and sporadic. It rarely has got to the point where actual business deals are made. However, all interview participants thought that the collaboration is possible, and why not even likely. Futurice's Tommi Hietavuo explained that the problems occur right in the beginning as the two parties meet: usually the representative from the digital service company has been an information technology professional that has less experience in negotiating deals with a music company or about the music business sector – the know-how is in knowing what kind of services the company can offer, on the technological aspect. The representative from the music company has been most likely the managing director who is interested in knowing what kind of revenue the digital tool could generate for the company. Hietavuo continued that the problem here is the different languages that do not easily find common ground; the digital company representative speaks technology jargon and the music company representative is interested in financial aspects. The objectives are easily dismissed and misunderstood. Finding a common language is at this point almost impossible and Hietavuo summarised, that there is a need for third party that can interpret the objectives of the both parties.

Backstage Alliance's Paavo Bäckman has for a long time seen this problem and run into it many times as they were negotiating deals with different digital service companies. Many times Backstage Alliance did not know what the opposite party was offering, nor did they know what the actual cost of the work was. The situation was really problematic because of not knowing exactly what the other party actually does and what are the real costs of labour and time, and that brought difficulties in creating an atmosphere of mutual trust and a business relationships. At Futurice, they have resolved the confronted situation by hiring a separate person, known as connector, who can connect these two parties and understand both languages. In the future, it is most likely that there is a

growing need for these types of professional people who are specialised in connecting different fields, such as technological side and creative side, together.

All participants considered that the main problem is money. All interviewed music companies thought that building a digital tool in collaboration with digital service company was too expensive and the benefits of such a projects uncertain. Music companies seemed to lack the know-how of launching collaboration with a digital service company and their budgets have been on a very different scale. For example, Patrik Lindberg from Meteli.net had a problem with licensing songs from the major record companies for their digital music store, as the licensing was considered too expensive. IRC-Galleria's Matti Kari mentioned that by his experience many music companies are reluctant to pay for technological content, without certainty of return on investment. Interviewed music companies defended that many times the opposite side did not know the basic business models implemented in the music industry and therefore were not capable of offering sustainable business ideas. Universal Music's Kokljuschkin thought that most of the proposed ideas so far have not been interesting enough. Both major record companies were interested in collaborating with a digital service company if only they came up with a good business model. This would mean high return on investment within a reasonable time frame; not a free service or an exciting tool just for fun. What Meteli.net considered as a problem was the lack of mutual risk-taking: music companies were reluctant to innovate and develop new marketing tools with a mutual risk and that has decreased the amount of new collaboration and ideas in the music industry.

The research results showed that the collaboration has been still in such a preliminary stage that even some basic rules were not clear for both parties; there were companies which do not know who is selling what, who should pay to whom, and how much. This confusion made the parties to hold even tighter to their assets and stood as an obstacle for a healthy relationship. Digital service companies IRC-Galleria and Futurice had encountered this problem several times; music companies have thought that they should be paid for the use of the music, although the situation has been many times the other way around. "The digital companies are paid for their service and knowledge in technological

aspects, even though the built digital tool would use artistic content", Futurice' Hietavuo mentioned. The same applies for digital marketing areas like IRC-Galleria as a marketing environment; if a record company wants to place an advertisement or add a character in their social network, they need to pay for it and not wait for a payment because of the musical or artistic content of the advertisement. On the opposite, Warner Music's CEO Niko Nordström encountered a similar situation where a digital service company offered a tool that would place music videos around the Internet, and when the company asked for financial support from Warner, Nordström thought that in fact they should be paying Warner for using the creative material. As a summary, before effective business relationships could be built between these two fields, there needs to be deeper understanding of each others' revenue models, assets, industry specific policies and goals. If the parties on both sides did not purposefully seek to understand the other side, there can be no collaboration.

New innovations will be missed or produced somewhere else than in Finland, where is a vast pool of resources with highly educated workforce. Building a network of industry experts whom can exchange ideas, problems and business opportunities is the essence of new media and marketing. Research indicates that without collaboration it is not possible to compete in the global market as an innovation-driven nation.

Here are facts for and against collaboration based on the research:

For:

- Companies support the idea of collaboration
- Some projects have been made in the past
- Companies are looking for new ways to make revenue

Against:

- Disagreements in revenue models
- Communication problems
- Lack of resources for actual long term business relationship

6 DISCUSSION

6.1 Discussion of the research problem

6.1.1 What kind of digital marketing strategies are the companies using?

Referring to the research problem and the outlined questions, the research results show that the interviewed companies were using common digital marketing tools such us Google, MySpace, Facebook, blogs, and other similar destinations. A proper marketing strategy was deployed in six interviewed companies – all music companies for example declared that they have a marketing strategy. The marketing strategy was usually defined from the basis of the objectives and available resources. The marketing destinations and tools were most often chosen by their degree of popularity, credibility and easiness. Cheapness or gratuitous had a positive impact on deploying the tools, and a price tag diminished their interest towards the tool. Assumingly, the major record companies had quite a few restrictions in their strategy that were assigned from the headquarters above. Major record companies were also found to be more cautious and critical towards new digital tools and innovations. On the contrast, independent record companies were actively following the digital development and participated in by using or developing new tools. Most active independent record companies even employed in-house technology staff, when major record companies had tried only few outsourced digital marketing projects. Digital service companies had close to zero traditional marketing or even social network and digital marketing; marketing value was placed in writing blogs and recommendations by customers from previous successful projects.

Interestingly, the research revealed that only few of the companies interviewed had a well-planned and unique marketing strategy. Lack of innovative experiments, distinctive approaches, or other novel paradigms to digital marketing pointed to the researchers that companies in Finland tend to follow each other's example and in that sense, play it safe. Some companies were seemingly reluctant to follow towards the destinations where the customers and fans are heading. Another considerable observation was that none of the interviewed music companies had conducted a market research to find out what their

customers or fans wanted, and which kind of marketing was received positively by the target audience. Generally, Finnish music industry can be seen as quite reluctant to build customer data and conduct market research. This is obviously a weakness in terms of knowing the customers and making the right strategic decisions. That would probably, and hopefully, include co-operation with specialised digital marketing companies, and for example through that music industry professionals could improve their skills in digital marketing tools and strategies. This research showed that an open attitude towards new digital developments, marketing, and proactive actions in trend shifts can lead to new business opportunities. Backstage Alliance's experiences in co-operation with specialised digital service companies such as Geniem have shown that there are untapped possibilities, and Backstage Alliance stands as a positive example for other music companies how to form new business models.

6.1.2 Do Finnish music companies and digital service companies collaborate?

The answers to the key question of this thesis, do the parties collaborate, were multifaceted. Basically, all interviewed companies thought that there is a great possibility for co-operation. However, there were not many actualised examples of co-operation. Backstage Alliance had co-operated with digital companies for years, but other music companies were more reluctant to develop new tools to the customers and fans with the assistance and knowledge of digital service companies. Digital service companies had more experience of music companies as a client but the negotiations rarely have taken the next, crucial step that would have resulted in a business relationship. The collaboration had typically ended after the first conversations when the practicalities and differences in mindsets collided. This indicates that the thesis hypothesis – the two industries do not collaborate enough because of the industries lack mutual effort in order to build a long term business relationship – is confirmed.

It could be noticed that discussing about collaboration was quite sensitive topic to the interviewees. The parties did not want to give specific examples, although these examples would have helped in better understanding the key points of hindrance in collaboration.

However, the researchers learned that companies, which have collaborated together with the opposite field, have encountered numerous challenges along the way and there are even some music companies that have not ever collaborated with a digital service company. Despite of the difficulties, there has been successful collaboration as well. Engaging in business with totally different type of field is not simple but learning each other's interest would ease the path to mutual innovations. Because the amount of collaboration was notably lower than expected, there is room for new projects between the music industry and digital technology environment. The researchers hope that these two fields will find each other because there is excellent unused potential waiting to be exploited.

The research results show that collaboration between the two fields is more than ever absolutely necessary, since the music industry is struggling with the dropping sales of CD's and trying to find new ways of income (IFPI, 2009). The major music companies in the research approached the situation with caution and are not willing to take any additional risks. If the music industry did not actively form relationships and networks with the IT industry, it could lose substantial amount of revenue to new competitors emerging from the companies like Nokia and Apple.

6.1.3   If they do, has the collaboration been successful?

The collaborations that actually have taken place have been quite successful. Usually the problem with technology is its fast pace; once one might think one is ready with a digital or mobile tool, the technology requires making modifications to it. For that reason even simple projects can take much more time than originally budgeted. Knowledge about which kind of tools the customers or fans would like to use is crucial. The emphasis lies in creating tools so simple and user friendly that the usability is good and adaption to new technology happens effortlessly. Putting new tools out in the market place, making modifications, and letting people know how to use them should be fast and simple. The research shows, that the reason why there has been a little collaboration is nearly because the digital tool or software has been too complicated and the economical benefits unclear.

The music companies are not interested in collaborating with such time-consuming project, and the customers do not have the time to familiarise with a complicated tool. For this reason, these projects and ideas have not taken the second step and collaboration has been diminished.

One of the reasons why there have not been that many successful examples of collaboration is the cost of building new digital tools and developments from scratch. During this time of recession, in year 2009, in music purchases and global economy there are not many extra financial resources for music companies to spend. That is why these marketing experiments are usually the first ones to be terminated.

For sure there are genuinely successful projects with music companies and digital service companies happening and revenues are made. However, in Finland, there has not yet been a breakthrough. Digital service companies do not see Finnish music companies as lucrative source of income, and on the opposite, the music companies see digital companies' service as too expensive. Music companies mentioned that they are willing to co-operate but do not want to take the role of a leader. What would be needed is a mutual risk-taking deals that enable both parties to begin the project with similar stakes. This would lead the development of digital tools and services to another level and provide new sources of income.

6.1.4 What kind of problems the companies have experienced?

Most of the times when a digital service company and a music company have discussed about a possible project, there is confusion about who is paying who and the difficulties in forming mutual goals. When common ground has not been found, the whole project is abandoned. The most common reasons, based on the interviews, that have prevented these two parties to collaborate are: the cost of the project for the music company, linguistic misunderstandings, lack of time and staff resources, no feasible ideas, no actual need, strategic guidelines from global headquarters prohibit, no interest in entering risky business, too complicated ideas... the list is vast. It was pity to find out more reasons that prevent or reduce the interest towards the collaboration than reasons, which make

collaboration more lucrative. The answers were pessimistic but expected. The problems that have formed could actually derive from the primitive aspect that the fields are quite far from each other: other is based on specific technological engineering and the other one makes decisions based on "gut feeling" and emerging trends. In terms of music industry this can be referred to the relationship between the artist and the manager: the artist can make good music but the manager has the tools to increase its success. However, if these hardships can be overcome, there are a many opportunities for these two parties to collaborate. The bright side is on the willingness and possibility; all parties said they are ready to co-operate with each other's if the circumstances were right and funding reasonable.

6.2 Discussion of interview results

Based on our research we see clearly emerging patterns for the future of collaboration between Finnish music and digital companies. There are companies who are actively seeking for the new opportunities in collaboration and in technological innovations. One of them is Backstage Alliance that is nearly betting their whole future on this emerged new industry field. Such companies are sure to find many obstacles and setbacks since there are little or no history at all in which to reflect the decisions. Resources are spent and there is no sure guarantee of profit as they set their foot on the unknown territory. Others seem to cruise behind the wave of technology, and looking the situation from objective perspective. What is it then in store for these companies? For sure it is a lot safer, and on the short run less expensive to let the others take the risk and just pick the right from wrong. It might seem as a wise decision to let the dust settle on this digital media phenomenon and just survive the emerging customer trend.

What is quite sure, there are many business opportunities that are lost to competitors and to new emerging start-up companies. There is an ideology which thinks that music itself becomes just a promotion tool and it is free for all (Kusek & Leonhard 2005), such as the case of Spotify. How will the recording companies adapt and what will they do in order to gain revenue? Music companies that hold back catalogues of artists are sitting on

a sustainable asset, which will probably never alter. Digital companies do not have the music but they have the control and knowledge over the new technological tools that the youngsters all around the world are using. This generation read the news, watch the television and surf on the Internet, and the meaning of traditional magazines and TV diminishes as a primary source of information and entertainment. It is like digital companies are saying to music companies, we have your consumer now but we still need your product – but for how long?

The research indicated that the music companies need to start providing actual services and value to the customers. It is very easy in many cases to change over to the competitor, and the options are ever growing. There are many possibilities to build customer or fan loyalty and stronger customer relationships. The customer has the power of decision (Merisavo et al., 2006), and if a company does not understand that change, it will weaken its possibilities to survive. The companies will lose the battle over controlled information because it is being spread and is open to even more people through Internet.

It was interesting to find that the language between the parties differed so much that even the basic rules of business relationships were challenging to develop. Digital service companies target very precisely their objectives for the meeting, when music companies rather listen to the options and decide later. In addition, many times the parties did not know who was selling and what to whom – music companies strongly still believed that every time a piece of music is used in commercial content there should be a payment for it. On the other side, digital and technology companies were not willing to license any music if the business is for them to develop a service or tool for the music company. The fields are obviously entering the conversation from totally diverse point of view, and for the future negotiations there should be an intermediate that could introduce the situation and the aims for both parties. Also other problem digital companies suggest is the hypocritical meetings with music companies: first digital service companies assume that there is interest and business will be done, but after a while the company does not hear from the music company anymore. How can any new business models be made or digital services developed if the parties are lacking mutual respect and understanding?

The most referred problem seemed to be the lack of financial resources. However, if the music companies had millions at their hands, would they still make co-operation with digital companies? Maybe if the actual problem is not the money? What if it is actually the attitude or lack of know-how towards technology and digital tools? It is understandable that if the problem was the lack of skills, it would not be enticing to use resources for something that cannot be understood and thus properly exploited. In addition, the lack of successful examples and experiences of collaboration with digital service companies in music field diminishes the interest to try new projects. Naturally, if there are not even proper connections or contacts between the fields, it is almost impossible to develop new ideas into new products and services.

All companies exist to produce revenue for the shareholders. For that reason, taking risks where return on investment is uncertain is probably not the most tempting idea. This might partly explain why there has not been that much co-operation between these two fields – but it might be an excellent excuse as well. Because, if there was really good new technology ideas, and if the music companies would take those ideas seriously, there would be co-operation. Some Finnish companies despond easily if the results cannot be seen quickly and they do not strive for better innovations. They are settling for less. The atmosphere in Finnish music industry does not particularly encourage for developing new innovations. The interest depends strongly on competitors and their attitude towards new digital developments. Boldness is considered as negative attitude and it does not gain appreciation among the colleagues. It is a pity that disparity is not encouraged, and that is exactly what Finnish music companies would need in terms of finding new business models.

