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Utilizing social media in marketing digital music

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1 INTRODUCTION

Music industry is experiencing a change like it has never seen before. The sales of CDs have been declining for a decade; the trend started with the emergence of peer-to-peer networks such as Napster. Music is becoming digital and music industry hopes it will cover the decline of CD sales. After fighting many years against illegal downloading and piracy, music industry seems to have given up the fight and is trying out new business models and sources of revenue in the digital music market. The sales of digital music are becoming more and more important and it is estimated that the sales of digital music exceeds the sales of CDs in the next few years.

Social media has recently gained very much interest in media and in the minds of the public. Today it is almost impossible to find anyone who doesn't know what Facebook is. Social media is changing the way brands and customers interact together: how customers listen, share and consume music and how they interact with it and with each other. Due to advancements in social media applications and technologies fans have become increasingly important part in sharing the gospel of music. Fans have always been the driving force behind music, but thanks to social media they are now more powerful, united and influential. The huge amount of users, for example Facebook has now over 400 million users (Facebook 2010), provides a great potential for the music industry to use social media to earn profits as the consumer behavior changes. Music industry has been slow in utilizing social media and it seems that quite a few companies have not even realized the potential of social media as a marketing communication channel. Despite of this, there is a great number of companies who are interested in social media to gather feedback, disseminate information and market their products and services. Potential of social media for product innovation has not gone unnoticed also. In the near future companies are going to include it as an integral part of their marketing strategies – separate social media strategies are possible too (Mustonen 2009, 3). The fast development of social media applications requires concentration, careful choices and understanding the social media environment (Mustonen 2009, 3). According to advertisement barometer of Association of Finnish Advertisers, 74 percent of Finnish

advertisers are going to increase their use of social media in their businesses next year. (Association of Finnish Advertisers)

This thesis tries to clarify how companies can use and are using social media in their business strategies and as a part of their marketing activities. The empirical part examines how a traditional major league player in the music industry, Sony Music Entertainment Finland, uses social media applications in its business and marketing communications.

1.1 Research Problems and Objectives

The aim of this study is to illustrate in the context of Sony BMG Finland, how social media is being utilized in the music industry to market (digital) music. This study focuses on identifying, how a company can use social media in its business and what kind of problems it may encounter in using social media. The thesis also aims at discovering the special characteristics of music industry that may affect the use of social media.

The thesis approaches social media from the perspective of marketing activities in the music industry. The focus is especially on record labels.

The main research question is:

- *How is social media utilized in marketing activities of digital music in the music industry?*

In order to build deeper understanding on the research topic and study objectives, the following sub questions are also addressed:

- *What is social media?*
- *What kind of social media applications do there exist?*
- *How does social media affect marketing communication in music industry?*

1.2 Research Frame and Limitations

The subject of this thesis focuses on digital music, due its relevancy and importance today and in the future. Although digital music is the research context, it is somewhat difficult to differentiate the marketing activities aimed to sell either digital music or music generally (digital + CDs) The sales of digital music will more than likely outreach the declining sales of physical CDs in the next few years (IFPI 2010), which makes the digital form of music very current and interesting topic – and worth focusing on.

The empirical part focuses on one case company, Sony Music Entertainment Finland. Therefore the conclusions of this study should not be applied generally to Finnish or global music industry.

1.3 Theoretical Framework

Figure 1. presents the theoretical framework of the thesis. Context of the study is digital music. The main concept in the framework is social media and its applications. Digital music is marketed through these social media applications to music fans as a part of company's marketing communication. The two headed arrow represents the conversation, or dialogue aspect of social media.

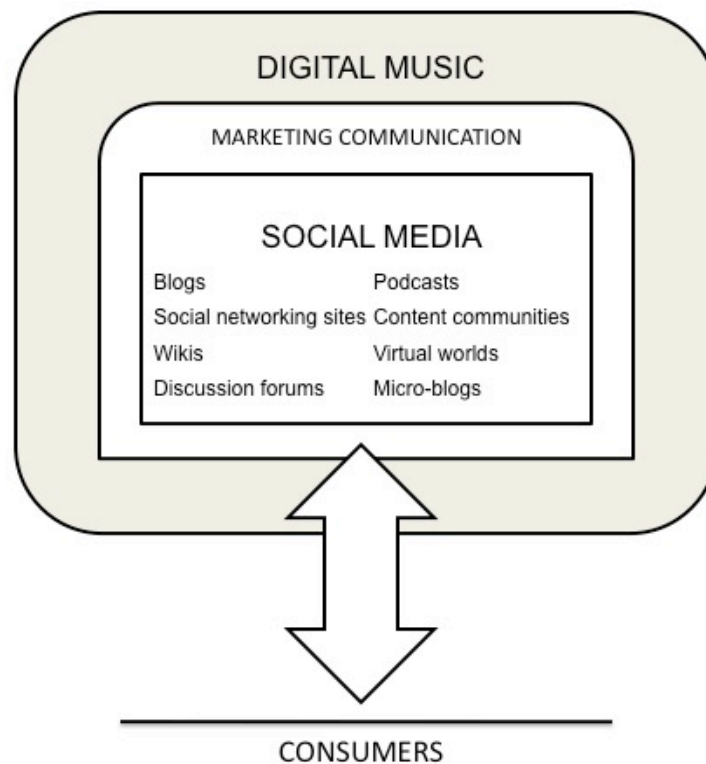


Figure 1. Theoretical framework.

1.4 Literature Review

The concept of social media being quite new there are not too many academic publications written about the phenomenon yet. Unfortunately a great share of the information lies in blogs, discussions and in other non-academic publications written by people enthusiastic by the topic. Closely connected with social media is the concept of Web 2.0 (Wikipedia a. 2010) which has been however a topic for many books and other publications throughout recent years.

Despite the novelty of the social media concept it has gained a vast amount of attention and interest. The social media phenomenon is described by Kaplan & Haenlein (2010), as well as, social media's opportunities and challenges in its implementation. Piia

Mustonen (2009) presents the concept of social media and its many forms. She also deals with the challenges and possibilities related to social media's use and development in the future.

Social media's use in marketing communication and how Internet is changing business and marketing has been covered by Scott (2009). He presents how to approach customers, communicate with them, with which tools and how marketing in the information age differs from the old Web 1.0 age. Li and Bernoff (2008) have also discussed social media and how to turn the collective power of customers to your advantage with using social technologies. They showcase several examples how to gain information, increase sales, save money and active customers by using social media. Salmenkivi & Nyman (2007) shed light on how people communicate through social media and how these new ways of communication should be taken into account in marketing activities. Topics, such as changes in marketing activities, the phenomena caused by the Internet and how to exploit the opportunities these phenomena create are also covered. Salmenkivi & Nyman represent a new model for marketing, which brings Philip Kotler's 4Ps of marketing into online age. This CREF model consists of *collaboration*, *revenue model*, *experience* and *findability*. Lehtimäki et. al. (2009) have examined social media in the business-to-business marketing context.

