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Harnessing the Power of Social Media in the Music Industry: A Finnish Case Study

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Abstract

This study explores how music industry and consumers perceive marketing actions in social media. We employ four case studies and one focus group in the empirical research. The results demonstrate that the music industry utilizes social media to establish communities, advertise new artists and songs, promote concerts and uploads videos to get visibility for their brand. Furthermore, consumers perceive social media marketing activities positively. Finally, we emphasize need to find more innovative ways to harness the power of social media in the music industry.

Keywords: *social media, web 2.0, social networking, artist marketing, viral marketing, music industry*

1 Introduction

The internet has had a profound influence on the way music is distributed. The music industry has been keen to utilizing new marketing channels very quickly (Vaccaro & Cohn, 2004). Social media applications have mushroomed into a hundreds of different applications that can be used for social networking, content sharing and spending your free time e.g. gaming. Social media is here defined according to Kaplan and Haenlein (2010) as "a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, which allows the creation and exchange of user-generated content."

The purpose of this research is to examine how music industry companies are utilizing social media in their marketing activities. We empirically investigate how Finnish music companies are harnessing Facebook, MySpace and YouTube. Moreover, a focus group of consumers active in social media was organized. By putting together the insight from the literature, case studies and the focus group, this study illustrates how social media could be used for marketing purposes and elicits its impact on the music industry.

This study is structured as follows. The first part of the study presents a description on how music business has been altered in recent years that is followed by a review of pertinent social media and web 2.0 literature while focusing on music business. Then the methodology section is presented. After that, four case studies and a focus group are presented. Subsequently, the results are discussed. The study concludes with a discussion of limitations and future research areas.

2 Changing music business landscape

The music industry supply chain has been traditionally very static consisting of three intermediaries between the creator of music and consumer: the record company, the distributor and the retailer. Each of these intermediaries between the artist and consumer naturally adds costs and takes profit which ultimately leads to a higher product prices.

The internet has eliminated the need for physical distribution to some extent and retail of products, thus decreasing barriers of entry. In this sense the current music industry is much more flexible and dynamic, which has given way for new companies and facilitated the establishment of new business possibilities (Graham et al. 2004) such as Apple iTunes and Nokia Music Store. In addition, different internet services have appeared that offer advertising based music subscription (e.g. Pandora in US and Spotify).

Alongside the new business opportunities, the music industry is facing considerable challenges caused by the prevalence of the internet. Studies have shown that the decrease of demand within the music industry is partly due to high prices record labels

have set for CDs and downloads (Clement 2003; Freedman 2003; Vaccaro & Cohn 2005).

Another reason for why consumers do not value legitimate music distribution services to a great extent is the increasing popularity of peer-to-peer networks (P2P) through which consumers can trade music files for free. This phenomenon has arguably contributed to piracy in the music industry even though commercial usage of P2P networks is possible (Arora et al. 2005). According to the digital music report published in January 2008 by IFPI¹, there are more than 500 legitimate digital music services worldwide. Yet tens of billions of illegal files were shared in 2007 through P2P networks. Moreover, the ratio of unlicensed tracks downloaded to legal tracks sold is currently approximately 20 to 1².

The economic value of digital music sales has increased steadily since 2003. By the end of 2007 its share of the global recorded music sales reached 15 per cent, and between 2006 and 2007 global digital music sales grew some 40 per cent. Notwithstanding this, the sales of physical CDs and thus recorded music sales as a whole continue to decline. Between 2000 and 2006 the retail value of total music sales sank from 36,925 million USD to 31,813 million USD. According to IFPI's argument the decline in music sales is solely due to illegal P2P services. However, Andersen and Frenz (2007) demonstrated that those using P2P services buy more CDs than other consumers. Still the decline in music business is obvious and Freedman (2003) argues that besides P2P networks and the high pricing policy for CDs and downloads, there are also other reasons for the decline. Reasonable explanations include a slowing global economy, the popularity of rival leisure activities, such as time spent on web browsing, video games and DVDs, and a lack of major musical innovations. Vaccaro and Cohn (2004) also recognise the impact of rival leisure activities.

Despite the dispersion of opinions as to reasons behind the decline, the internet and its by-products, such as the transformation of the supply chain, have indisputably altered existing business models in the music industry (Anderson, 2006). This is why record labels are seeking for alternative ways to generate more income with their artists such as creating innovative concerts and selling more band related products. In the future driving marketing efforts towards social media might prove to be a beneficial solution in terms of decreasing marketing related costs and revenues.

1 IFPI, Statistics, Available online, http://www.ifpi.com/content/section_statistics/index.html, Accessed February 7 2011.

2 IFPI, Digital Music Report, Available online, <http://www.ifpi.fi/ajankohtaista/article.html?newsid=153>, Accessed February 7 2011.