The future will be challenging. However, the research results show that there is still strong believe in reading actual newspaper or a book after ten years. The future of digitalisation and new digital marketing tools is controversial but fascinating. There are, however, some concerns about the ownership of Internet and its development. The use of web 3.0 – the more interactive and customer's habits and preferences learning Internet – will ease especially the consumer's life, and hopefully the music industry will be in time in

that matter. One of the best sides of the future is that we can still influence on it – all the world's possibilities are available.

7 CONCLUSION

The music industry is currently undergoing remarkable changes (IFPI, 2009), and these changes in the music industry's revenue models through digitalisation and the transparent nature of digital media support these two different fields to merge. Many music companies can be puzzled by the amount of options and possibilities the Internet has enabled, and some help is surely needed from the digital companies. Based on the research, many music and digital service companies have shown interest towards collaboration possibilities, but for many reason these two fields have not successfully encountered.

The use of digital marketing tools is still quite limited to the basic models and not many innovative tools are used among the Finnish music companies. Digital marketing does not lack the tools; it lacks vision, strategy and maybe most importantly the skills to do it (Merisavo et al., 2006). What could be recognised from the digital marketing strategies between the two parties is that music companies were less actively using new digital marketing tools and still quite heavily relying on traditional marketing channels. Instead of that, digital companies were more willing to shift away from printed media and concentrate on improving their conspicuousness on the Internet.

There were two different approaches to the changing customer habits caused by technology: first one adapts, transforms and embraces the change. These companies are trying to adapt their business models to the changes that the Internet and digitalisation brings. Many of them have some information technology background in the organisation and this helps to set the right mindset for the future. The other approach is to try and survive. Those companies consider that digitalisation is a passing trend and these companies hope for the best. They play it safe by following a trend from behind and adapting slower to the changes.

Collaboration is still facing many obstacles – research results indicate that the major reason is the financial aspect. All interviewed companies were tight to follow the budgets and operational strategies that rarely included new innovative projects and collaborations

with external parties, unless it could have linked directly to the core business. Because of constant and accelerating pace of technology new business models will emerge and replace the old ones. Business transactions will move to Internet and traditional ways of using media for marketing and promotion will decrease.

As a conclusion, the research showed that there is need for better ideas and more active approach to outside industries. The interviewed major music companies are concentrating on collecting all possible revenues based on the traditional system without participating with smaller digital companies to find new sources for revenue. Smaller independent record companies are investing more resources in new ideas and projects and generally are more open-minded. Digital companies have the knowledge and the tools to basically implement any ideas in terms of digital marketing or customer developments. There is also a lot of potential in utilising the available digital marketing tools on the Internet that mostly are free of charge and constantly improved. There is no reason good enough to explain why these excellent opportunities are currently dismissed.

8 LIMITATIONS

After conducting the interviews it was quite clear where the problems of the collaboration lied. There were several factors that were to be solved before the two fields could successfully collaborate. First one is the difference in mindset that comes from the nature of the professions. Digital companies come from the information technology background where change is faster than in any other field of business. Music companies are developing artists and guarding the assets of recorded music. Keeping this in mind, it is easier to understand music companies' strong stand against any attempts to use their assets without a licence. Music companies are in a constant battle against technology because logically thinking they would prefer not to have the new ways of spreading, copying and using music. If everyone would still just buy a CD, it would be great for the music business. The reluctance against emerging technological trends has been the trademark of music industry for the last decade, and that limits the possibilities towards co-operation with digital service companies.

Other aspect that limits the necessary collaboration is the know-how and understanding the opposite industries. It is hard to have a successful partnership if both of the sides do not have fact about each other's interests. The two fields differ so much that it presents a true challenge in communication, which is a base for mutual understanding. The communication problems in negotiating and understanding each other's interests complicate and limit the possibilities to reach successful outcomes.

Other limitations are the lack of financial, staff and time resources. These all can be overcome if the interest and demand is strong enough. Aims to collaborate and establish new developments have to be included to the company's operational and marketing strategy and there should be resources budgeted. Too often the possible new exciting project or idea has to be forgotten because there is not enough resources in the budget for any new innovations. Finnish atmosphere does not always encourage for new developments; maybe it is partly because of the misleading information technology hype in the early 21st century that many interviewed digital companies referred to. Many new

digital developments and ideas are rejected at first hand and the most daring ideas are being mocked. This might limit companies' willingness to be exposed with new digital tools and services, and lessen the amount of collaborations with such companies. It is hoped that these conceptions that are based on past can be surpassed and there could be open mind towards developing the tools that fans and customers actually need.

9   RECOMMENDATIONS

Based on the interviews, there is a place for a connector in creating common ground for all parties. This kind of a person would understand both parties' interests and objectives and could lead the negotiations towards the desired mutually beneficial direction. Some companies have already noticed this need, and that strengthens the demand for specialised intermediates or connectors. There are positive examples when digital companies like Nokia are employing people with music industry background to assist them with the music business and to understand the fundamentals of fan behaviour. On the other side, there are music companies that are hiring information technology people to become self-sufficient in technological matters, for example Backstage Alliance. They face an interesting challenge that this new approach presents, as it has not been done before. It will be interesting to see what these kinds of companies will become after all these transformation processes – a technology-skilled music company? Maybe these are the future's music companies.

Surprisingly, not many of the interviewed music companies mentioned the end customer, the fan. It is the customers or the fan that needs to be committed in using the digital tools and services; otherwise there is no point of developing them since remarkable revenue can be created only from vast user base. In addition, there are no mentions among the interviewees of customer data research or market research. How can any new ideas be developed or executed if there is no information on what is needed? Have the companies forgotten the end consumers or the fans? This is why a proper market research is strongly recommended as it would reveal the current situation, and the end users would have a possibility to impact and give opinions on what features are actually desired.

The researchers hope that after reading this thesis' research results it would raise questions considering how the market strategy and analysis has been done in the readers company. The reader could ask her or himself if they have networks cross-fields and do they collaborate with external fields? Are there resources budgeted for new innovations? Is there market research of the core customers? Should there be revision or maybe even

discard some old methods? How digital marketing literate are we actually? It is the researchers wish that these questions and results above will encourage to make a difference and begin to co-operate with other fields – it will never know how remarkable results that might generate.

For a future research on the subject of collaboration between the two fields, the researchers would like to mention the need to find out more successful examples. Future questions need to be formed in such a way that would entice the companies to reveal more in depth information about their projects. A good network of business people is essential for finding the right prospects to interview. Naturally, it would be interesting to find out progress in the collaboration between music companies and digital service companies, and the exploitation of digital marketing tools currently in other parts of world in order to reflect the research results from Finnish industry context.

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APPENDIXES

APPENDIX A: INTERVIEW QUESTIONNAIRE

DIGITAALINEN MARKKINOINTI SUOMALAISISSA MUSIIKKIALAN YRITYKSISSÄ

Vastaajan nimi

Yrityksen nimi ja työtehtävä yrityksessä

Ikä [& sukupuoli]

I. Yleisesti digitaalisesta markkinoinnista

1) Kerro mitä yrityksenne tekee? Mikä on teidän päätoimiala? Mikä on teidän ydinliiketoimintaa?

2) Kerro lyhyesti yrityksenne digitaalisesta markkinointistrategiasta

3) Mitä digitaalisen markkinoinnin työkaluja teillä on käytössä? Rasti ruutuun:
- o Kotisivut
- o Kohdennetut kotisivut
- o Sähköposti / tiedote
- o Blogit
- o MySpace
- o Facebook
- o YouTube
- o Muu yhteisöllinen palvelu
- o Google Analytics
- o Google AdWords
- o Tekstiviestit
- o 3G / mobiilinetti
- o Elektroniset lomakkeet
- o Affiliate linkit
- o Bannerit

Miksi juuri nämä? Mitkä ovat teidän kokemukset niistä?

Positiiviset:

Negatiiviset:

4) Aiotteko tulevaisuudessa lisätä resurssien määrää digitaalisen markkinoinnin kehittämiseen?

5) Miten olette suhtautuneet web 2.0 ilmiöön? Mitä mieltä olette sosiaalisista verkoista kuten Facebook, MySpace, YouTube, Friendster, LinkedIn?

II. Digiyritysten ja musiikin alan yritysten yhteistyöstä:

6) Miten potentiaaliseksi näette yhteistyön suomalaisten musiikin alan yritysten ja digitaalisia palveluita tuottavien yritysten välillä?

7) Oletteko tehneet yhteistyötä? Kokemukset? Minkälaisia ongelmakohtia näette yhteistyössä?

8) Miten [molempia osapuolia tyydyttävään] yhteistyöhön mielestäsi päästäisiin? Kuinka paljon olette valmiita panostamaan resursseja yhteistyön kehittämiseksi?

9) Minkälaisena näet digitaalisen markkinoinnin tulevaisuuden?

Kiitokset haastattelusta!

APPENDIX B: QUANTITATIVE DATA (EXCEL)

3) What digital marketing tools are you currently using?								
		*) Musiikki & Media		**) Backstage Alliance				
Date	26.2.2009	20.3.2009	31.3.2009	7.4.2009	16.4.2009	11.5.2009	12.5.2009	18.5.2009	
Name	Futurice	M & M*	Meteli.net	BSA**	Nokia	Warner	Irc-Galleria	Universal	
Kysymykset / questions	43	30	35	33	35	40	27	62	38,125
Homepage	1	1	1	1	1	1	1	1	100,00%
Targeted webpage	0	1	1	1	1	1	0	1	75,00%
E-mail / newsletter	0	1	1	1	1	1	1	1	87,50%
Blogs	1	1	forums	0	1	0	1	0	57,14%
MySpace	0	0	1	1	1	1	0	1	62,50%
Facebook	0	1	1	1	1	1	1	1	87,50%
YouTube	0	0	0	1	1	1	1	1	62,50%
Twitter	0	1	0	1	1	1	0	0	50,00%
Other social networking site	1	1	0	1	1	1	1	1	87,50%
Google Analytics	0	1	1	0	1	0	1	0	50,00%
Google AdWords	0	0	1	0	1	0	1	0	37,50%
Text messages	0	0	users	1	1	1	0	1	57,14%
3G / mobile Internet	0	0	1	1	1	0	1	0	50,00%
Electronic	0	1	1	1	0	0	0	0	37,50%
Affiliate links	1	1	vice versa	0	1	0	0	0	42,86%
Banners	0	1	1	1	1	0	0	1	62,50%
Other social networking site	LinkedIn	Jaiku		Last.fm		Irc-Galleria	Irc-Galleria	Irc-Galleria	
		Picazaa							
		LinkedIn							

Figure 8. Digital marketing tools used by interviewed companies

APPENDIX C: INTERVIEW FUTURICE

Futurice Oy   26.2.2009
Tommi Hietavuo, Connector

1) What is your company's main field?

The first interview was of a Finnish digital projects company called Futurice. The company subcontracts digital services; they don't build own digital products. Futurice used to have a digital service called Kuvaboksi but they sold it to MTV3. The interviewee was Tommi Hietavuo, who describes his job as a "connector". His main work is to connect with different customer segments in order to make their digital services department better to connect with the prospective customers.

2) Shortly about company's marketing strategy?

Tommi Hietavuo from Futurice explained that their company does not yet have a defined marketing strategy as the information of the company has floated through their customers; the work they have done represents the company. The customers have recommended the company's services to each other's. That has led to the situation that they have not had a true marketing strategy or an employee in charge of marketing. But now as the company won the respected Deloitte Stellar Performance award, external people have shown interest towards their marketing strategy and that has recently led the company to develop a marketing strategy. The company's way to connect with possible new customers is via personal connections like e-mails, phone calls, or meetings. For that reason, *digital* marketing strategy has had a little value so far. Their best marketing strategy is the customer references. Therefore, the digital marketing can best be seen through the customers and their successful projects. For these reasons, traditional advertisement has not been very useful so far. They want to earn the success through well-done work. Their current marketing "strategy" consists of 1) professionals, 2) work-speaks-for-itself mentality, and 3) positive hearsay. The point in choosing the right marketing channel is to be credible. Part of their digital marketing is a column on Tietoviikko's and DigiToday's webpage updated by their managing director.

3) Digital marketing tools

See appendix B.

5) What is your opinion of web 2.0 phenomenon? What do think about social networking sites such as Facebook, MySpace, YouTube, Twitter or LinkedIn?

When discussing about the web 2.0 with Hietavuo, he mentioned that the networking sites and generally the power of the consumers on the Internet has democratised the business field; now each kinds of and sizes of businesses and groups can operate in a same level and approach the same customers. However, Hietavuo mentioned that the freedom of Internet may become questionable in the future. There are parties that are interested in

doing the same thing to Internet that it is done to TV in the US – enable a niche part of the Internet to the poorer part of the people, and only through monthly payment you will have all access to Internet. This was regarded as scary vision by all of us, and only the future will tell.

However, if considered that the Internet stays as it currently is, then the networking sites such as Facebook are most likely to stay. And that gives an option to the consumers to vote which tools are here to stay. The most important aspect in networking sites is that those are totally uncontrollable – the users generate most content. For example, the latest incidents when Facebook tried to limit users' ownership to their content, or when only major record companies signed to MySpace Music and the independent music companies were left out. That affects to the credibility of the service and that is the most crucial aspect to the consumers. It is a positive thing that the consumers are aware and all the good and bad information proceed in a speed of light on the Internet, and the reactions come as quick, too.

As all the content, generated by the users or not, is o*f*n the Internet, the biggest problem will be how to find the right content? All the bands in the world are virtually present in MySpace, and if a person wishes to find new music it is complicated. That has developed new ways to find and inform of new music, and Hietavuo mentioned that private mass communication methods is one of them. That informs to a friend of a hot new band, and directly links to the band's music. And there will be the option to also buy the music at the same time. Hietavuo tells that MySpace Music has developed a devilish system that might eventually even beat iTunes or Amazon.com's mp3 store. The system enables the users to create own playlists that can be sent to friends over MySpace; the playlist is also your personal radio. And that radio, which can have anything from the 6 million legal and DRM-free songs that currently are on in MySpace, enables directly also to buy the songs. This is extremely fast and efficient marketing channel for digital music. Soon, Facebook could well do the same, by mergers or acquisitions.

7) Have you collaborated? What are your experiences? What kinds of problems do you see in the collaboration?

Hietavuo explained his view on a situation when a digital service company like Futurice enters to a music companies' world. The impact is most often confusing; what is that company doing here? What do they have to do with us? What are they talking about? One example of this: once quite a few very enthusiastic IT engineers and consultants entered into a semi-big Finnish independent record company to show their new digital tools – and the record company had no idea what those tools did and what kind of benefit those would give to the company The problem often is the communication between the parties; the digital company representatives discuss rapidly in technological terms to finalise the deal, and the music company only wants to know first what kind of use the tool could be.