Music industry and social media's effects on it has been rather unpopular subject in academic publications. This is a curious case, since music business is on the front line when social media is being discussed. However the effects of Internet and going digital on music supply chain from major record label's perspective are presented by Graham et. al. (2004).

1.5 Research Methodology

The research is conducted using qualitative research methods. Qualitative research focuses normally on a small number of research objects and analyzes these as deeply as possible. This approach emphasizes that quality of the data determines the scientific

value of the research. In qualitative research the researcher creates a thorough theoretical basis, which guides the acquisition of the research data (Eskola & Suoranta 1998, 18). Theoretical part of the thesis consists of literature, such as books and academic journals. In addition to literature Internet documents and websites are utilized.

The empirical part of the thesis consists of a descriptive case study. Typical to qualitative research, the case company was selected discretionarily. The case data was collected by conducting a theme interview, where questions are not necessarily precisely formed in advance and do not have a certain order. Interview is very popular data acquisition method in qualitative research. Interviewing is interaction between the interviewer and interviewee, in which both influence each other. (Eskola & Suoranta 1998, 85-86). Secondary information sources, company websites and social media applications, were also used to complete the research case.

1.6 Key Concepts

Digital Music

Music in a digital form (mp3, AAC, Flac etc.) distributed by using online technology (Ahn & Yoon 2009, 306). Digital music can be listened on your computer, iPod or streamed online.

Marketing communications

“The means by which firms attempt to inform, persuade and remind consumers – directly or indirectly – about the products and brands that they sell. In a sense, marketing communications represent the “voice” of the brand and are a means by which it can establish a dialogue and build relationships with consumers.” (Kotler 2006, 536)

Social Media

Social media can be seen as “a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user generated content.” (Kaplan & Haenlein 2010, 61) Social media refers to communication and sense of community linked to information sharing (Lehtimäki et. al. 2009, 12) and it consists of a great variety of word-of-mouth forums (Mangould & Faulds 2009, 358).).

In order to understand completely social media it is essential to define Web 2.0, the technological and ideological platform enabling social media. Web 2.0 can be seen as web tools and technologies that courage visitors to participate and communicate. This process blurs the boundaries between the creator of the website and the audience. Traditionally, or Web 1.0, is vied as a forum for “web authorities” (Oberhelman 2007, 5) to create messages to passive non-participating audience, whose role is just to receive the communicate message. Web 2.0 therefore enables the functional environment for production and distribution of social media on the Internet.

Viral marketing is one of the key aspects when trying to understand the nature of social media and the communication in it. Philip Kotler defines viral marketing (2006, G8) as “using the Internet to create word of mouth effects to support marketing efforts and goals”. Viral marketing means that users pass on companies’ products, services or information to each other (Kotler 2006, 550)

2 SOCIAL MEDIA

Internet is changing marketing and it will maintain the communal behavior of people. Marketing should adapt to these changing models of behavior. Most of the time spent on the Internet people are not actively searching for marketers' services or information about them, therefore marketers have to be available for the customers to be found at the right time, rather than just having a permanent "place" where customers can find them (Salmenkivi & Nyman 2008, 18-19). Social media plays important role in this change and can be a great success for music industry in trying to survive on the online era.

2.1 Social Media

In the literature it is possible to find countless different definitions for social media. Common to all is the emphasis of content, technology and interaction of people using these technologies.

Kalliala & Toikkanen (2009, 18) define social media as process, where individuals and groups construct mutual meanings with the help of contents, communities and web technologies. Their definition emphasizes the content aspect and that people are not only consumers anymore but also the producers of the content. Therefore the production and using the content is combined (produsage).

Ahlqvist et al. (2008, 13) define social media much in the same way but they emphasize the social part of it. Social media's value is in interpersonal communication. Creating and uploading content becomes more interesting according to them when there are many others doing it too. Communities are also an important part of social media concept and here people can communicate either directly or using media objects. Digital technologies and applications form the third cornerstone of social media. Figure 2. presents the elements of social media according to Ahlqvist et. al.

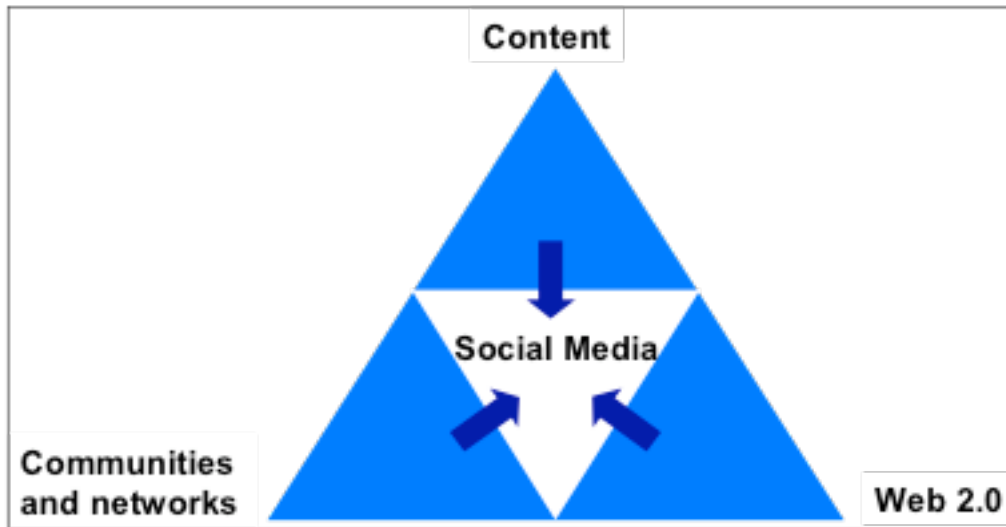


Figure 2. Social media core elements

According to Mayfield (2008, 5) social media is characterized by:

Participation

Social media encourages the users to participate and give feedback. It has the habit to blur the line between media and audience.

Openness

Services are open to people to participate, comment and give feedback. There are no obstacles or barriers to prevent people to use social media and communicate.

Conversation

Social media is two-way conversation. It is not anymore only about marketers communicating to customers.