3 Social media in the music business

There is an extensive body of literature on how to categorize different types of social media and web 2.0 enabled virtual and social networking websites orientated for collaboration on and sharing off experiences (Armstron & Hagel 1995; Bagozzi & Dholakia 2002; Gangadharbatla 2008; Kozinetz 1999; MacIaran & Catterall 2002, Porter, 2004). To condensate the extensive debate, it is stated that in this study social media applications create a basis for user-generated content (UGC) websites that provide platform for social networking occurring virtually or without avatars (Hemp 2006).

Social networks such as MySpace and Facebook can be considered to be formed of numerous separate communities focused on relationships and/or interests (Kannan, Chang & Whinston 2007). According to Bagozzi and Dholakia (2002) continuous social interaction is the basis for the creation and maintenance of a community. The community is an important reference group for its members since the users have an influence to the opinions, purchase decisions and consumption of products and services of the other users (Hagel & Armstrong 1995; Kozinetz 1999).

It has been argued that social networks bring new opportunities to internet marketing and new product innovation. A community brings together users with similar interests and/or demographics so a community can get revenues by selling advertising space and providing highly tailored and targeted commercial information for the community members (Kannan, Chang & Whinston 2007).

Second, social media applications and social networking enables effective viral marketing where brand communication in form of marketing messages spreads fast and wide in the different networks assuming that the message is alluring enough. Effectiveness of viral marketing is based on the same factors as in traditional word of mouth, which are trust placed on the sender of the message and experience gained from the viral marketing (Lindegreen & Vanhamme 2004). For most interesting products and brands users create online communities (MacIaran & Catteral 2002). In Facebook and MySpace, the users have established their own groups for different bands and artists where fans can discuss and share information, photos and videos about the artist as well as invite new members the community. For example, British artists Lily Allen and Arctic Monkeys are famous for their success in MySpace followed by their breakthrough also offline.

In this study the focus has been in MySpace, Facebook and YouTube since they are the most widely used user-generated content websites for artist marketing in the music industry. Through these websites also independent, unsigned artists have an opportunity to spread their own music and gather a fan base. Figure 1 draws together our discussion on social media and web 2.0.

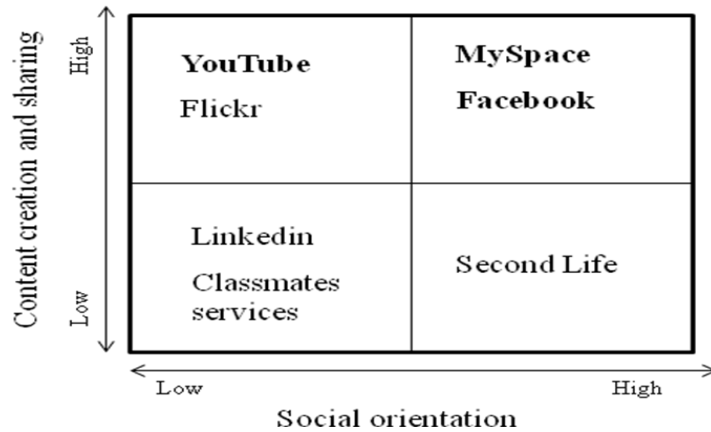


Figure 1: Taxonomy of social media and web 2.0 enabled services

Figure 1 presents on the vertical axis content creation and sharing which can be considered to range from low to high on a particular web 2.0 enabled website. On the horizontal axis the amount of social orientation (towards new or existing social connections) is presented and it can range from low to high on a particular web 2.0 enabled website. The taxonomy is simplistic in nature and does not include new social media services such as Pandora and Spotify.

4 Methodology

Case studies are used when novel topics are in need to be researched and holistically understood. According to Stake (2000) in situations where phenomenon studied in real-life context is novel and the the researcher has only little or no control at all over the events, a case study is the most appropriate method. Eisenhardt (1989) emphasizes the fact that the case study strategy can be considered as particularly capable of providing new insights into a phenomenon of which little is known.

Thus, as social media present such an unique situation a multiple case study method using four cases was employed (Yin 1989). Many authors suggest (see e.g. Eisenhardt 1989; Pettigrew 1989) that case selection is an utmost important decision for case study research. Four cases were selected from the Finnish music industry based on the fact that object of interest was clearly observable (Pettigrew 1989).The case is defined here as one companys way of using social media applications in their marketing activities.

The case is composed out of all the relevant material gained from the company e.g. interviews, internal memos and meetings. Case one labeled Sony is multinational conglomerate Sony BMG Music Entertainment. The case two labeled LoneRider is a small independent music company which has concentrated mainly on producing pop/rock/metal music. The case three labeled Nordie is an independent music company operating in Scandinavia that has also focused mainly on pop/rock/metal music. The case four labeled Branch is an affiliate of an european record company which is concentrated in Finland on producing Finnish pop music for adults.