Another example is from the time when Hietavuo made collaboration with a Finnish band Kemopetrol, and that was in 2002. They had built mobile software called Mobile Kemopetrol service pack and it was launched in China. The mobile service included Kemopetrol game, a community-based fan tool, the bands own mobile blog, video blog, et

cetera. The project included altogether several associate software companies, and Hietavuo made the mistake of inviting them all to the same room with the band. The digital people did not know at all how to communicate with the band, and vice versa. The situation was nearly hostile, as the digital people had only income in mind, and the band wanted to develop the tools based on their emotions and expectations. So in practice, even today, Hietavuo is wary of inviting very technology- or sales-oriented IT people into a same room with a record company person. This is because the sales person typically wants to know immediately how much the record company has in budget for this and all the technical specifications. And on the opposite, the record company would like to know first of all what they *should* do and what are the options. The digital person may easily then think that now we are spending time to nonsense. So, in a nutshell, digital project companies consider record companies as a waste of time, or, as a too difficult customer. And when Hietavuo is present in the situation, it may feel that he becomes a problem for the sales department or technical personnel. His time for interpretation between the needs and expectations of both sides may exceed the patience limits of a sales person's.

Other risk is the nature of the project, that it becomes more like consulting. And the digital company wants to rate the time of consulting – and the record company might not wish to pay for consulting. Personally, he thinks consulting is part of the service because negotiating with record companies is totally different type of business than the project business they mainly are dealing with. This leads to the conclusion, that in Finland there are generally very limited numbers of digital services companies that can speak or afford to speak the same language with media or music companies.

Currently, there are more music companies that are technology literate more than before. One of these companies is Backstage Alliance, as mentioned earlier in the thesis. Backstage Alliance has slowly changed to become a digital service operator itself. And in the future, these types of intermediates might become more common. So, it means that in order to this type of collaboration to happen record companies have to change, become more technology literate and hire more technology staff, or the digital companies have to slow down and have time to listen what the music companies actually need. As neither of the parties is willing to change their behaviour in a short term, it will evidently create a need for a new layer – a new field that can mix these two worlds together. They will become the translators, the connectors.

In Finland, these types of new generations' service operator companies that have saw the problem and learned to connect wisely these two worlds are Backstage Alliance, Elements Music, Hitlantis, and Meteli.Net. The reason, in Hietavuo's opinion, why there are quite a few these types of music companies is because all the companies, no matter from what field, have begun to cut all the excess operations and to concentrate on the core business.

However, the well-known networking sites Facebook and MySpace are slowly becoming also service operators in music. MySpace Music is actually already, owners are all the majors and the umbrella organisation of independent music companies IMPALA. The benefits of MySpace Music are that a) it is credible b) politically acceptable – the record companies cannot hire technical staff but MySpace Music can. It is an excellent tool

in the digital environment, and in Hietavuo's words, soon it will challenge even the existence of iTunes. From another direction, community services like Hitlantis can also surprise with their fresh originality and concentration into music and fanship.

8) How could we reach a situation where both parties would be satisfied? Are you ready to invest resources for the development of collaboration?
Futurice explains that it has been seen that huge media conglomerates are willing to enter the world's music market. But recently the corporations have painfully realised that people do not want to buy their music from big branded names. Instead of that, people have might have no problem to buy [Facebook] Music *powered by* some conglomerate. The next step for the conglomerates is to unify with the seriously taken communities or music portals such as MySpace or in the future, with Facebook.

Finnish music companies are still very limited or almost nonexistent source of income for a digital services company such as Futurice, says Hietavuo. The problem seems to be that the music companies have limited budgets, different business practices and challenges in understanding each other. However, there are some music companies that have integrated digital services into their business. If and when these music companies such as Backstage Alliance, Hitlantis, or Meteli.net get more investors, those music companies could be a prosperous source of income for digital service companies, too. The point is that then the music company that has digital services would understand and be able to generate services to record companies directly. The "new kind of" music company would be the *service provider*, the intermediate layer between the digital service company and the traditional record company. And that service provider would then be a very likely customer for a company like Futurice.

When asked from Hietavuo about their marketing efforts towards Finnish music industry, he declared that the marketing basically ended after two visits in Musiikki & Media and one visit in Midem. The visits did not frankly bring any financial results or new projects. However, meeting the music industry professionals has generated thoughts, ideas, and possible co-operation with music companies. The co-operation has not brought any income so far but something is planned to be done – one option is to find common customers and build projects around that.

There are few reasons why the music companies did not become new customers for Futurice after the marketing efforts: 1) the difficulty of the [major] record companies to receive permission from the headquarters to engage with new digital projects, 2) music companies' budgets are very small or it is not allocated on technical projects; for example, there can be major budgets for certain artists or for print media, but it is nearly impossible to find a pigeonhole for a video blog, 3) Futurice is currently not very much into consulting business, especially without a consulting business model. Also, the music companies are not very eager pay for consulting. And this brings us back to the necessity of the intermediate, the service operator.

As a summary, it can be seen that the sectors are rigid and unable to change. Service world changes and merges in a light speed, but the operators do not change. And for that

reason the translators come to the picture to connect the different sides.

(Tommi Hietavuo's views and experiences in this interview were his own and do not necessarily reflect Futurice Ltd's views.)

APPENDIX D: INTERVIEW MUSIIKKI & MEDIA

Musiikki & Media / Saha Creative Events Oy   20.3.2009
Lauri Laurila, Managing Director

1) What is your company's main field?
The second company interviewed was Saha Creative Events Oy, which organises Musiikki & Media music trade fair and other events. Musiikki & Media is the biggest annual Finnish music trade fair. The event gathers over 750 local delegates including the entire variety of Finnish recording, publishing, live music and media industries and nearly 100 international delegates (Musiikki & Media, 2009). Laurila works as a chief producer and organises the event and keeps the whole circus running. He has previously worked at Music Export Finland and has an extensive knowledge on digital marketing of music. Laurila also consults different companies and instances.

2) Shortly about the company's marketing strategy?
Laurila explains that every event is unique and demands a new plan every year. They have marketing plan that says that they do not advertise in printed media. Their marketing strategy is combined of e-mail lists, Facebook, and blogs. Their digital marketing strategy has evolved during the past three years. Digital systems enable from gaining customer contacts to maintaining network presence in blogs, forums, Facebook etc.

3) Digital marketing tools
See appendix B. Musiikki & Media actively participates in the discussion of the event. They answer all questions in their blog and comment discussions in different forums. Laurila explains that digital marketing tools have made it possible for them to organise the event using the existing tools past two years. The tools are cost-effective and reach the customers they want to reach. Digital marketing tools also offer the possibility to follow the penetration level and follow-up of the marketing actions, for example how many people clicked a link. Laurila mentions that firstly announcing news is not easy and secondly finding the right balance in what to announce can be difficult. "You can't please everybody" he says. Laurila continues that he has a very pragmatic approach to digital marketing tools and says he really has not found anything that could not work. When choosing the tools to use he says that "we use the ones where people already are", and they are industry specific tools and general social community sites like Facebook.

4) Are you planning to increase resources in the future towards development of digital marketing?
Laurila does not know yet; current tools are good and working although he always keeps his eyes open towards new innovations. He would like to use new advanced versions of tools like Spotify.

5) What is your opinion of web 2.0 phenomenon? What do think about social networking sites such as Facebook, MySpace, YouTube, Twitter or LinkedIn?

Their company is based on web 2.0 tools. Their office is very mobile since everything is done through laptops and web applications. Social networks make the communication very much easier. For example, Helsinki Vintage Festival was completely advertised through Facebook Events and they reached their target audience better than expected. Laurila is currently testing a service called Odesk where you can hire a worker to do your work anywhere in the world.

6) About co-operation of music companies and digital service companies; how potential do you see the co-operation?

The traditional methods of print media, TV and radio have been used for a long time to promote artists. Then Interned emerged and now that same [record company] marketing person has to do the basic marketing and learn the new tools in Internet. Companies have rather late realised that they need to hire a separate person just to take care of the Internet marketing. Laurila thinks that there is a place for a business to offer digital marketing services to music companies. Laurila has been asked to give consulting about Internet marketing tools. There is also a division between bands; traditional bands want to get signed to major recording company, get airtime on radio and make expensive music videos. Other bands realise the potential they have through current tools and can promote their music very cost effectively.

Laurila tells about a colleague who invested $130 to Google and Facebook advertisements and got all the traffic he needed to his site. Laurila thinks that there really needs to be one person in the company who concentrates on Internet marketing. Laurila does not need services from digital companies. They use tools that reach their audience whom are people from 18-70 years old. Musiikki & Media uses Kotisivukone to provide their web page, which is fast and easy to use.

The collaboration between music companies and digital service companies has problems first of all because the music industry in Finland does not have a lot of money compared to the IT companies. Marketing companies are turning into new business models where they are incorporating Internet marketing into their services. Laurila sees that lack of communication is an issue especially between younger and older generation, "it is difficult to do digital marketing if you wish it to disappear". Laurila thinks that recording companies should ask themselves why we should do it again and again the same way. The old concept and budgets are ready in their minds and they easily take the easy road. There used to be a wall of ignorance but these days it is the wall of interest. YouTube brings a lot of possibilities even for traditionally marginal interest groups, which used to be hard to reach. Today there are always people who will find your music interesting.

8) How could we reach a situation where both parties would be satisfied? Are you ready to invest resources for the development of collaboration?

Digital companies need to be committed to the project for long enough. Recording companies need to have the resources to assign people who are fully committed to the project. Very easily there is a situation where one person runs all the digital marketing tools and if they leave the whole process begins again. The first artist that realises the potential will have a huge advantage. Digital marketing is also very transparent and you will have to come out as a person and create content and then you will see how it works. This can be frightening to some people.

9) How do you perceive the future of digital marketing?
Digital marketing is the future but we should not forget that it is not for everybody. There are still people who do not have broadband or new cell phones – instead, they use basic Nokia phones and read Helsingin Sanomat. Digital marketing is not a magic bullet that will solve all marketing problems. However, Laurila believes that in the future, digital marketing will grow and others will diminish.

APPENDIX E: INTERVIEW METELI.NET

Meteli.net   31.3.2009
Patrik Lindberg, Managing Director

1) What is your company's main field?
The third company we interviewed was Meteli.net, which is a subsidiary company to Nemesys Oy. Nemesys Oy is a digital service company that offers media and technology services such as database delivery and system services to other companies. On the media side Nemesys represents Meteli.net (a music event calendar), Festarit.fi, (festival calendar), Meteli.net downloads, Meteli.mobi, and Klassinen.fi. What these services have in common is the music and the music data, including events, gigs, band profiles, songs and album information. On the technology side Nemesys offers different Internet services such as Tiketti's ticket service, Pomus.net and many record companies' websites. The interviewee is Patrik Lindberg, founder and managing director of the company.

The company started as they realised that there is not a service that provides daily event information. Already in 1997 they were thinking of launching an mp3 music store online, and after researching the business plan further they understood that it is not worth it. Instead, the meaning of the music event data became slowly preceded, and in 2000 they began to collect music data and financial support actively.

2) Shortly about the company's marketing strategy?
Meteli.net's Lindberg explains about their digital marketing strategy, and on behalf of the system service side, the target customers are Finnish music companies. The industry is so small that no traditional marketing is necessary on the business-to-business side. On the other side, the services to the public (the event calendar and music download site) are marketed more actively but the major "marketing effort" is to keep the information accurate and updated. The primary aspect has been the search engines and the search words. The search engines have become even more important as the download store was launched.

The company attracts users to new features by promoting on their own Meteli.net site, secondly via e-mailing through their user database, thirdly by social networking sites, in addition by actively following blogs and forums, and exploiting other free digital channels. The key in the marketing strategy is the personal activity towards different blogs and networking sites. They have not used much advertising on other sites, except tried few times Google AdWords. The problem with that is the expensiveness of the system; it costs more than it generates. However, on their advertising side they have good basis as they have 2000 events per month, 12 000-13 000 artist profiles, 2.7 million songs online, and 60.000 visitors per week on their Meteli.net site. That gives an excellent opportunity to attract the customers to the download-site, too

3) Digital marketing tools

See appendix B.

4) Are you planning to increase resources in the future towards development of digital marketing?

Meteli.net's Lindberg explained that they don't have separate person who updates the information on the Internet sites nor are they actively searching for new Internet marketing destinations. However, the work is ever increasing and the current freelancers will probably have more work in the future. Meteli.net is also planning to spend more resources in raising the visibility in different collaborations. Visibility cannot be outsourced for example to the freelancers because it relates heavily to the core business activity. Their business model aims at contiguous relationship with the music industry where both parties enable reciprocal visibility to each other.

5) What is your opinion of web 2.0 phenomenon? What do think about social networking sites such as Facebook, MySpace, YouTube, Twitter or LinkedIn?

Patrik Lindberg from Meteli.net retells that the company targets to benefit from these social networking sites in their own activity. The sites are in that sense competitors; on the contrary the networking sites complete the marketing palette. They are not also planning to begin to compete with such networking sites because it requires impossible resources. Web 2.0 has not affected the company's business model otherwise, for example for allowing for more user generated content – one of the revenue streams is to license the data to external parties. If the format of Meteli.net would be licensed or translated into international territories, it was too heavy mechanism. That would also require local staff – and that's where the importance of web 2.0 would come into the picture more evidently. The purpose is to show to the Finnish crowd the necessity of this kind of a service – a service that combines event and artist information and music downloads.

6) About co-operation of music companies and digital service companies; how potential do you see the co-operation?

There is potential, a lot if in fact, says Patrik Lindberg. He explains that in Finland, there are many digital service companies that have excellent ideas to try and invent something new. But unfortunately the stop sign comes from the music industry side; preliminary music industry is very interested to hear what kind of new ideas and activities have been developed, but when it comes to the practical side of actually collaborating [licensing songs to the service] the music companies suddenly become less interested towards the collaboration or are not willing to implement the new ideas. In public the record companies give a totally opposite picture of themselves. They speak on behalf of mp3 format although Patrik Lindberg mentioned that even today three of four major record labels still consider mp3 as a bad influence and do not concentrate on listening to the customers. The major record companies are not interested in collaboration with digital service companies with a natural risk; instead, they seem to be mostly interested in getting advance payments from the digital service company to enable licensing of the music catalogue.

7) Have you collaborated? What are your experiences? What kinds of problems do you see in the collaboration?

What Patrik Lindberg finds to be the problem between music companies and digital service companies is the situation when music companies do not give an honest chance to a new digital service. The problem is that the major record company gives the invoice and demands the rookie service company to pay whopping amounts of money. In Lindberg's opinion they should have an open attitude towards new innovations.