Community

Communities consisting of people with shared interests are established fast and they allow people to communicate effectively.

Connectedness

Social media applications are flourishing thanks to connectivity elements, such as links to other sites and people.

2.2 Core elements of social media

Web 2.0

When talking about social media it is impossible to ignore the concept of Web 2.0 introduced by Tim O'Reilly. Sometimes they are even used as synonyms. Defining Web 2.0 has appeared to be quite difficult throughout the years. Tinnilä et. al. (2008, 161) describe Web 2.0 through the difference between it and "the old" Internet: Whereas traditional Internet is more "read-only" as Web 2.0 is "read-and-write". Web 2.0 is composed of many different kinds of interactive components such as blogs and wikis. One basic function and element of Web 2.0 is the idea of updating and programming content in real-time.

Hintikka et. al. (2007, 6-8) describe Web 2.0 as a concept, which constructs new successful methods and applications provided by the Internet. Web 2.0 enables new innovative business models and imaginative operations (Lehtimäki et. al. 2009, 12). It also takes advantage of old techniques and ideas introduced already years ago. Noteworthy is also the utilization of collective intelligence in service and product development as well as open development collective content production.

Content

User generated content (UGS) is in the core of social media. Content can be new created by the user, such as audio, photo, video or text, or it can be modified by the user, as examples of this are different kind of compilations, mixes or mash-ups. Third form of user generated content is categorized content: playlists, keywords or reviews. (Kangas et. al. 2007, 11)

Communities

(Kangas et. al. 2007, 12) “While Web 2.0. provides the technological facilities for the realization of social media and individual users provide the content, communities serve as efficient analyzers with the regard to finding interesting material.”.

2.3 The Five C’s Model

Internet is full of different models to help marketers to plant social media marketing and its communication tools. Because of the newness of the social media concept there exists no academically well-known and accepted models or theories. A popular model to characterize the key aspects of social media has been introduced by Michael Fruchter, a well respected blogger and Director of Digital Strategy at Pierson Grant Public Relations Fruchter’s model is widely accepted on the Internet. “The Five C’s” -model consists of conversation, contribution, community, collaboration and commenting (Michael Fruchter 2010).

Conversation

Social media is in its core conversation between people. Social media includes sharing of thoughts, ideas, experiences and information. It builds on the basis of natural conversation between individuals and networks (Mustonen 2009, 7). Social media enables two-way conversation between companies and customers.

Marketing communication is not anymore only about marketers' messages to customers. Social media is filled with conversation (Mustonen 2009, 32). Where is social media, there is conversation for marketers to be part of.

Collaboration

Social media technologies allow and emphasize collaboration between individuals and networks (Mustonen 2009, 27). Social media is a basis for social and collaborative exchange where people can contribute and publish material (Breslin et. al. 2009, 21). As a great example of collaboration serves Wikipedia, which allows users to create, edit and delete articles found in the service. (Friedman & Friedman 2008, 10).

Community

Communities consisting of people with shared interests are established fast and they allow people to communicate effectively (Mayfield 2008, 5). Social media services are based on the sense of community. It is fostered in a great variety of ways in social media technologies. Most of social media applications like social networking sites and discussion boards are based on the concept of community. (Friedman & Friedman 2008, 11) Naturally, communities in social media include people from all over the world. According to Weber (2009, 13) communities around a specific interests are among the fastest growing Internet applications.

Contribution

Social media encourages the users to contribute material. It has the habit to blur the line between media and audience. (Mayfield 2008, 5) Contribution is about adding value to the network and to other users. Social media allow everyone to contribute and participate.

Commenting

Commenting is in the core of social media. Users comments should always add something to discussions and create more discussion. In many social media tools (blogs, discussion forums, content communities) commenting is one of the main features, which makes these tools so compelling. Social media tools enable

access to material contributed in communities and allow other users to comment this material (Breslin et. al. 2009, 24).

2.4 Social Media Marketing and Applications

Traditionally companies' websites have been the place for interactive marketing communication. Websites have included advertising, sales promotion, public relations and direct marketing activities. Websites have had also two-way communication elements in form of feedback mechanisms (Perry & Bodkin 2002, 133). Web 2.0 and social media applications have given new opportunities for companies to reach customers and have enabled more profound two-way conversation with them. Social media tools enable deeper interaction between marketers and customers. Companies can now get to know their customer better and receive feedback from them. Social media has three roles in marketing communication (Mangold & Faulds 2009, 359): social media tools allow marketers communicate with customers via blogs and social networking sites in the same ways as more traditional marketing communication tools. Secondly it allows customers to communicate with each other, which decreases the control companies over content. Thirdly customers can interact back to the companies.

Web 2.0 has shifted the market power from the companies more to the customer side. Marketing using social media has to be transparent and honest, because the customer will easily recognize fallacious marketing attempts (Lehtimäki et. al. 2009, 15). Social media's word-of-mouth nature will easily expose deceptive marketing means and spread the word among possible customers. Consumers perceive social media as more reliable source of information about products and services than the traditional communications of the companies. People view often official sources of information regarding companies offering as too biased and tend to trust more other consumers. (Foux 2006, 38)

Marketers should become aggregators by providing customers lucrative content online and creating appealing online environments customer to visit or by participating, encouraging and organizing discussion in social networks. The key idea is to communicate with customers and not to just push marketing messages to people

(Weber 2009, 2, 16). The use of social media tools requires dialogue and extended relationships between the marketer and customers (Lehtimäki et. al. 2009, 17). Strong dialogue with the customers helps marketers to create strong brands (Weber 2009, 18).

Well-organized and effective social media marketing requires time in form of active participation, careful planning and strategy formation. Careful planning prevents companies from using too direct messages to sell their products. The planning and organizing of social media marketing is essential in order to create consistent and clear message to avoid negative feedback and possible loss of sales (Mustonen 2009, 36) Some communities and networks might be very sensitive to direct sales promotional messages; therefore it should be evaluated carefully which kind of communication is used in certain networks and environments. One way to use social media without communicating direct promotional messages is to take and “expert role” in the communities and offer customers opinions. (Mustonen 2009, 36-37) Weber identifies eight steps in marketing to social web: observing, recruiting, platform evaluation, engaging, measuring, promoting and improving (Mustonen 2009, 26)

The word-of-mouth dimension of social media enables companies to benefit from positive network effects in their marketing actions (Mustonen 2009, 37). Ultimately companies should try to find individuals committed and highly involved with the product or service who would serve as evangelists for the company (Dwyer 2007, 75). The network nature of social media supports word-of-mouth; people connect with other people and exchange messages with each other - positive or negative messages about the products or services spread easily within and across networks (Dwyer 2007, 64). The key to social media marketing is to motivate customers and let them carry the message of the companies (Bernoff & Li 2008, 38) Figure 3. presents central issues concerning social media marketing.

Know the environment	The main thing is to know which kinds of tools are appropriate for the company and how to use them properly.
Creativity and content	In social media it is all about content and creativity. Only content interesting enough lures users in to participate and share the content forward in a viral way.
Committed personnel and support of the management	Since web 2.0 tools require constant updating and new content, devoted personnel are required.
Continuous content generation	New content needs to be generated continuously in order to keep customers interested.
Measurement	Measuring the interaction level and visitor amounts is quite simple with web 2.0 tools.
Specified goals	There should be specified goals set up in order to measure benefits reached with web 2.0 tools.
Listening and discussion	Through interaction with customers a company can get useful feedback to enhance its operations and to maintain customer relationships.

Figure 3. Central issues in social media marketing planning (Lehtimäki et. al. 2009, 19)

Social media helps marketers build relationships and maintain relationships with consumers and contact networks. This adds the element of relationship marketing to social media. To create and improve relationships with customers and other contacts companies have to participate and be present actively in social media, not just listen and evaluate customers' communication. (Mustonen 2009, 36)

Central problems in social media marketing implementation can be the lack of support by top management, lack of metrics when measuring effectiveness of the marketing actions, technical challenges and the amount of commitment, constant content creation and maintenance of the applications needed by social media marketing. (Lehtimäki et. al. 2009, 16)

The evaluation of social media marketing success can be tricky for companies to carry out. The inability of measure social media marketing return on investment (ROI) is one of the main issues preventing companies to adopt social media tactics (Fisher 2009, 190). Bernoff & Li (2008, 41) present four success metrics for marketes with which to evaluate the success of social media marketing. These metrics are: better market

awareness, online “buzz”, time customers spend on companies’ websites and increased sales.

2.4 Social Media Applications

In this chapter the most popular and important social media applications used today are introduced. These new forms of online content allow businesses communicate directly with their audiences in forms they appreciate (Scott 2009, 26). Social media applications are evolving continuously and very quickly; therefore it is almost impossible to present them all. Blogs, discussion forums, wikis, social networking sites, virtual worlds and content community applications are being introduced in this chapter as well as some most popular services. The utilization of these applications in the music industry is also examined.

2.4.1 Blogs

Blogs can be described to be somewhere in between normal websites, where the owner of the site writes and updates the content, and faster conversation exchange in the veins of Facebook etc. Blogs consist usually of short written entities written by the author(s) of the blog about some certain topic. (Mitrović & Tadić 2009). Scott (2009, 46) defines blogs as special kind of websites, which are maintained by an individual passionate about the subject.

A blog is created with a help of software, which organizes the blog posts in chronological order the newest being on top. By tagging the posts they can be categorized to different information categories and with including identifiers about the content the blogger can help people to find what they are searching for from the blog. This also helps blog posts to be found in search engines. An important feature of blogs is the possibility for readers to leave comments about the topics discussed in the posts. (Scott 2009, 46)

Blogs offer a great way for organizations to communicate more freely and specific about a certain subject than website, press releases or other media would. Blogs can give a voice for a company and bring it closer to customers. This would be a great way for record labels to achieve more “human” identity – after all the great public doesn’t always think too nicely of them. Many people think view record labels as organizations, who just try to take advantage of the artists to. Blogs can be used by marketing and PR people to monitor what is being said about their company and products (Scott 2009, 45).

Video blogging, known also as “vlogging” is a transformation of regular blogging. Video blogging means embedding video content to a blog. The text in the blog is only there to give a context to the video. (Scott 2009, 225)

2.4.2 Micro-blogging

“Micro-blogging is a tool that combines elements of blogging with instant messaging and social networking”. Twitter is the leading micro-blogging service on the web. It allows people to post short messages up to 140 characters either via Twitter website or desktop or mobile application. Important feature of Twitter is that it can be indexed via Google (Mayfield 2008, 27).

It is possible to find almost every popular music act from Twitter nowadays. Even the record labels have picked up Twitter. Through Twitter record labels and artists can share their music, stay in touch with fans, response to questions and promote their material. Twitter seems to be a very useful medium for music marketers; according to a report conducted by research company NPD (NPD 2009) Twitter users purchase 77 percent more digital music than non-tweeting Web users. According to same report Twitter plays important role in discovering new music and improving targeted marketing of music to groups highly involved ad technology oriented consumers.

2.4.3 Discussion forums

Discussion forums are the oldest form of social media. They are formed normally around a certain interest and this makes possible to people to have detailed discussions about a topic. Forums include normally countless threads (discussions), where to communicate with other people interested in the subject. Discussion forums have often strong sense of community and some of the forums are very closed entities with little connections to other forms of social media. Forums are often an application included in a website, but stand-alone forums are also popular. (Mayfield 2008, 23)

Discussion forums are moderated by administrators. The significant difference between blogs and discussion forums is that the administrator does not try to influence the conversation. Blogs have “an owner” whereas in discussion forums the discussion is started and being led by the members of the forum. (Mayfield 2008, 23)

Discussion forums are great places to find information about artists and other people with similar taste in music. Music marketers need to scan these forums and see what is being written about them as a company. Companies need to jump in the conversation when needed (Scott 2009, 90).

2.4.4 Wikis

Wikis are certain kinds of websites that allow users to create content or edit content made by other users. The most famous wiki is Wikipedia. (Mayfield 2008, 19) Wikipedia consists of over seven million articles in over 200 different languages and it is in the top 10 most visited sites on the Internet. (Scott 2009, 88) Wikis don't play important role when discussing about marketing of digital music, but what companies in the music industry can do is that they should check accuracy of articles written about them or their artists. (Scott 2009, 88)

2.4.5 Podcasts and vodcasts

Audio files that have been published on the Internet. Users can download these recordings or subscribe to them. Subscription service is the key element here. Subscription allows people to gather an audience and community around their shows, and this enables private brands and persons to be on par with traditional media organizations. (Mayfield 2008, 21).