Finland has an excellent position towards new experiments: Finnish is a relatively small language area and a small country geographically, which gives a perfect situation to try new things without anyone in the other parts of world understanding what is going on. And if a project gains "proof of concept" it can be easily exported abroad.

Most of the music is licensed under the major record companies so a partnership with that party is crucial to any music service. However, although a major record company executive would be interested in the service, it cannot license the content because of the headquarters' refusal. The other problematic party is the Finnish copyright society Teosto. Their opinion towards new music services is strict: nothing can be tested before setting the license fees – the service has to pay full license from the beginning. In contrast, Sweden is more flexible and ready to experiment new services or tools without such strict license sums. If the service succeeds, then the fees can be then discussed further. The companies that are generally willing to try and invest in new projects are smaller and flexible independent record companies and smaller artists. However, that impacts relatively on the experiment results. Independent record companies have no problems in discussing about new projects, possibilities or services. The whole attitude is totally different compared to the major record companies. One reason for this is definitely the independent record companies' position as challengers in the new industry environment. They have nothing to lose in that sense.

Basically, Finnish music companies including record companies and copyright societies are so hung into the old model that those need an advance payment even of a try or experiment. Patrik Lindberg is quite frustrated to try to connect with the record companies – there are just too many steps and obstacles before the service can work. The advance payments to the record companies have nothing to do with neither the artists nor the workloads. The work is on the service providers shoulders, and of course if they had couple of hundreds of thousands more money, all majors' content would be licensed.

Meteli.net Downloads believes in DRM-free music services and their objective is to sell the music free from all restricting codes or access controlling. The payer has to have the possibility to do anything with the music he or she has bought. On the Meteli.net's events calendar Patrik Lindberg tells that there has not been such a difference between the smaller and bigger record companies – all music companies understand that they should be seen in the Finland's one of the most popular events calendar. Some agencies have been reluctant to participate in the calendar because they generally do not want to pay for anything. Patrik Lindberg hopes that the agencies would understand the importance of the calendar because then things would get done more actively, efficiently and with better

visibility. Some agencies and venues have understood the meaning of this system but most of them not.

8) How could we reach a situation where both parties would be satisfied? Are you ready to invest resources for the development of collaboration?

The problem is bilateral: many Finnish music companies, record companies, or agencies do not necessarily understand what the service providers (technology companies) are aiming to sell. And vice versa, digital service companies do not often realise what is the music companies' function or core problem. Let's say that, too complicated solutions are being offered. We have to remember that everything Internet has brought is still relatively new. And many music companies have an old person as an executive, and that can have an influence on the progress of new services. For example, people that are older than Patrik himself (35) usually do not understand Internet very well, and those who are younger than him understand the Internet much more than he does. But there limitations within a company: for example, Universal Finland was appointed a new 34-year-old managing director but scarcely has had any affect on Universal's attitudes, but we still have to wait for the results. Perhaps the digital service companies have screwed up the situation themselves as the first Internet boom in the early 21st century made them promise too much. Maybe for that reason not many people believe in their talks anymore, Lindberg wonders.

What could then possibly ease the co-operation with the music companies? Meteli.net agrees that digital service companies should present things easier and more clearly. Every business is based on the fact that both parties should understand other one's services and interests. The lack of mutual language is the main problem. During the first Internet boom and doom in the 21st century the technology companies gave too much service compared to the prices, and nowadays the music companies are expecting everything for free, when digital companies are hoping for reasonable compensation for their work. The other problem occurs if the compensation is related to the success of the service – in those cases the project can remain as experimentation. Patrik Lindberg also suspects that in the worse case scenario, the success of iTunes has frightened the record companies and now they are tightening the terms and conditions for digital music licensing. Why are not technology companies and music companies discussing with each other? Maybe the technology or digital service companies should have recruited music people within their company in order to establish successful negotiations. Or other reason is the legal framework that is based on the past and it applies poorly to the current world. For example, previously you were able to license content territory by territory. But now the Internet enables and almost forces the same content to be published around the world exactly the same time.

There is lot to learn from other fields, for example from porn industry. That industry is very quick to apply new tools and ideas, and the music industry should adopt the same approach with new technology. Even Gerd Leonhard wrote about in 2005 in his book "The Future of Music" (2005). Adult industry has shown that the problem is not the size or format of the files.

Film industry is now facing similar problems that music industry has been fighting against for almost ten years. Seems like the film industry is making the same mistakes – suing, not listening the customers, trying to hold on their intellectual property, and not willing to sell products on the Internet. However, game industry has been clever and found the right ways to profit from the Internet. They have learned to listen to the customers and that might be the winning aspect. Patrik Lindberg wonders then, why is the music industry so afraid to lose the control over to the customers? Especially now, when the question is not about the availability – the customers can already find anything they wish to. What is the reason why the music industry is trying to hold their control? As Patrik Lindberg expresses: "control, control, this is our property". With that kind of an attitude they are only watching how the money flies by.

9) How do you perceive the future of digital marketing?
Patrik Lindberg thinks the future is going to be good. Everything is going to that direction. He believes that in the future people will still listen to CD's and read the news papers, it is only a question of becoming accustomed to understanding how easily everything can be accessed and received. People will learn to enjoy this possibility. All the old and new ways of experiencing culture, arts, sports etc. will exist abreast. What will change is the possibility to hear things you like (or not) quickly and targeted specifically for you. That will diminish useless advertising and increase targeted adverts. That requires the system to know the user better and better, which is also a threat. That leads us to the privacy questions, and how these will be solved, will be the next problem.

(Currently Meteli.net's music service has licensed content from EMI and Sony, along with the largest indie music distributors The Orchard, IODA, Edel/Kontor New Media, Bonnier Amigo etc.)

APPENDIX F: INTERVIEW NOKIA

Nokia Oyj   16.4.2009
Kimmo Lehtosalo, Digital Marketing Programmes, Senior Marketing Manager

1) What is your company's main field?
The digital marketing programme includes five different themes inside the Programme. The purpose is to build feasible digital marketing strategies globally, and then these strategies are adapted and executed within each separate country locally to respond the economical environment, competition and target audience of the country. The digital marketing programme sets the framework and objectives for the local units.

   Music is playing a key role this year; Nokia is integrating music as a major part of the marketing strategy, and in Finland it has been implied through television, radio and other credible music media. Currently it is within the three of the five largest entities, and constantly growing. One example of this direction is the Nokia's new touch screen phone that also includes a music service, "Comes With Music". The service includes solution that enables the user to download as much music as possible within one year from Nokia's service, and the user is able to keep the music after the expiry of the subscription.

   Nokia has publicly announced to concentrate on the solution business in the future. It can be seen in the industry that device business is maturating, and for that reason the logical next step is to start focusing more on bringing services to consumers. Nokia also believes that finally the users are ready to experiment and consume the phone for other purposes than only for calling or communication. This change from a solely manufacturer to a service company is official: chief executive officer Kallasvuo announced in 16th September 2009 that Nokia will now on concentrate on social network and mapping solutions. This will be implemented through Ovi-service (Taloussanomat, 2009). Other smaller technology companies and users have accompanied Nokia with innovating and building new solutions. The purpose is to bring useful new tools for the customers to be used with their Nokia mobile phones.

2) Shortly about the company's marketing strategy?
It has been spoken within marketing industry for long now how digital marketing is superseding the traditional marketing channels and the trend can also be seen in Nokia. Naturally marketing is brought to the places where the customers are, and currently that is over the Internet, without forgetting all the traditional channels and specific roles of each channel. Digital marketing is constantly emerging and Nokia is also consciously increasing it within their marketing strategy. Nokia appreciates the possibility for dialogue with the customer via digital marketing tools. This is important when shifting from the manufacturing business to the solution and service business. These days Internet and its possibilities ease marketing efforts as most of the customers are available there and they still stand as a 5th of the most valuable brand worldwide. For example, Nokia handset is in third world countries the mobile phone user's first touch to Internet. That offers a

unique situation to reach new audience for the marketing the solutions and services digitally.

Nokia has in 57 countries Internet homepage and a mobile site for each operating country. Believe it or not, there are more users on their mobile sites than in the traditional Internet sites. For that reason, Nokia is taking Internet and mobile marketing very seriously. Through MyNokia service Nokia can be in touch with millions of users.

Nokia's digital marketing tools involve their own media that Nokia can manage itself such as own websites, mobile sites, MyNokia, and other self-managed one-to-one channels. Secondly is purchased advertising, which includes search engine adverts, display banner adverts, rich media or affiliates. One of the most important marketing tools of today is utilising the social media; affecting the social media through discussion and display of new content for example on YouTube the Nokia Conversations channel.

3) Digital marketing tools – questionnaire
See appendix B. Nokia has targeted marketing possibilities inside the MyNokia programme: e-mail based on the type of phone the user has, online environment when users log in, and SMS messaging. On the blogs side, they have Innovations News Desk plus on their own websites. Also they do constant monitoring on other blogs and their content. In MySpace every country has build their own Nokia Music site which includes their local collaboration artists. Facebook contains several different fan groups, and users are quick to comment on any new updates. The use of Twitter is currently different from Facebook, and YouTube includes an active Nokia channel called Conversations. Nokia's other social media sites are the ones that they have created themselves, such as Royalartistclub.com. Part of their digital marketing strategy is to exploit the free and fast social media sites more efficiently than the bought visibility. Also the campaign sites, i.e. micro sites are in efficient use. Separate marketing is required towards the campaign sites and that involves financial resources. Directing all customers to nokia.com raises more pressure on the one-and-only destination.

4) Are you planning to increase resources in the future towards development of digital marketing?
Yes, Nokia believes in digitalisation and that the future is digital.

5) What is your opinion of web 2.0 phenomenon? What do think about social networking sites such as Facebook, MySpace, YouTube, Twitter or LinkedIn?
Lehtosalo wonders if we are already at the web 3.0 stage, and he believes that Nokia has been one of the many to be developing one of the largest social media tool; the mobile phone. Your mobile phone contains your closest contacts and now Nokia is developing different ways to connect with your friends. Lehtosalo believes that now combining the mobile phone and Internet access is the best practice for communication – from the base of the slogan Connecting People. Perhaps web 3.0 is something totally new, constructed from the base of these three elements. An example of forth-coming web 3.0 tools is Nokia's beta

tool that utilises your mobile phone's contacts and the GPS map in a way that you are able to see where your friends are and what they are doing.

6) About co-operation of music companies and digital service companies; how potential do you see the co-operation?

Lehtosalo has been in contact and done co-operation quite much with Finnish music companies such as media companies, record companies and production companies. They have been building together digital services or digital marketing projects and there have already been good examples of the co-operation. The point is to bring such solutions that enable the music fans to listen the music without restrictions but legally (Comes With Music). And this could not have happened without the authorisation and co-operation with the biggest music companies. Ilkka Kujansivu from Nokia has formulated the new agreements with the Finnish music companies, and as he has also been working in the music business earlier, he knows that often these agreements are almost like "insider trading". The music company has to belong into this inside circle and be well networked to be able to build agreements with Nokia.

Nokia can assist artist's marketing by the available tools on the Internet; Nokia Ovi service, promotional campaigns, free trial, visibility, sponsorship deals and such. Lehtosalo agrees that there should be more co-operations with smaller music companies. There are lots of untapped possibilities, for both directions, for example live industry.

7) Have you collaborated? What are your experiences? What kinds of problems do you see in the collaboration?

Nokia's examples of co-operating in digital marketing with music industry can be seen for example in Royal Artist Club "powered by Nokia" concept, where Nokia is providing the service platform for artists to interact with their fans. All posts, blogs, videos, comments etc. on that artist promotion site is generated with Nokia phones and that promotes what can be done with Nokia's solutions. The royalartistclub.com enables the artist to hand out its fan for the Nokia's system and Nokia enables the artist the tools, i.e. with mobile phones. In that sense it is close to other similar endorsement deals with the music industry. All other Nokia's sites recommends and generates users the site, but also the artists other fan sites. Usually a fan is interested in hearing and seeing more and more about the artist, so eventually the fan will visit the royalartistclub.com site, too.

Nokia has built an enormous channel with over 1,1 billion mobile phone users (Sajari, 2009) and the artist has created music that is under copyright control and which gains many following. When building a business relationship both sides surely have their expenses regarding the mutual projects – Lehtosalo questions the meaning of sponsorships and prefers "barter" business relationship.

8) How could we reach a situation where both parties would be satisfied? Are you ready to invest resources for the development of collaboration?

Nokia is sort of a catalyst to the change as they bring new phones and concepts to the users and industries, and that opens only incredible possibilities for anyone. The point is

not to damage others business but to enable more alternatives for example to the music industry. Nokia is willing to exploit the possibilities that over 200 million of Nokia phone users enable to the industry. And vice versa, Nokia wants to bring new tools for their customers.

Consumers have reshaped the basic elements of music acquiring; digital music is bought only minimal amounts and the CD's are bought from markets. Now Nokia is interested in answering to this change, and that is where Nokia is also willing to give opportunities to the music companies. Jaakko mentions that the "train of change" is moving and seems like Nokia is strongly in it. It is only the question does the music company wants to be also in it, or not. Lehtosalo agrees, and summarises that fighting against change is actually fighting against the consumers' needs and wants.

9) How do you perceive the future of digital marketing?
A video – showed of the ideology of Nokia's current digital marketing and mobile phone use.

(Kimmo Lehtosalo's views and experiences in this interview were his own and do not necessarily reflect Nokia Oyj's views.)

APPENDIX G: BACKSTAGE ALLIANCE

Backstage Alliance   7.4.2009
Paavo Bäckman, Head of B-to-B

(LJ = Laura and Jaakko)
(PB = Paavo Bäckman)

1) What is your company's main field?
PB: Music business and mobile fan community services, recording company, publishing, merchandise, live, management, and digital tool Mobile Backstage for fans. Mobile Backstage is the main effort and there are lot of expectations for the future. Geniem Oy is the partner technology company. Backstage Alliance has employed IT experts so now we have the know-how and expertise inside the house.

2) Shortly the about company's marketing strategy?
PB: The marketing strategy is not in big scale yet in Mobile Backstage. Digital marketing is rising and we have hired one person to do the marketing. We have another person who has education in marketing and assists with marketing actions. Mobile Backstage is very much based on viral marketing. The aim is to reach the fans instantly within 2-3 seconds when the band sends a message to their subscribed fans. Communication happens on a very personal level and communication has set of rules that we do not want to break. For example, first of all we do not want to send spam. When we send messages through Mobile Backstage system, we want the fans to feel that this was a personal message to them. When the social networks are being used we need to be very careful not to cross different groups and followings and thus creating the spam feeling.