Scott defines podcasts simply as audio content connected to an subscription component so people can receive regular updates. Podcast are almost like radio show with the exception that listeners can download the broadcasts to their computers or mp3-players (2009, 217-218). Podcasts allow marketers to create and deliver music and other audio content to people. The emergence of podcast is thanks to two innovations: RSS notifications and the ability subscribe to these podcast via, for example iTunes. RSS made it possible for listeners to subscribe and download updates when available. (Scott 2009, 69)

Podcasts are great way for indie bands (the long tail) to get recognition and airplay. The problem with podcast is that big bands wit big record labels behind them don't like their music to be played in podcasts. (Scott 2009, 72) Podcasts can be a good way for record labels to promote new music in addition to more traditional media such as radio. For less known artists podcast can offer a great new media to compete with radio. Artists can have its music played in several different podcast and have this way its music a larger audience (Scott 2009, 73). Video podcasts (vlogs) have recently emerged alongside traditional podcasts.

2.4.6 Social networking sites

Social networking sites are services that allow people to network with other people, share content and communicate with them (Mayfield 2008). Social networking sites make it easy for people to create a profile and use it to network with offline friends and

make new friends online. (Scott 2009, 229) In these services people may end up communicating with each other about similar interests: music, bands, other hobbies, business. Usually networking sites have some common interest, which attracts people (Salmenkivi & Nyman 2008, 107).

Salmenkivi & Nyman distinguish six different tasks for social networking sites:

- Finding people
- Communication
- Cooperation
- Content sharing
- Filtering content
- Time management

Marketing in social networking sites can be quite a challenge, because people tend to hate too commercial messages. When thinking about entering social networking sites, it is worth to remember that authenticity and transparency are critical (Scott 2009, 229)

Facebook is the largest social networking site in existence. It is important to remember that marketing on Facebook is not about generating hype. A grey way for music companies and artists to keep interest people informed is to establish a Facebook group for the artist or company. Scott notes that the best way to utilize Facebook is to just make valuable information available. People have the possibility to not to read the message if they are not interested, therefore the messages are not too intrusive for consumers. Important aspect for marketers is Facebook's informal two-way nature: users can take actively part in the brand and recommend different applications and groups to their friends in addition to posting material themselves (Scott 2009, 232-233).

Anyone can create and application that allows friends to share information on Facebook. Applications are a great way to build brand on Facebook. Marketers should concentrate

on applications, which let them to promote their products and services. A very appealing feature of Facebook is the ability send invites to friends. With this feature users can easily invite their friends to use certain applications. Applications can be a great way for marketers to try something new ad creative – of course, there is always the possibility that the applications impress users so much, that viral effects catches fire and lures thousands of users to use the application. (Scott 2009, 234-235)

Social networking sites are very important when talking about people discovering new music. Last.fm is all about music and discovering new artist with the help of playlists. Facebook's iLike application has over 8 million active users per month. iLike allow users to share playlists, share mp3s and see tour information concerning artists (Nichols, S. 2009).

2.4.7 Content communities

Content communities are relatively close to social networking sites, but the difference is that these sites are focused on sharing a specific type of content (Flickr photos, Youtube videos etc.), for example Salmenkivi & Nyman (2008) don't divide social networking sites and content communities from each other. Probably the most famous content sharing service is Youtube with over 100 million videos being watched every day. Users can create their own channels and include their favorite videos into the channel and subscribe to other users' channels. The viral nature of Youtube allows also people to attach videos from Youtube directly into their blogs and websites. (Mayfield 2008, 24) These kind of content service like Youtube are easy to use for companies. Anyone can create a channel and upload material. To utilize these services, Youtube for example, it is essential that consumer find the material (e.g. videos). Therefore profound tagging is recommended (Salmenkivi & Nyman 2008, 154). As with many other services: networking and linking affects to the findability of the videos on Youtube.

Record labels have realized the importance of Youtube in music marketing. Now it is possible to find official channels from major record labels, such as Sony Music, EMI,

Warner, in Youtube. Three of the four major labels have gone so far they have established a service together called VEVO (www.vevo.com). The service has its own Youtube channel contains material from Sony Music Entertainment, Universal Music Group and EMI. VEVO's goal is to enhance music fans' experience by offering premium quality music videos and other bonus material. (BusinessWeek 2009).

2.4.8 Virtual worlds

Virtual worlds and their development is an interesting phenomenon. The line between the real world and virtual worlds is blurring; virtual worlds use money, which has value in the real world and virtual world items are sold in real world web auctions sites, such as eBay. (Salmenkivi & Nyman 2008, 201). The most popular virtual world service is probably Second Life and the Finns are most certainly familiar with Habbo Hotel established by Sulake Corporation Oy. In all of these virtual worlds users kill time by using an avatar, a digital character in a digital world. Salmenkivi & Nyman (2008, 202-203) distinguish three different types of virtual worlds: simulated worlds, games modeling real world and role games played up to even hundreds of thousands of players simultaneously.

From marketing point of view interesting is that marketing space in virtual worlds costs almost nothing. Virtual worlds can benefit from the rules of imaginary worlds, without place and time of the real world. Lacking of real space, time and distances in addition to transformability of environment inspire new possibilities for companies' communication. At the moment virtual worlds are used to present videos and products and to other presentations. Product launches and product concept testing are also ways to exploit virtual worlds. Participating in virtual worlds can create an image of pioneer, considered if the timing is right. If a Finnish organization would use virtual worlds in its marketing, this image of a pioneer would be likely earned (Salmenkivi & Nyman 2008, 207-208). A band or a record label could easily participate in these kinds of services. Sony Music Entertainment (formerly known as Sony BMG) purchased in 2006 an island called Sony Music Media Island in Second Life. On the island user can users can listen to music and

watch music videos. Sony Music even organized an album preview by Ben Folds, who even appeared himself in an avatar to the event to answer questions. Virtual worlds are places for unsigned acts to gain following by having performances in virtual nightclubs, bars etc. Places like Second Life allow bands and marketers communicate directly to their audiences (Marketing VOX 2006).

In the future companies have to develop new ideas to catch the attention of teenagers in virtual worlds, when these services are crowded with companies' messages. There has to be created unique content, which suits the context of the audience. At best these marketing activities would cause viral effect. (Salmenkivi & Nyman 2008, 208)

3 UTILIZATION OF SOCIAL MEDIA IN MUSIC INDUSTRY

The aim of the empirical part is to describe how a traditional music industry player, Sony Music Entertainment Finland, uses social media in its marketing actions. Thus, the empirical part could be labeled as descriptive case research.

3.1 Data Collection

For this research only one interview was conducted. Digital Director Saara Manner was selected as the interviewee due to her role as the head of digital business at Sony Music. The purpose of the interview was to track down how a large traditional record label utilizes social media and its application in the daily business, marketing communication and artist promotion. The interview held its place on 29.3.2010. It took almost precisely an hour to complete and was recorded using a computer. After the interview process, the interview was littered in Finnish into text form resulting in 14 pages of text material, and then material suitable for the research was translated into English and reconstructed in an appropriate way for the needs of the study in order to form a solid entity to support the theory of the thesis. Company website and other third party online information sources have been also used to gather additional information.

3.2 Music industry: the change to digital

As stated before the music industry is in the middle of a radical change. The emergence of Napster and other peer-to-peer services almost a decade ago caused the loss of terrible amount of money to the industry. It is estimated that at worst 95 percent of all music was acquired through illegal downloading and file sharing. The downfall of physical CDs is continuing while digital form is taking over the music sales. According to market research company NPD the sales of digital music will most likely exceed the CD

sales by year 2011 in the US. Approximately 20 % of all music sold today is digital and is growing around 25 percent per year (Redwood Capital 2010, 1-2)

The possibility to discover new music, similar to one's taste thanks to an interactive medium, creates a magnificent opportunity for music industry to create new ways to earn revenues. Two-thirds of music consumers are still consuming music in CD-form or radio – it is clear that there lies huge potential for digital music industry and advertisers. (Redwood Capital 2010, 1) One challenge for music industry is that more and more people, especially the young, are starting to expect to have music available everywhere, all the time and more importantly without any cost. The old model of consumer buying a certain piece of music is giving way to a model where the consumer orders a stream of music or the music is provided by an online shop. This will also have an effect in pricing the music – music will be bundled with other products and services. (Argillander & Martikainen 2009, 20)

With the emergence of new distribution models, such as advertising based online streaming, social networking sites, subscription services and bundling music with other products (think Nokia's Comes With Music) the major record labels have started to take interest in this development. New innovative concepts, forms of alliances and cooperation are being established. (Redwood Capital 2010, 1) The trend is that the more unique and distinguishable artists are becoming more important for the labels and the industry going more brand-and marketing driven way. (Argillander & Martikainen 2009, 22)

The emergence of social media and Web 2.0 will lead the economic focus towards more niche products away from the "hit" products and markets. The phenomenon is known as "the long tail" introduced by Chris Anderson in his book titled as "The Long Tail". Anderson suggests that our culture and economy are shifting away from a relatively small amount of mainstream products (hit products) towards the niche precuts in the tail of the demand curve. The independence of bottlenecks of distribution and physical shelf space makes the niche products and services economically attractive for marketers. Scott insists that marketers must shift focus from the mainstream mass marketing to the vast underestimated audiences online (Scott 2009, 17-18). This trend will affect the

music industry too. iTunes has made it already possible for music consumers to find huge amount of indie artists far from the mainstream's "hit markets". With social media these small artists and record companies can take advantage of the long tail.

Digital distribution methods can help in discovering and accessing broad range of artefacts. In the physical retail environment shelf space is reserved for the best sellers and new releases. Long tail theory suggests that now old and less popular products will have markets too. In the digital era these items can be accessed and bought (Gaffney & Rafferty 2009, 375). The change to digital will lower the prices of the music because the costs of the "physical world" will be left out, such as warehousing and logistics (Hintikka, K. A. 2009, 17)

Music industry is trying hard to seek for new revenue streams to compensate the huge decline in CD sales from the figures of the late nineties. Social media seems to have been a glimpse of light in this effort to secure revenues. Entertainment Media Research's Digital Media Survey published in 2007 showed, that 39% of users use music to personalize their MySpace, Facebook and other profiles. 53% admitted to use social networks to discover new music. 30% of the respondents claimed that their music purchases are determined by the discoveries they make online. (Webb 2007, 19)

Vice President of digital music in Universal Music Group International reveals that Universal uses social media to support other marketing activities and to do market research. (Webb, A. 2007,)

Social web affects our ways to discover music. Music can be discovered online in four different ways (HeavyBag Media 2010):

- **Browsing:** users browse through a genre of music they like
- **Stumbling:** users stumble upon new music based on behavioral targeting - people who liked x liked also y
- **Peer to peer:** users send and receive recommendations
- **Social groupings:** user's friends like artist x

The challenge for music industry is to harness the potential of viral effect. Many viral phenomena start without even planning. (Scott 2009, 92) A recent example of the power of viral effect could be the video for the song "This Too Shall Pass" by the band OK Go. The video involves a very complex Rube Goldberg Machine synchronized with the song itself (Wikipedia). The video was premiered on Youtube on 1. March 2010 and it has already achieved 11,5 million views (Youtube.com) and lots of appreciation and buzz among media and music fans.

3.3 Company introduction

Sony Music Entertainment Finland is part of the global Sony Music Entertainment recorded music company. Sony Music Entertainment is the second largest record label in the world and counted as one of the "big four" record companies. (Wikipedia)

Sony Music Entertainment Finland is part of the worldwide concern and it is the largest music company in Finland when measured by turnover. Parts of Sony Music Entertainment Finland are fan merchandise company Rokkikauppa.com, pop-rock live agency Popgee and recently acquired live agency Auraviihde, which focuses on traditional Finnish pop music. Sony Music Entertainment Finland employs in Finland 35 employees and in 2009 turnover was 16 million Euros. The company has been selected as the record label of the year four times in a row starting since 2006 (Auraviihde 25.1.2010). The Chief Executive Officer Kimmo Valtanen started leading the company in October 2004 (Turun Sanomat 2006). Sony Music Entertainment Finland is the record label behind popular television formats *Idols* and *X Factor*.

3.4 Social media and Sony Music

(Sony Music Entertainment Finland will be referred simply as Sony Music)

3.4.1 Social media communication strategy and organization

Social media is an area of constant learning for Sony Music and other players in the music industry. Strategy is needed to provide material, which is normally produced way before it is available for consumers. As a great example is Anna Puu, a young artist risen into the limelight from television show format Idols in 2008, is currently in the studio recording her second album to be released in May. To be able to schedule all the social media activities, such as video blogging or diary about the recording process of the album, around the album release it is important to create material in advance. Without proper planning or strategy utilizing social media becomes unorganized and is planned on the go with a tight schedule. Sony Music aims to design a six-month- marketing-strategy for artists that includes social media activities, PR- and bought marketing services.

Important for Sony Music are online partners, such as big online newspapers. For example the studio diary of Koop Arponen has been released exclusively on Iltta-Sanomat's website. Sony Music looks for marketing visibility from these different medias and in return exclusive material is given. To integrate all these different pieces it is essential to have well-thought strategy.