LJ: What about content creation?
PB: In mobile communication the bands create their own content to the fans. The content is very personal and the band does most part of it. If the band the communication does not do it is as anti-viral as possible.

LJ: What about blogs?
PB: At the moment we don't use lots of blogs. We are planning on using blogs more in the coming fall. We use companies who measure the presence of our bands in the web. We don't want to market the blogs, bands do it, and fans market it.

LJ: What is the revenue model in Mobile Backstage?
PB: There are lots of different revenue models. Marketing is different in a sense that necessarily we don't want to sell anything. Let's think that some brand wants to reach a certain target group from a certain genre and age group. We can get the right people to

recognize the brand for example giving free clothes for the right people to wear. We will not put a blinking advertise "click here" to buy something. We are very concerned to keep mobile backstage a fan friendly community and keeping in mind how the bands want the service to look like, because they are very picky about not being too commercial.

3) Digital marketing tools
See appendix B.
LJ: What are your positive and negative experiences?
PB: We use the services where the people are and where we can do the things that we want to. In some places there are things that are unwanted and in other portals there are overlapping features. We use a program that updates the profiles in the different communities at once. We need to increasingly filter the places where we concentrate our efforts and try to gather fans from all the communities to one community.

4) Are you planning to increase resources in the future towards development of digital marketing?
PB: We put time to digital marketing also in our recording company. But our biggest resources in time, money and effort goes to creating new digital marketing tools such as Mobile Backstage and we want to reach a whole new level. We want to create global tools.
LJ: Will you become an IT-house?
PB: No we will not become an IT-house. We will not go technology first. Our strength is in trying to understand the fans and create tools that serve fans, bands and recording companies.

5) What is your opinion of web 2.0 phenomenon? What do think about social networking sites such as Facebook, MySpace, YouTube, Twitter or LinkedIn?
PB: In the old system you buy something and you get something back like a CD. Now the model is that the more you give for free, the more you get money from places like YouTube. And companies are trying to figure out what to do, should they get in the new game or fight for the old. They don't want to loose the record sales because it's their business, but we should go with the new wave. And the ones which are trying to balance between both, are in it not on their free will but because they have to. We really didn't want to get in the business on our free will. But the change has happened and is the reality. What has happened just in recent months is that music companies are slowly trying to figure out how to get into the new wave. When in the past they were trying to stop it and fight against. Unfortunately they are so late and many opportunities are lost because of huge delay. The change of attitude should have happened like 10 years ago. In figuratively speaking the train is going and they try to put little sticks on the railroad to stop the train... it's not going to stop. Spotify will change and has changed a lot of things. But there will be new services coming more and more. The speed of new services coming to market is so fast, that we had to redo Mobile Backstage three times because we noticed each time we thought we were ready that we are outdated with our service. Our fourth version is the one we are coming to markets.

6) About co-operation of music companies and digital service companies; how potential do you see the co-operation?

PB: It is good to remember that music companies get big revenues from communities such as MySpace and YouTube. But the logic is that for consumer the music is for free and that is the big change.

LJ: What do you think about companies that will concentrate on the collaboration between digital companies and recording companies?

PB: I'm sure that there will be companies that will do this.

7) Have you collaborated? What are your experiences? What kinds of problems do you see in the collaboration?

PB: We had a huge problem in the beginning with communication. We hired a guy who was starting up Geniem and has international experience and that helped a lot. In the end we still needed to hire our own IT-guys. Now we really understand what we are paying for when we buy IT services. We know the price and time needed for the project a lot better. Now we have bargaining power and knowledge. There is a one big difference between music companies and IT-companies and that is money. It-companies have far bigger budgets than what music business is used to.

8) How could we reach a situation where both parties would be satisfied? Are you ready to invest resources for the development of collaboration?

PB: The problem is really that we don't understand each other's language and the gap between is really big. It is really like talking in foreign language. The people doing the change in the business are not from major music companies. Music business is first trying to shoot down new services like Spotify and when they realise they can't they beg to get in the ride. Digital companies are doing the innovations and pushing the future forward.

LJ: What is your attitude towards music as an asset?

PB: My opinion is that music is promotional material in the future. Consumers will not pay for music in the near future. The business will be something else than music itself.

LJ: Do you consult firms on this subject?

PB: Yes, I have done it a lot but now days we have to refuse about 90% of them and the first reason is that there is no use to do them for free. Our strength is that we understand the logic and practices in the music business. Music companies have no clue of digital companies and vice versa.

LJ: What advice would you give to music companies?

PB: I always say that don't take any models from the past. Try to question every so-called fact and wipe them out. Then try thinking again from clean table. What would we do with our assets if we could start from the beginning? Don't try to do a make over for the old idea, rather throw the old logic out of the window. If you build on old logic it will fail. If

you want to sell CDs that could be a good business, but if you try to build on the old models, it's not going to work. Inside the firm there can be logic that says; this is music business. There should be critical feedback about the models that will make you think about new ways of making business. That is the reason why we use consults which will sweep the mat from our feet's and question our business models. That is also the reason why we hire different kind of people and young people who has a fresh way of thinking.

LJ: Which kind of professionals would you like to meet in the future?
PB: One big thing we lack in this country is good salesman. The fact is that in every business we need to be selling something. In music business we need also people who are not just musical nerds. For example it has been very negative to be commercial in the music business and it has labelled music as "commercial shit". Business way of thinking is very important in music business because the resources are very thin. We need to do new innovative things and be brave but keeping the business side in mind because money makes things possible. There are some illogical communities where the revenue model is a bit unclear and seems that they just want to gather a big user database. In the beginning there was confusion about what is our core business. And we had to move people from different sectors to another, so that they could focus on their core tasks. We put people on profit responsibility and they get a whole new energy to reach their goals.

9) How do you perceive the future of digital marketing?
PB: Fans are the future that will bring the revenue. In digital marketing it is extremely important to focus the marketing to specific groups. If you just put banners to websites it's not going to bring results, simply because people don't click them. Traditional media plays a very small role in our marketing. Traditional marketing needs to be taken care of, but if you rely only on it, you are in a very hopeless situation.

LJ: What about guerrilla marketing?
PB: We think and like the idea of guerrilla marketing and we have done some and will do some more in the future. But our main focus is on viral marketing and on the fan logic. Big companies order marketing campaigns from us. We will have three marketing people in the company from the beginning of next month and that will relief our efforts.

APPENDIX H: INTERVIEW WARNER MUSIC FINLAND

Warner Music Finland Oy   11.5.2009
Niko Nordström, Managing Director

1) What is your company's main field?
Warner is a major recording company, although producing records may not be their primary source of income. They help the stars in their career and make them brighter. Warner also does marketing, producing, public relations and third party deals. Developing the artist's career is the core business especially for the domestic artists. They are moving towards being more like a marketing company. Earlier the income mostly came from selling records, but now other revenue stream such as the agency side support the financial situation. They have 12 million turnover and out of that 3-4 million comes from agency business. Production income is smaller but it comes directly to the company. 7-8 percentages come from artist booking and production of our income. About 7% is the industry average for the income from selling records. Selling of CD's is still their main income source.

2) Shortly about the company's marketing strategy?
Warner Music has tried to think that they do not separate digital marketing from traditional marketing. They decide the forums where to inform about the artist. Another strategy is to target in those destinations where the digital income is. The point is to try to be there where the people are in digital sphere. An important question is that in which point the digital marketing turns into profit because Warner cannot give everything for free. They aim to be where the people are and the artist needs to have visibility there.

What do you think about the world turning into more digital? Is it just a passing trend? Nordström answers that yes, it is inevitable that the CD will become obsolete and we need to be ready to give it up. But the consumers have not turned into buying the digital music. However, the main focus is still the artist and creating hit songs. There are many other outlets for income like TV, digital music selling, radio, merchandise, gigs, and sponsorship.

Nordström declares that they use only the existing Internet channels. They are not a technology company and will not try being pioneers in this matter. The mission is to help the artist, and the communication towards the fans comes from the artist.

3) Digital marketing tools – questionnaire
See appendix B. The most common tools are homepage and e-mail, and artist uses blogs and social networks towards the fans. Warner has one person who helps the artist to create profiles in Facebook and other social network sites, as before the recording company took care of mass media. The media is so scattered that the artist needs to be involved in the digital marketing in order it to be credible. When an artist is being signed there has to be something unique, such as looks, sex appeal, magazine cover material, great voice, charisma, great songwriter, and these days even the right attitude towards

communication towards the fans. The artist needs to do the communication or someone very close to them.

Warner has a good example of digital marketing when they made the webpage for Bomfunk MC's (a successful Finnish hiphop artist in 2000). The website was very fancy but the artist was not active on the webpage and nobody visited the site. On the contrast, Darude had a bad looking webpage but he was very active there so lots of fans visited the page. So the artists' activity is the most important thing in digital marketing. This is something that the recording company cannot do on behalf of the artist. Norström believes there is a lot to develop. There should be fan clubs that are not for free and it offers exclusive content from the artist. They have made some pilots and tests with this sort of ideas.

They use electronic forms to get feedback for songs on the Internet. In MySpace or IRC-Galleria we had a link from where the users could give feedback. It works as a binding element with the fans and feedback to us. It is important that the artist communicates directly with the fans. Artists themselves decide how much they want to give information about themselves. But mainly this means that the communication happens in public media.

4) Are you planning to increase resources in the future towards development of digital marketing?
Warner Music hired 6 months ago a new person to do the marketing. His jobs are to advice and help the promotional people. All promotional people need to be aware of digital tools in addition to traditional forums. However, Norström does not want to separate digital and non-digital marketing actions. It all should be treated equally and in promotion all this needs to be taken into consideration.

5) What is your opinion of web 2.0 phenomenon? What do think about social networking sites such as Facebook, MySpace, YouTube, Twitter or LinkedIn?
Warner Music is involved with web 2.0 phenomenon and encourages the artist to be involved. They aim to spread the message in all possible instances. The social networking sites are great marketing tools that reach people that mass media cannot. Earlier, Warner needed to do only TV and couple of magazines for promoting a new album. The new media is a challenge to major recording companies because their business is based on bringing well-known artist to people trough the mass media. This can be seen in the working day of our promotional people. Nordström tells that one of the best sides of web 2.0 phenomenon is that the views and rates can be calculated. For example, Tthey did a test with a person who put corrupted files to peer-2-peer service and he could show us which artist is being most downloaded and thus which will become the most popular. The hit songs that are the most sold are usually also the most illegally downloaded.

6) About co-operation of music companies and digital service companies; how potential do you see the co-operation?
Warner has outsourced all the IT needs of the company. In Finland there is lots of

technical know-how. Nordström sees there is potential for new tools and thus for co-operation but the usual problem is where to find the business model in this equation. Domestic bands' marketing budget is usually very small. In contrast to that, what would a new service provide for the fans, what is it visibility, how much does it cost? If it costs 10 000€ it is usually just too much compared to the benefits. Maybe there is no money to be made. The same applies with music video production: there are few video producers who can music videos without making real money because there is no money to be made in this country. Warner Music gets them under-priced because they do not have the resources for expensive videos. Also advertising company budgets are too expensive.

Nordström mentions that tt is more effective to use basic promotion such as songs at radio and advertise in magazines compared to fancy music videos. They have a very limited budget. Nordstöm remembers when he signed a rap duo called Mobiles when he was working in BMG, and they created Mobiles Disco web-service that later became Habbo Hotel. That is somehow ironic that a digital tool that once was discarded is not one of the most successful social networks on the Internet. Nordström is very open towards new innovations but the reality sets boundaries.

Nordström agrees that there should be more licensing music to new music services. They license music if there are new music destinations. International artists are more complicated because of the bureaucracy. Licensing music is what we need more, good places to buy music from. DRM is not such an important issue as it used to be. What about a campaign which is done with the fans on a low budget and using the new medias, e.g. record a video with mobile phones from a gig, upload it to YouTube, MySpace and launch a Facebook campaign, artist writes a blog where he/she announces a artwork competition for his/hers new t-shirt? Nordström thinks that it sounds good but the budgets are still too high. People who come here to present their digital marketing ideas think that we have lots of money because our artists get such a good visibility. But we don't use money to advertise artists, rather only promote them. They have used some commercial digital marketing but not lately. Communication between digital companies is fine but the price to negotiate with them is too high. Five years ago there was a mass of people coming with ideas. One example was a company that said that they will show your videos all over the Internet and it sounded good. But then they asked money for the service and Nordström though instead they should be paying us for using our artistic material.

7) Have you collaborated? What are your experiences? What kinds of problems do you see in the collaboration?

8) How could we reach a situation where both parties would be satisfied? Are you ready to invest resources for the development of collaboration?
"Today if they want to sell us services they need to identify our problem. Which is how do we get income from new media? We don't need more exposure to our artists. We have access to our fans and media. If someone comes that I have this client for example Coca Cola who pays that there's a music video from our artist. We will reach our exposure needs with current promotional channels and then we need to find out. Campaign sites,

we made a site for Sturm und Drang with Leaf, which made a site but what's the point? They need to come where the artist already is. Someone who can benefit the traffic created by our artist that's what we are interested in. We can create the traffic we have fans to that the companies can attach their products to. What we need is a solution to our problem and identifies it. Often companies think that this is what we need or it is technically savvy enough but it doesn't have any relevance to us. Technology is not the problem, rather than who has the contacts in order to make the right deals with other companies who can use our music to promote their products. If there's a mobile tool in order to communicate with fans and it's for free that's not good. There needs to be a service that costs to the money. We need to find the business model where the customers are ready to pay. That seems to be the biggest challenge; a service which the fans are ready to pay for.

9) How do you perceive the future of digital marketing?
I want to see the whole marketing of music, which will mainly happen in digital format. In Finland the market will not diverse that much, it is very homogeneous market which follows big phenomena. The biggest promotion tool so far has been radio and it still is big. Radio going over to the net brings new possibilities. Communication and content sharing media is in the digital world. If music is free or behind a monthly fee and digital then something concrete will become more interesting? Yes exactly we published the Rautavaara book which sold for over 100€ in the shop and it sold very well. The main point is that someone wants to follow a band, and then the way to consume the different items is personal. We need to be innovative in creating the products and bring new products to market. The core is that someone wants to follow a band and that we can't change.

APPENDIX I: IRC-GALLERIA

IRC-Galleria / Sulake Corporation   12.5.2009
Matti Kari, Communications Director

(LJ = Laura and Jaakko)
(MK = Matti Kari)

1) What is your company's main field?
MK: We build platforms where people can communicate with friends, meet new people and self-express themselves through videos, pictures and text. Business comes from advertising and from micro payments which means that users buy vip time to IRC-Galleria which costs 10€ per year or 3€ per 2 months. Pricing model comes from phone operators pricing model, not from us.