The role of Sony Music is to provide information to the artist about what is important and what is recommended to do. Usually Sony Music is responsible of creating artist's website and, for example, video blogging service as easy as possible for the artist to use. Sony Music is also there to support the artist in using social media applications. For some artists communicating with the fans comes naturally, but it is ought to remember that not all artists have ten years experience behind them before breaking through to the masses. In these cases Sony Music has to start from the basics with the artist how to communicate with the audience and the fans – the use of modern technology or the availability of the technology can be an obstacle for some artists. The websites of PMMP, Pete Parkkonen, Koop Arponen and Anna Abreu are great examples of

easiness to use. It is made possible for the artist to take video material with a mobile phone, send it via SMS and that is all the artist needs to know. The video clip then ends up on artist's website. It is utmost of importance to make the technology as easy as possible for the artist to use. The role of the record company is to build and provide these services for artist, so that the artists can update their blogs on the tour buss if needed. Mobile video blogging is seen as a solution for the communication problems. The technology just has to be easy enough to use and everyone is willing to communicate through it.

The opinion at Sony Music is that everyone should be able to communicate with the "new" and "old" media. Manner has a strong background in digital marketing and is the leading the digital business at Sony Music; therefore she feels the responsibility to ensure that Sony Music has the right partners and ways to implement social media strategy. In addition staff at Sony music, the promoters working close to the artists and are also responsible for actively providing advices and ideas for the artists.

Music industry is facing now a great challenge, since sales of CDs are dramatically declining. Manner explains that sales of CDs have declined last five years and last year the sales dropped 20 percent:

"The exploitation of social media is not definitely granted in a industry like this, since the business in music industry has been based on the sales of physical CDs. It is no secret that the retailers, whether selling cerials, mobile phones or whatever, believe deeply in television advertising. This is why marketing efforts and all marketing activities have been found on television and that environment..."

It demands thinking where exactly music is consumed and how to get marketing messages through to the customers instead only focusing on how to please retailers.

Due to these changes Sony Music has also been forced to rethink and revise their strategy. People are online, music fans included; this is the reason that business and marketing is driven towards online environment. Regardless this trend social media should not be taken granted due to the long history of music business and dominant share of Sales of CDs.

Social media has been part of Sony Music's business of a few years. In the beginning of 2008 started organized and active search for partners from online companies. The success of Facebook in Finland was a turning point. Facebook brought social media to others than just teenagers to Finland. Suddenly Facebook had a large audience of people over twenty-five with wealth.

Manner views that it is now compulsory to participate in social media. Artists make the decision themselves in the end, but if the decision is negative Sony Music will sit down with the artist and reconsider the decision. Sony Music aims to negotiate about the use of social media before a new artist enters recording studio. Yet there has been any negative feedback from the artists; quite contrary artists have been very enthusiastic about it. Artists understand why social media is used and its meaning in marketing. Sony Music views it as very important to be able to do things first, whether it is social media or something else. Naturally they observe their competition, but yet there has not been anything worth to envy. The competition itself is not important. Artists value to be able to be in the front line to use new equipment to market music.

3.4.2 Social media marketing and applications

The applications used depend on the artist in question. The basic idea is to build such websites for artists that can feed a blog, mobile video blog or a news update to the artists Facebook group from which it is forwarded to Twitter. Twitter's use is still in its infancy in Finland, but despite of that Sony Music has created channels there and the development of Twitter is being constantly monitored. Facebook is currently the social media where communication should be targeted. Facebook fan groups are popular now; people like to join them, comment the posts and write new ones. Even one year ago the

situation was different – people just joined the groups and did not participate in any other way.

MySpace has lost its importance a lot. Partly due to the fact there is no office in Finland anymore. The content on Myspace is mainly global, and Finnish music being so important for Sony Music they have decided not to communicate anymore to Finnish MySpace users. People go to MySpace just to listen music nowadays and it is used mostly by music heavy-users and there is no large target group to be targeted.

IRC-Galleria is one of the services used. IRC-Galleria used to have a very closed policy, but now they have opened it up and made it possible for marketers to make updates. IRC-Galleria has realized that content does matter. Sony Music uses also several other online media, which feed content forward. Finnish news portal Ampparit.com is one example of these services. Sony Music has also its own blog (www.tune.fi), which will be integrated to “mobile blog thinking”. The blog is indexed very well on Google and Sony Music will invest greatly in it in the future.

Before an artist releases a new album Sony Music may stream it beforehand on MySpace or some songs might be available on Spotify Premium. Some artists also add videos on Youtube before the release. Manner recommends to use more formal channel when these kind of activities are taken.

The problems between Teosto and Sony Music has caused that Youtube cannot contain any official material from Sony Music. Another worry/problem is that it appears that teenagers don't value good audio quality as much as they used to. There is developing a generation that does not mind if the audio quality is not crystal clear. This leads to the problem that music targeted especially for teenagers spreads across Youtube fast. This highlights the importance of Spotify for Sony Music – Spotify is a channel for consumers to listen and acquire music legally.

The nature of marketing communication is still under progress for Sony Music. Starting point is that communication is always planned and suited for the artist individually. Sony Music's catalog includes many different kinds of artists and it is always important that the communicated message suits the artist. Artist is a customer for Sony Music; Sony

Music's task is to plan and organize all the activities that they support the artist brand and artist's personality. It is important that the voice of the artist comes through in the communication.

Big challenge for Sony Music is to get the viral effect going from fan groups and pages to the friends of the fans. Sony Music aims to get the fans as representatives of digital street-team; they would actively want to communicate the message forward. The message itself plays a huge role today. It is not anymore about just sharing a link for the fans. The message is what really matters; quality and novelty value. Consumers get so many messages and marketing communications that the quality of the message is extremely important.

Sony Music is much more than just a record label; with social media Sony tries to lead people to fan merchandise page (www.rokkikauppa.com), event sales etc. Social media is not always about selling music. Social media communications aims also to sell fan merchandise and tickets to artists' concerts.

3.4.3 Social media objectives and measurement tools

The objectives and measure are evolving on the run. Due to social media's newness the measurement tools are still sought. The amount of visitors and Google Analytics are being used to define, which applications and parts of websites have caused traffic and peaks in it. Under progress is the contract, which allows Sony Music to blogs and discussions. This would help Sony Music to follow the buzz around projects and there is potential for "hits".

When creating a social media strategy, objects such as how many Facebook group members are aimed to acquire. Social media actions are then planned in a way they support these objects. After acquiring a fan/member into a Facebook group the next step might be to get the person to comment a blog and after that to purchase a product, for example a song from an online store. Strategy is needed to get the actions to support this process. Without a strategy there is a risk that results are just observed and maybe learnt from them.