LJ: Do you collaborate with recording companies?
MK: Yes we have a profile creation service. Advertising in the community is very important to us. Our system enables targeted and profiled marketing in Irc-gallery and we started it in 2003 way before Facebook.

LJ: Do you have to pay for a profile creation?
MK: No creating a profile is free but advertising costs. When creating campaigns we do the job.

2) Shortly about the company's marketing strategy?
MK: We have never advertised in IRC-Galleria. We have experimented with few campaigns like with our election service called "vaalikone" which was a service for the young people in order to encourage them to vote. But in practice we have never needed to advertise because the content of our service is the other people. People come because their friends are there. We have succeeded in Finland because we were the first and we have handled things quite good. One thing that we could have done better is that we could have informed traditional media about our service. Now the media has created quite one-sided picture of us. Facebook has received lots of positive media because reporters have found the service, same that they could have done with IRC-Galleria. We do some B-to-B marketing with our advertising partners. Our core target group are people between 15-24 years old and 99% of them know us. So what we do is mostly brand managing and supporting the right image while suppressing the wrong ones.

LJ: Examples of B-to-B marketing?
MK: Nothing really special, some TV-advertising and e-mail marketing. Advertisers who

advertise in web know our service pretty good. Traditional advertising is mostly for those who don't yet know how to use digital and social marketing.

LJ: What is your marketing strategy in entering to foreign markets?
MK: Sulake has done it before with Habbo Hotel by using media partners, where they have used different tools. These experiences will be used when advertising IRC-galleria. That was one of the reasons we sold IRC-Galleria to Sulake because we wanted a partner who has international experience. Launching new social media in year 2009 is a lot different from what it was few years ago. Every country has already a dominating social network that the people use.

3) Digital marketing tools
See appendix B.
MK: Few years ago we did also some banner exchanges. Our main marketing tool is our own service. And we have a mobile version of IRC-Galleria. In YouTube we bought one advert last year. We don't use Twitter and I really don't see the reason behind the hype although micro blogging is very popular.

LJ: Do you have any negative experiences from digital marketing tools?
MK: All the tools have positive and negative sides. Nowadays it is weird to speak between Internet marketing and traditional marketing. Web pages are outdated. You can still see advertising companies who create a web page for the product. People who are in the communities do not go to those web pages. And when you advertise in social networks you need to promote it because of the overwhelming amount of content already there. If you promote in our community and the link is to a page inside IRC-Galleria you get roughly double the clicks to your advert. This compared to not linking to a page inside our service. E-mail advertising doesn't work basically at all because 99% of the e-mail we get is spam. That is one more reason to use targeted marketing.

4) Are you planning to increase resources in the future towards development of digital marketing?
MK: I'm not in responsible of marketing and don't make the calls. But for sure we will use digital medias that are dependable with partners. E.g. if we have a good deal with a TV-channel, of course we will use it.

LJ: How about developing the tools for the advertisers?
MK: Yes, we will develop the service where the advertiser can create their own campaigns. We have tools where you can restrict the advertising to a very local level e.g. a local pizzeria. Also clubs have contacted us because they wanted to advertise gigs in IRC-Galleria. We are developing at the moment tools which will come to the use of advertisers and bands who can then better reach their target audience.

5) What is your opinion of web 2.0 phenomenon? What do think about social networking sites such as Facebook, MySpace, YouTube, Twitter or LinkedIn?

MK: Yes, we like web 2.0 tools. Web 2.0 is a technological term that means usage of certain java-scripts for updating web pages. Social medias have been around already in the 80's, where you could call with your modem to a box and communicate with others. There was real time communication, forums and file sharing. Mikrobitti magazines mbnet was the biggest social network in the middle of 90's. I heard the term social media 5 years ago and when IRC-Galleria started it was not called as social media. Facebook has brought us also positive image because people have realised that social mediums are here to stay and it's not just for teenagers. 2/3 of our users are adults and the middle age is 20, 5 years. Of course we have a big teenage population. MySpace has been always mostly for music promotional purposes. This is the reason they have not reached top unique visitor numbers. They have 290 000 unique visits per month while we have 1.4 million. ComScore an US based company which measures the traffic on web pages shows that Facebook has almost as many users as IRC-Galleria, the amount of time used in IRC-Galleria is 18 hours per month while in Facebook it was 8 hours.

Many social medias advertise a lot with the amount of registered users they have when in reality what matters to advertisers is the amount of unique visitors per week or month. Year's back they used to talk about the amount of unique paged loaded in which IRC-Galleria has been number one in Nordic countries the last 6 years. One example, which comes to mind, is a big sports company that launched a fancy campaign in the web but got no visitors. They then launched the same campaign in IRC-Galleria and they got several tens of thousands of visitors in the first few days. These visitors were active and played their games on the site. It shows that you need to bring it to the society and within the rules of society.

We also have lots of youth programs in IRC-Galleria and the fact is that, if the social worker is in the community with their own name and picture it really works well. Another good example is Maija Vilkkumaa who is very active in her profile and she has an active following. She posted about recording the new album and what she was up to. Thinking about music business as a special case it is a fact that people who use social medias are the worst buyers of records and in that sense traditional recording industry will for sure not benefit from social medias like others can. On the other, hand if the revenue model is different and thinking about the bands, social medias are definitely very useful. Those companies in music industry who still think they can regulate the spreading of music in Internet and how people acquire music.

Spotify is an excellent service and I have paid for it and use it but what I've noticed is that the bands who are not in Spotify are not getting played. I haven't bought a record for a while and I hope that paying to use Spotify guarantees that the artists get paid also. I also have my own recording company that has released one album but I don't want the music to be sold as mp3. Spotify is excellent because the music is with you anywhere you go and you have your playlists and all you need through internet connection. I'm also waiting the mobile version of Spotify to come so that I can use it through my cell phone.

6) About co-operation of music companies and digital service companies; how potential do you see the co-operation

MK: Internet as a marketing platform is excellent. If anything I wish that we could have done business co-operation more smoothly and a lot earlier. On our side maybe the problem was that we didn't have clear marketing models as we have now. Traditional music companies try to find exposure through music medias like radio and magazines. Now excluding MySpace and Mixerinetti, social medias don't revolve around music but around the users. If the band doesn't have big following like 10 000+ in IRC-Galleria, there really is no use for us to collaborate with music companies. In plain words, we have such a big exposure and user base that recording companies need to pay us in order to get exposure to their artist. This seems to be the Achilles heel. Some companies have bought exposure for some period and I'm sure it's better than the exposure in Rumba (a Finnish music magazine).

Traditional recording companies don't really benefit from social medias because of their outdated revenue model of selling records. A band called Mokoma had a very successful project in IRC-Galleria: they first promoted in the community, and then they filmed their gig and let users interact with the band by chatting live while the gig was on. The band also followed the chat from backstage. Live performance comes from interaction and the fans could "sing" along with the band by entering the words of the song into the chat. It is interesting to see that were we are going with this.

Spotify realises the situation that if a song is downloaded 1 000 000 times it doesn't mean that it would have been bought 1 000 000 times. Maybe it would have been bought 10 000 times. If a major artist like Brittney Spears gets listened 1 000 000 times in Spotify they get more exposure and sell more merchandise on top of the money they get from Spotify. This is the gap between generations and fighting against piracy will eventually turn against the companies. It is not wise to fight against piracy because people are used to downloading music. Instead they need to find new ways of making money.

LJ: What would you say to the recording companies who don't want more exposure and digital media companies offer exposure?
MK: They want to find new revenue models or a business model, which would sell more records for them. The revenue model is outdated and maybe it will last for 10 years. Paying per CD or per song is a dying model. Major recording company will not survive and they need to find revenue through a system like Spotify or from live entertainment and merchandise. I also believe that big artist brands and recording company brands are not necessary the future but instead music will be the most important.

LJ: Would it be possible that recording companies try to take over social communities?
MK: We have strict rules that prohibit flooding and wrong marketing; it's not beneficial to promote bad stuff because it will get feedback right away. Recording companies need to come to the level of the users in social media. New kinds of stars are born in social media and they are bloggers who have huge following. Somebody said about me that you are the

modern recording company guru because you go around lecturing about social media, but I disagree. Social media is not a block; it's a new way and a more democratic one.

LJ: You said that there was a situation about who pays to whom between recording companies?
MK: We want money so that they get advertising space in our community. They wanted us to pay so that we can use music in our community. That's the problem lying behind it.

7) Have you collaborated? What are your experiences? What kinds of problems do you see in the collaboration?
MK: Recording companies should change – if they want to use social networks in big campaigns they should think if it's TV where they advertise or is it some social network. Our competition in Finland is probably Sub TV that has the same demographics but it is TV again. The recording companies need to look what medias the target group uses. Internet is not just on big thing that the recording companies should understand. Who are you marketing to? Young people use more and more Internet and also they use radio. If records are not selling why even try, especially for the youth? We have tried to come up with co-operation with recording companies and if we had understood the situation better, we should have talked with some major entertainment company instead of major record company. We are a mass media and we sell advertising place and employ 50 people.

9) How do you perceive the future of digital marketing?
MK: Movies, music etc. the medium for distribution is Internet. Web 3.0; check out www.bobba.com where the users create the world where they live. I believe that web will be more democratic without a big controlling centre.

LJ: How will the customer's world change?
MK: I believe that services like Froogo where people can recommend products to each other will be popular, or a service that tells where the cheapest shopping bag can be bought. I'm sure there are lots of commercial visions, but in the end the users will create the trends. I'm also interested in environmental friendly products which last because the manufacturers think that the product needs to break down in some point in order for the customer's to buy new products. In the future I believe that the product will become more important compared to marketing. Information is open for everyone and it spreads very fast. I believe that web 3.0 will create better music and more people can get their income from music but fewer will be really rich out of it. In the EU they tried to restrict the Internet but fortunately it got voted down. If it had happened, our generation would have raised to the barricades.

APPENDIX J: UNIVERSAL MUSIC FINLAND

Universal Music Finland Oy   18.5.2009
Gugi (Vasilij) Kokljuschkin, CEO

1) What is your company's main field?

It is the production and sale of audio visual and sound recordings. They seek artists and bands – from any kind of genre – to nurture and develop from the beginning to the end. Meaning in practice, they are intervening with the nature of tracks, lyrics, appearance, or perfecting the talented and nearly ready artists, or only publishing finished artists. Universal's newest branch is merchandising, alongside with publishing subsidiaries. Outstanding from the others is the sale of audio visual and sound recordings, from which over half is from international artists.

2) Shortly about the company's marketing strategy?

Less than 10 % of the sound recording sales were from digital sales, however the objective in 2009 is to double that rate. Their strategy to implement this objective is to follow the direction that comes from abroad, concerning the new digital developments and retail opportunities. Kokljuschkin says, they are as surprised and unaware of the future as everybody else is, and their purpose is to keep up with the pace in the digital side of the industry. Larger countries are more interested in experimenting all kinds of possibilities, as said, but no one actually knows what the customers want. Spotify is currently extremely popular but is the streaming-based, advertisement filled music service the future? The story still hasn't ended. Spotify's absolute advantages are the facility and easiness and the large repertoire. Universal Music is awaiting Spotify's entrance in Finland, as he believes it will generate good return. However, he didn't know at all how the income would be calculated and forwarded to the rights holders. Kokljuschkin has been wondering if it is better as the digitalisation has brought more customers to music although the sums are smaller, compared to the 1,7 million sold records annually in whole Finland. The streams are narrower but the pool is larger. However, Kokljuschkin believes that informing, educating, spouting, and enforcing the law will change the situation. If the price can be lowered, will the customers return? The problem is also the law as it often drags behind.

   Universal Music is constantly seeking for new ideas – the latest example was giving people free download codes in toilet paper. These are testing fields for learning customer behaviour and interest.

3) Digital marketing tools – questionnaire

See appendix B. Banners are probably the most used digital marketing tool currently. Universal is improving the targeted marketing systems but Finland is not first preference. Currently Germany is utilising the system. But for example, EMI has made a deal with

Spotify that enables EMI to receive more specific information on their listeners. Earlier music industry has not practically needed customer surveys; it has based on gut feelings and instinct. In addition, as there is no background data the analysing is challenged. Jaakko mentions that the most useful aspect of the [Google] analytics programmes is the possibility to find the customers. Universal has a long time ago tried marketing analysis with text messages to the fans of Kwan and Killers.

4) Are you planning to increase resources in the future towards development of digital marketing?

Kokljuschkin believes that in the future there will be more investments towards different kinds of digital marketing innovations. However, they are not interested in taking a leading role; instead watching and implementing the good ideas that do not require too much in-house resources. They are open-minded towards small digital companies' innovation, but Universal is more selective with new and small music stores – the licensing for them is not simple. Of course, Kokljuschkin mentions that they would like to have more and bigger digital music stores but currently he thinks the stores are unsatisfactory. He denies that setting up a price too high naturally selects the smaller operators out of the game – the price is the same for everyone, although quantity discounts can be given. But the problem in his opinion is the poor quality of the music stores.

5) What is your opinion of web 2.0 phenomenon? What do think about social networking sites such as Facebook, MySpace, YouTube, Twitter or LinkedIn?

Universal Music has not specifically exploited the possibilities generated by the web 2.0 phenomenon's, only with some special artists. For example, U2 or Lauri Tähkä marketing strategy involves more mass media than social network sites. He has noticed that some independent record companies use *only* social networks as their marketing platform. The connection from Universal is not direct with the fans; they rather use an intermediate operator. Before investing into a TV marketing campaign ensured the return (ROI) but nowadays as the TV is splintery and targeting is the hot word, there is no insurance for returns. In the future the marketing will be ever splintered, and effectiveness towards every invested euro becomes more critical. This naturally draws the company to use more free marketing tools that the Internet enables.

6) About co-operation of music companies and digital service companies; how potential do you see the co-operation?

They have not collaborated in a way that it would have some financial aspects, or include larger financial possibilities. Smaller co-operations probably have been as their music has been involved with some digital applications, but nothing outstanding or significant co-operation. For example, conversations with Meteli.net have not proceeded, perhaps because the director of digital operations has considered the model not interesting enough. Kokljuschkin summarises that they have to make the decisions based on the question does the model bring sufficient return. So the problem is money. They do not collaborate if they

do not believe in it (considering signing artists or collaborating with digital companies). There are few reasons why they are not collaborating with digital service companies: a) lack of resources (staff, financial), b) international models that they are automatically involved (everything is ready with them), and c) they don't have the need.

Jaakko asked would the company need a company that develops digital marketing campaigns. Kokljuschkin declares that advertising agencies that are well-literate in the digital marketing and can handle cases like that. But he does not believe in advertisement agency is the right destination for a music company in Finland, and for that reason most of the digital marketing campaigns are executed as in-house operations. If the in-house staff is not enough then naturally they would need more resources, but that applies usually when the technological knowledge is not enough. However, they never have had co-operation with such external parties or digital service companies.