At the moment Sony Music cannot monitor sales, because many partner like to keep the online purchases as their own information; they view Sony Music only as content provider. Manner admits that there are clear benefits to be seen.

3.4.4 Other uses for social media

Sony Music does not gather information through social media systematically even though Manner views it important. Sony Music Entertainment's London office on the other hand gathers information very systematically; they conduct researches and invite fans to the office to share their views. Manner sees the small size of Finnish market as the reason for lacking of organization. There are not enough resources to conduct thorough research.

Rokkikauppa.com however follows and actives discussions online, and tries to clarify what consumers want. It is possible to find new ideas and trends online and bundle this new products with music to create lucrative products.

3.4.5 Social media in the future

The use of social media and its applications are evolving constantly. It is not possible to plan too far into the future, but social media will become more and more part of every day work and marketing. Artists will become involved more in planning the social media strategy and it will become more natural part of communication. Important is to find ways to use social media in order to create real profit for the artists through it; goal is to lead customer to the products and finally produce profits for the artists.

A future trend for Sony Music is to "form" a digital street team from the fans. Fans would be utilized to spread "the message" of an artist forward. By doing so they would be rewarded. This kind of concept has been already tested in Germany with a traditional German pop artist and his fans. Older women were very keen on promoting the artist and simultaneously climbing on a "guru scale". The more they participated the higher they got. This concept is very fascinating for Sony Music.

Sony Music is eager to find new ways to utilize social media in its business. Video material especially created for the web is becoming increasingly important; the role of “making of” videos is rising. Viral games are an interesting thought for Sony Music. Manner says Sony wants to do something amazingly cool, that people have to pass on in their communities.

An interesting thought concerning social media is commercializing social media in the future. Sony Music has a service X and a target group Y and some company happens to be interested in this exact group. Sony Music discusses a lot with artists that if there is some interesting possible partner companies. They also receive many inquiries from companies concerning this matter. This kind of advertising connects the message closely to the artist and the music to give a reason for the company to promote its products.

“...In the future, for example, for Pepsi is allowed to insert a message straight to Facebook fan group. This will be advertising that is way more attractive than if you only would have a banner..”

3.4.6 The Five Cs Model

When examining social media communication of Sony Music it is obvious that Sony Music is taking part in the communities with their chosen social media tools, like Facebook. They contribute new material, mainly videos and promotional messages and general information about their artists and events. These communicated messages focus now and then to directly market new releases by their artists and in these cases links to online music stores are provided. Noteworthy is that Sony Music does not engage in two-way conversations. For example, in their Facebook fan group people ask questions about their messages every once in a while, but Sony Music has not replied.

4 SUMMARY AND CONCLUSIONS

This bachelor's thesis discussed social media and its most well known applications. The core of the thesis was to examine how social media is being utilized in the music industry in the marketing of digital music. Digital music was chosen as the study context due to its relevancy in today's music consumption and importance in the future.

In addition to social media and its core elements the most popular forms of social media were presented. These applications include: blogs, discussion forums, social networking sites, content communities, virtual worlds and podcasts. Examples from the music industry were also discussed.

The thesis also shed light on the current challenges and changes the music industry is experiencing. These challenges include the decline of music sales and fast decreasing sales of CDs. An interesting change in the industry is the possibility to market "the long tail", the less popular acts of the music industry, which is enabled by the change to digital with the help of social media.

In the empirical part the object of a descriptive case research was a traditional major scale record label Sony Music Entertainment Finland. This case research concentrated on how a traditional record label uses social media in the daily business as a part of marketing communication to market and promote new music in the digital form. Few of the topics covered were strategy behind social media, chosen applications and future prospects.

Based on this research social media is a relatively new concept for music industry players. Organizations are not yet really aware of all of the possibilities social media brings for the industry. Social media is an area of constant learning and its role will become increasingly important in the future. Sony Music takes part in social media applications and social networks, but the potential is not completely utilized. All the aspects of the Five C's are not apparent. In the future Sony Music could participate more in the discussions and comment, as well as collaborate with the fans. In the current social media marketing communication, the dialogue aspect is not realized.

Based on the interview the measurement and metrics of ROI social media are constantly developing and need still more thought. This raises the question that would Sony Music and other music industry players be more committed to social media if the metrics would be more accurate. Now it is a bit unclear whether social media has serious impact on music sales. Is this one of the reasons preventing companies from exploiting social media in marketing communication?

Finally, the research revealed how new phenomenon social media still is. Definition of social media, its characteristics and elements are well covered in academic publications, but there would be certainly more room for academic research in its utilization in the field of marketing. At the moment the literature concerning social media marketing is mainly concentrated showcasing real-life examples how social media can be exploited, but there is little theory and theoretical models to be found.

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Interview:

Manner Saara. Digital Director. Sony Music Entertainment Finland. Interviewed 29.3.2010.

6 APPENDIX

Interview questions:

- Minkälainen strategia on sosiaalisen median käytöllä?
- Kuinka paljon artistit itse ovat vastuussa sosiaalisen median käytöstä?
- Miten sosiaalisen median käyttö on organisoitu?
- Miksi sosiaalista mediaa käytetään?
- Milloin sosiaalisen median käyttö aloitettiin?
- Onko sosiaalisen median käytöllä joitakin tiettyjä tavoitteita?
 - Miten sosiaalisen median tavoitteiden saavuttamista seurataan?
 - Käytetäänkö jotakin mittareita? Minkälaisia?
- Minkälaisia eri sosiaalisen median keinoja Sony Musicilla käytetään?
- Miten sosiaalista mediaa käytetään? (informaatio/palautekanava, mainonta & pr, tuotekehitys, tukitoiminto)
- Minkälaista markkinointiviestintää sosiaalisen median kautta viestitetään?
- Minkälaisia kuluttajia sosiaalisella medialla pyritään lähestymään?
- Minkälaisia hyötyjä sosiaalisen median käytöstä koetaan saavan?
- Auttaako sosiaalinen media artistihankinnassa?
- Sosiaalisen median käyttö yhtiön sisällä? Esim. keskustelufoorumi informaation jakamiseen, ideointiin, vuorovaikutukseen
- Onko sosiaalisen median käytössä joitakin ongelmia? Miksi?
- Miten näette sosiaalisen median käytön tulevaisuudessa?
- Miten sosiaalisen median käyttö Sony Musicilla on suhteessa kilpailijoihin?
- Koetteko, että sosiaalisessa mediassa on pakko olla mukana nykypäivänä?
- Nähdäänkö digitaalisuus + sosiaalinen media uhkana levy-yhtiöissä?