7) Have you collaborated? What are your experiences? What kinds of problems do you see in the collaboration?
No, Universal Music has never needed to collaborate with a digital service company to execute an idea or experiment. Laura declares the idea of the collaboration; as the music company possess the artist and the digital company possess the knowledge to execute new ideas for the customers, has there been any collaboration between these two fields to produce new and interesting tools for music users to enjoy via Internet or mobile phone. Universal's Kokljuschkin explains that they would be very interested in trying this sort of collaboration. Nokia's new attempt to sell music from Internet and mobile phones does not seem to disturb Kokljuschkin – on the contrary, he thinks it is a natural and good approach. However, it is surprising why it has not been a success yet, and he believes that it is still too complicated.

In a hypothetic situation, if Universal would be doing co-operation with a digital service company, would they expect to be paid for the music the development would use or should Universal pay for the digital tool? Kokljuschkin answers that of course they would like to sell the music and make business but if the marketing tool is amazingly good, and then why not pay for the digital company. There are special people in Universal that separate the relatively potential models before introducing them to him, but surprisingly few models has come across to him. The problem has been distinguishing the business model, the source of income within the models. However, the mass media is either not self-evidence, nothing in this field is.

8) How could we reach a situation where both parties would be satisfied? Are you ready to invest resources for the development of collaboration?
Everything is so small-scaled in Finland, and as digital sales is less than 10%, it does not encourage investing in risky collaborations. The resources are small, and the digital models have not been interesting enough. It is not always the money, is more the level of interesting new business models and ideas. They receive weekly information of digital operations in Universal internationally, and within that context Finland is backwater, it

has no meaning to the bigger picture. And the problem is not the amount of collaborations with the digital companies.

Is Finland less eager to take risks? Or just slower to adapt new tools? Kokljuschkin answers that when the transformation from LP's to cassettes, and again to CD's was the ongoing trend, Finland could have been considered as a developing country. It took very long the exploitation to grow, although the penetration level for VHS (home video system) was the highest in the world. But again, now during the era of digitalisation Finland has not succeeded compared to the neighbouring European countries. Maybe Sweden has older musical culture or Finnish population is more rural. Universal Music's guru has predicted that the growth in digital sales in Finland can increase rapidly in the future.

9) How do you perceive the future of digital marketing?
Kokljuschkin believes it will grow in the future. He does not believe that TV, newspaper or other traditional media will extinct, especially print media will survive well. Kokljuschkin thinks that digital media will eat a portion from electronic communication. Of course, most of the new developments will follow the technological developments, but the traditional use of newspapers and radio will exist. TV will have more challenges to compete against the Internet. The most important combination is the picture and sound. That is the best tool for the music industry in the future, and that should be harnessed even better.
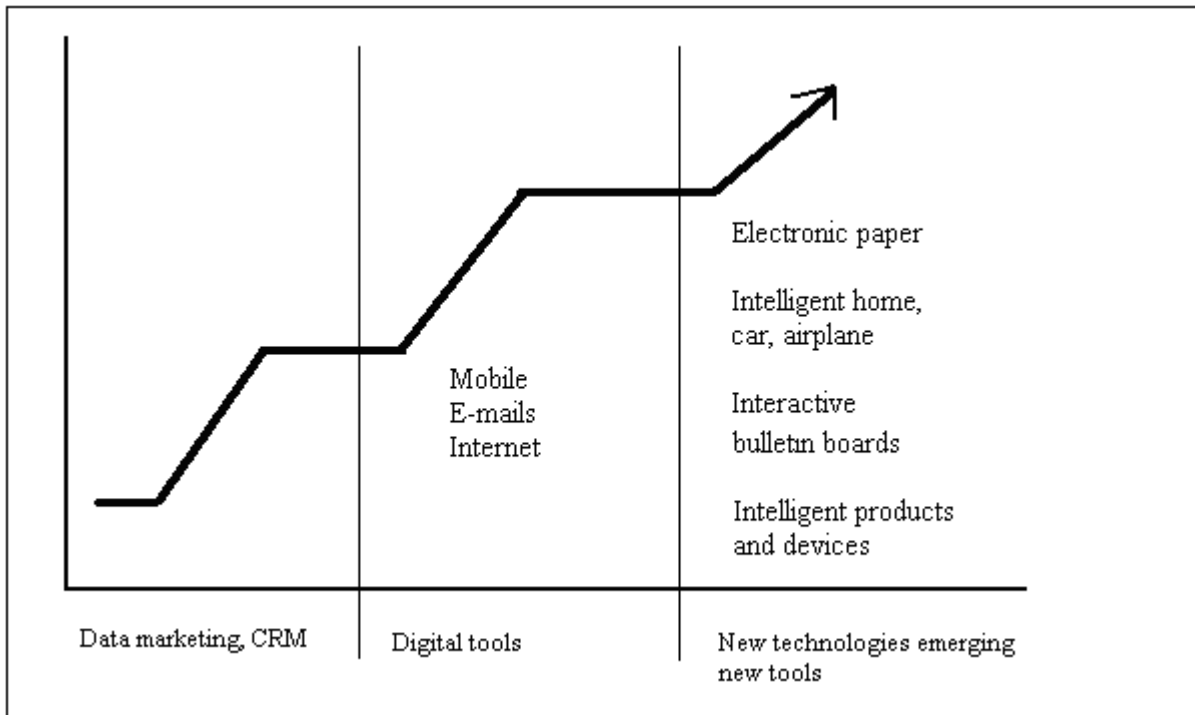
LIST OF FIGURES

FIGURE 1. Digitalisoitumisen kehitys

Mobile
E-mails
Internet

Electronic paper

Intelligent home,
car, airplane

Interactive
bulletin boards

Intelligent products
and devices

Data marketing, CRM   Digital tools   New technologies emerging
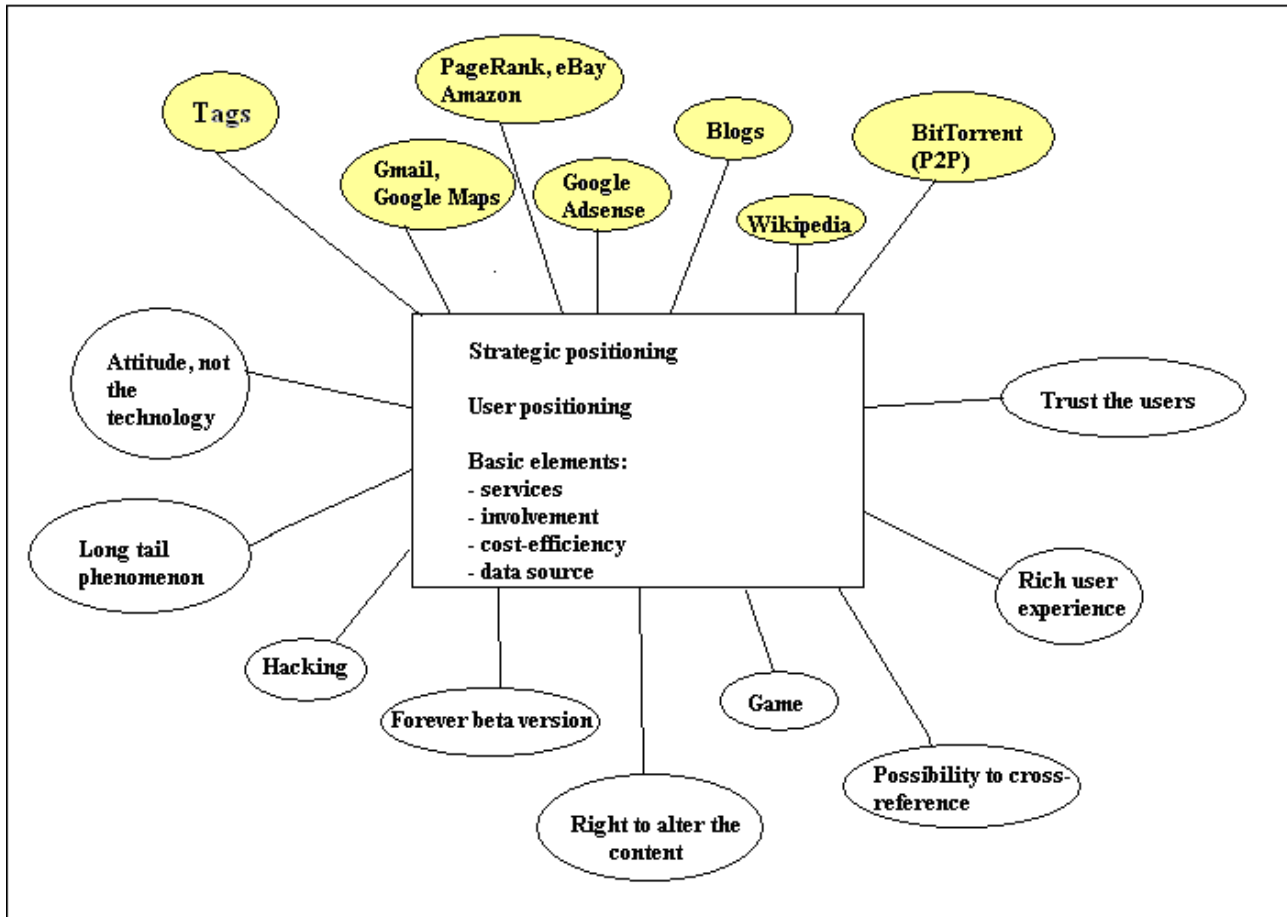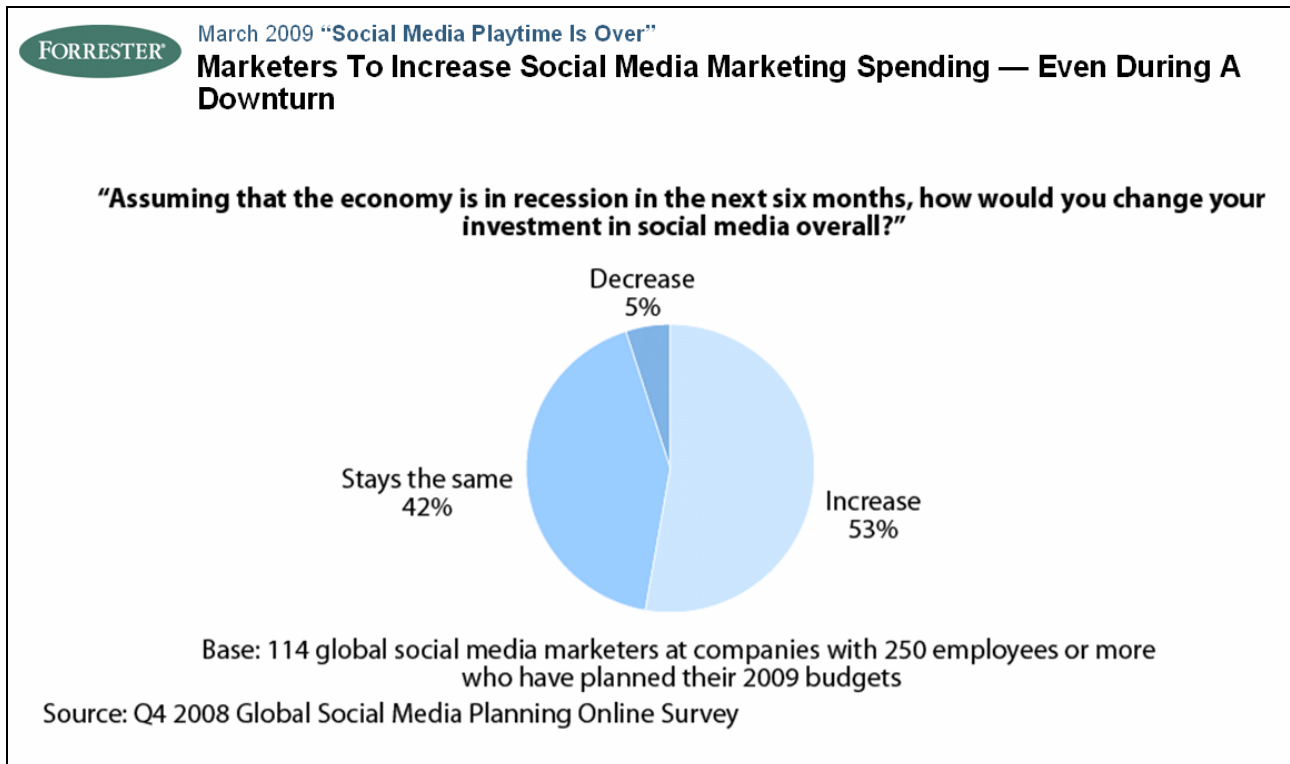   new tools

FIGURE 2. Web 2.0

FIGURE 3. Marketers to increase social media marketing spending

March 2009 "Social Media Playtime Is Over"
Marketers To Increase Social Media Marketing Spending — Even During A Downturn

"Assuming that the economy is in recession in the next six months, how would you change your investment in social media overall?"

Decrease 5%

Stays the same 42%

Increase 53%

Base: 114 global social media marketers at companies with 250 employees or more who have planned their 2009 budgets

Source: Q4 2008 Global Social Media Planning Online Survey

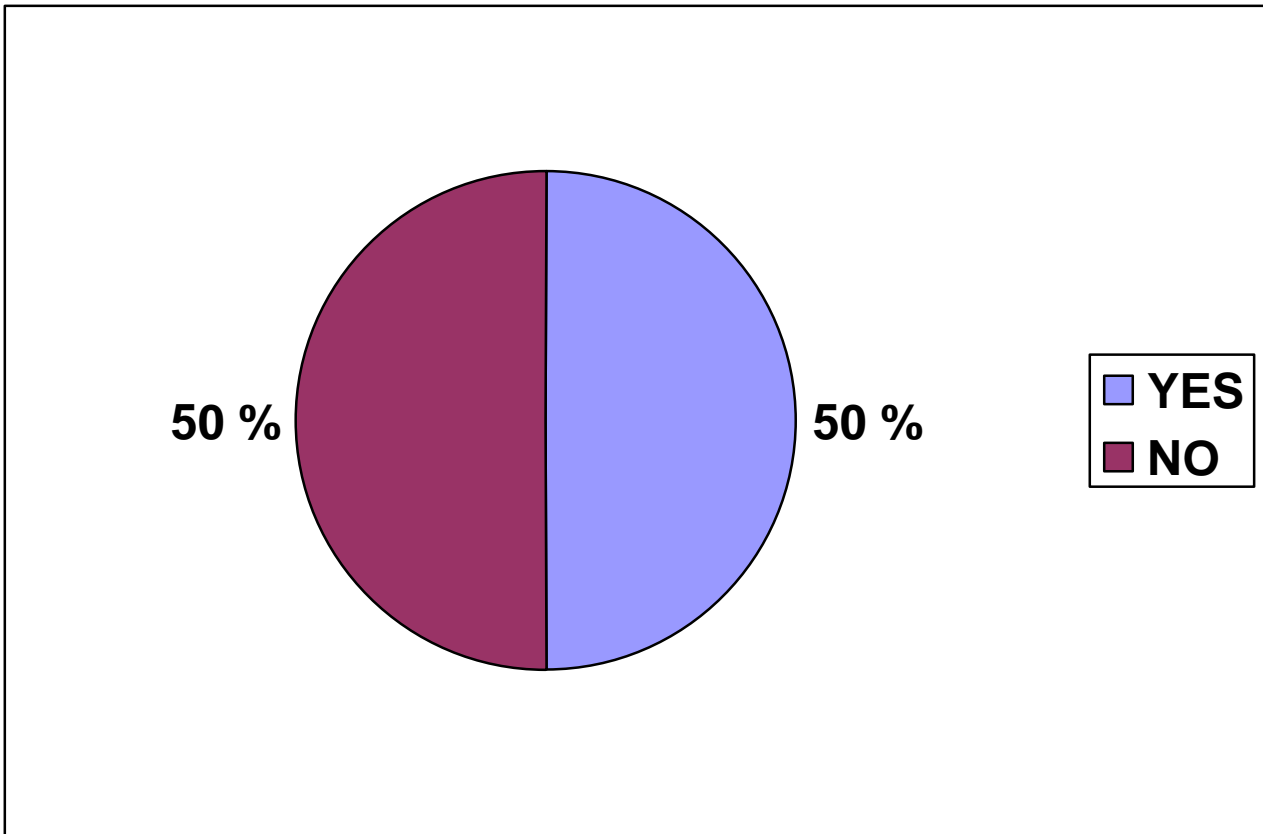# FIGURE 4. Percentages of digital marketing tools used by the companies

FIGURE 4. Percentages of digital marketing tools used by the companies
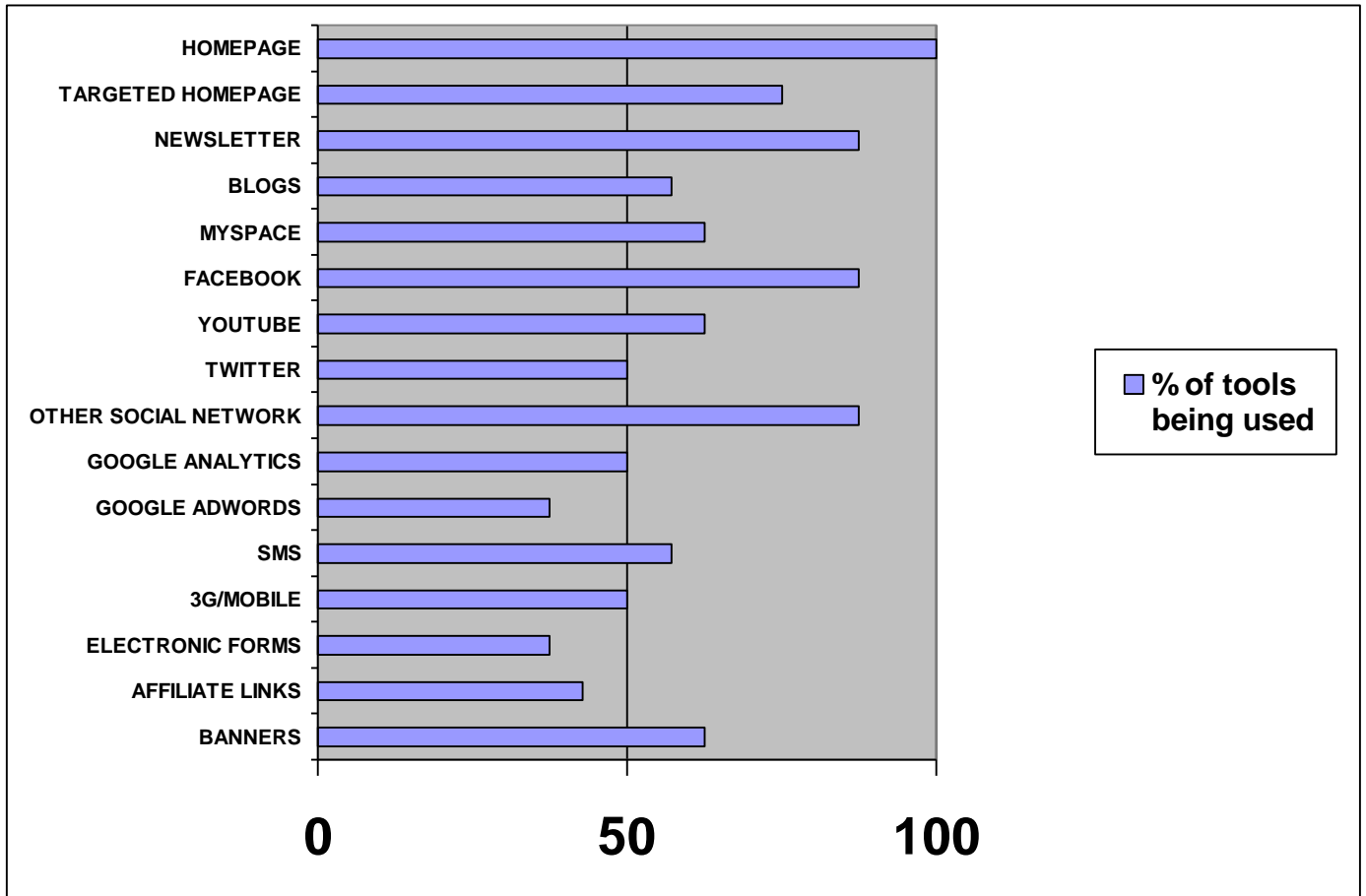
FIGURE 5. Does your company have a digital marketing strategy?
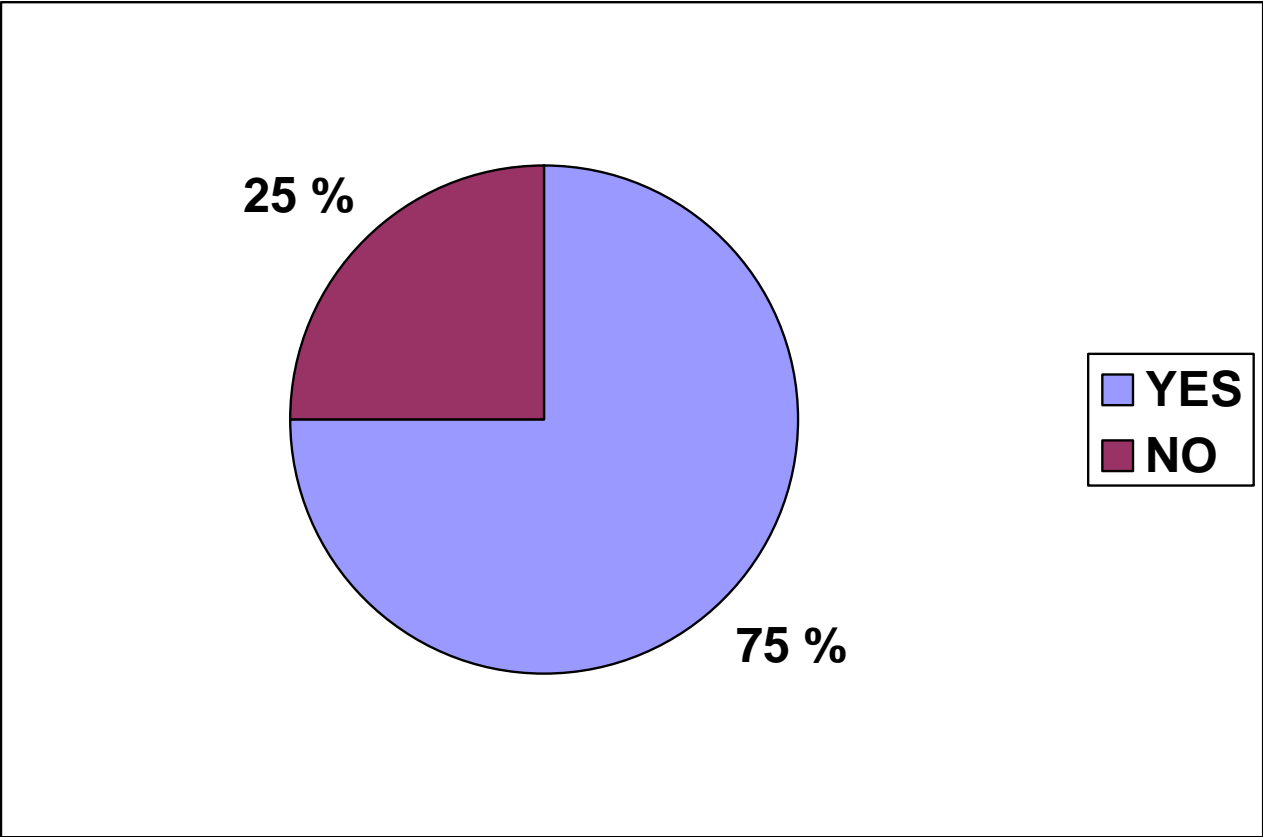
FIGURE 6. Are you planning to increase your digital marketing budget?

FIGURE 7. Problems in collaboration between Finnish music companies and digital service companies
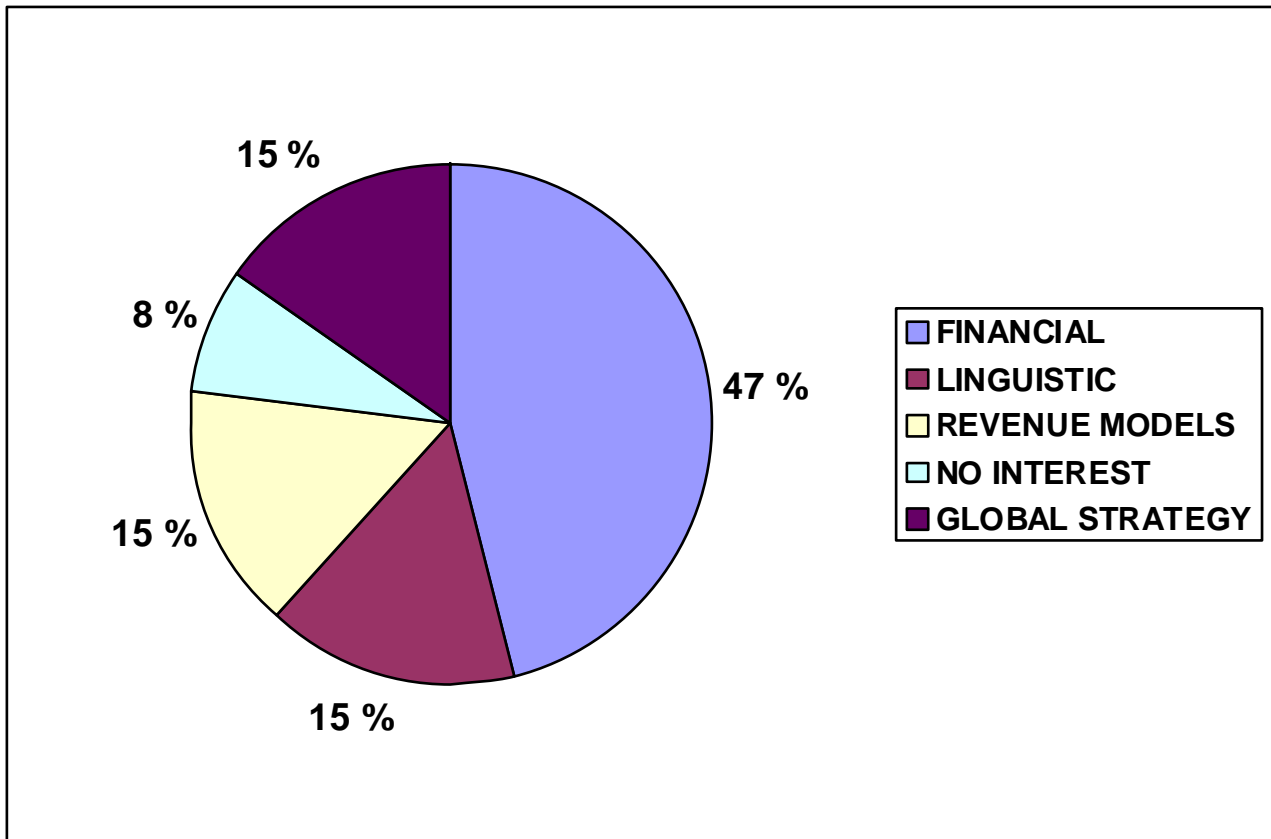
FIGURE 8. Digital marketing tools used in interviewed companies

3) What digital marketing tools are you currently using?									
		*) Musiikki & Media		**) Backstage Alliance					
Date	26.2.2009	20.3.2009	31.3.2009	7.4.2009	16.4.2009	11.5.2009	12.5.2009	18.5.2009	
Name	Futurice	M & M*	Meteli.net	BSA**	Nokia	Warner	Irc-Galleria	Universal	
Kysymykset / questions	43	30	35	33	35	40	27	62	38,125
Homepage	1	1	1	1	1	1	1	1	100,00%
Targeted webpage	0	1	1	1	1	1	0	1	75,00%
E-mail / newsletter	0	1	1	1	1	1	1	1	87,50%
Blogs	1	1	forums	0	1	0	1	0	57,14%
MySpace	0	0	1	1	1	1	0	1	62,50%
Facebook	0	1	1	1	1	1	1	1	87,50%
YouTube	0	0	0	1	1	1	1	1	62,50%
Twitter	0	1	0	1	1	1	0	0	50,00%
Other social networking site	1	1	0	1	1	1	1	1	87,50%
Google Analytics	0	1	1	0	1	0	1	0	50,00%
Google AdWords	0	0	1	0	1	0	1	0	37,50%
Text messages	0	0	users	1	1	1	0	1	57,14%
3G / mobile Internet	0	0	1	1	1	0	1	0	50,00%
Electronic	0	1	1	1	0	0	0	0	37,50%
Affiliate links	1	1	vice versa	0	1	0	0	0	42,86%
Banners	0	1	1	1	1	0	0	1	62,50%
Other social networking site	LinkedIn	Jaiku		Last.fm		Irc-Galleria	Irc-Galleria	Irc-Galleria	
		Picazaa							
		LinkedIn							