The empirical part of this study employed various kinds of data. The main objective of data collection was to get rich and detailed primary data on the phenomenon under study. The semi-structured interviews (three individual interviews and one group interview of two persons) form the main data source from which the main issues were identified (Kumar, Stern & Anderson 1993). The choice of people to be interviewed was based on the fact that people were involved in social media marketing activities and conducted these activities almost every day. Thus, object of interest was clearly observable. Five key informants from four case companies form the main data source for the case studies. After interviewing, tape-recorded interviews were transcribed to Word and then they were read by researchers many times to get familiar with the material. After that qualitative data analysis using thematic coding was initiated (Miles & Huberman 1984). Details of interviews are depicted in Table 1.

Table 1: Summary of the interviews

Company	Position of the interviewee	Type of contact	Date, and duration of interview
Sony BMG Music Entertainment Finland	Brand manager, digital and brand partnership	E-mail correspondence (2008a) and telephone interview (2008b)	April 10, 2008, 2h April 8, 2008, 1h
Small indie record company	Producer	Interview	March 4, 2008, 1h
Scandinavian record company	Marketing manager and apprentice in the Finnish office	Group interview	March 5, 2008, 2h
Affiliate of an European record company	Press officer	Telephone interview	March 11, 2008, 1,5h

Although other respondents working in the same company could have offered additional viewpoints of the phenomenon under investigation, the researchers choose key informants from the company who had been actively involved in social media marketing efforts and others were not interviewed. Kumar et al. (1993) suggest that using multiple informants the authors increased both the reliability and the validity of the research. However, more informants from each case could further our argumentation and clearly could have increased reliability and validity even further. In addition to interviews, documents, minutes of meetings, industry reports and company visits were employed to triangulate the respondents' answers (Yin 1989). Data triangulation, one form of triangulation, increases the validity and reliability of the research as contradicting information can be evaluated (Eisenhardt 1989). Apart from Sony BMG, the identities of the respondents and the companies are not revealed for confidentiality reasons.

Case studies illustrate how companies employ social media but we also wanted to know what kind of attitudes consumers have towards social media based marketing. Thus, we conducted an illustrative focus group. Focus groups are widely used method to gather customer opinions about new products and general attitudes towards new issues such as new advertising formats (MacDaniel & Gates 2006). Focus group enables collection of rich data as group of people are interacting and interaction is moderated by the researcher (Edmunds 1999). Special attention was given to this bias moderator did not notice any overly active dominating persons. Focus group themes were virtual and social worlds, positive and negative issues relating to those and marketing communications that they could remember. Miles and Huberman (1984) were used for analyzing the qualitative data collected in focus group.

5 Social media in artist marketing

In a small country like Finland, a small number of companies involved in selling and marketing of music is enough to present the diversity of actions related to usage of social media for artist marketing. Thus, four cases are selected for this study and those represent large share of both digital and traditional music sold in Finland.

5.1 Case Sony

Sony BMG Music Entertainment is a multinational conglomerate and parent company for numerous labels worldwide. The company was founded in 2004 as a result of a merger between two major players in the industry: Sony and Bertelsmann.

Along with traditional media (radio, television, print) Sony BMG considers the internet an important channel for artist promotion. Often the first marketing messages are communicated expressly through the web followed by other media. Traditionally, this has been other way around. According to an interviewee, the advantages of the social media include the ability to update and convey messages, interactivity, cost efficiency and the sense of communality. However, the fragmentation of media has contributed to the exponential increase in communication consumers are exposed to. Thus drawing consumers' attention is a recognized challenge in the music industry. At any rate, the internet is an important marketing channel for the industry, since the target group of many artists is people under the age 44. The interviewee at Sony BMG addressed that the internet reach within this age segment is particularly good.

As usage of social media for business purposes is a relatively new phenomenon, Sony BMG had not executed concrete wide-ranging marketing actions. Furthermore, due to the rivalry among other record labels, the company was reluctant to reveal its precise future strategies. From the marketers point of view however, it is essential to act in terms of consumers involved in the virtual communities, i.e. one must understand how a particular community works. According to Sony BMG, the focal social networks include Facebook, MySpace, Finnish IRC-gallery, Tune.fi website, artist websites and

YouTube. The company's digital team makes artist specific decisions on which medium should be used in each occasion. The strategy is to offer interesting content for different target groups. The interviewee highlighted that through social media Sony BMG aims to bring added value to consumers, tools for enhancing communication between the company and its customers along with means of self-expression for consumers.

Since early 2008 Sony BMG has carried out *advance listening* of albums through MySpace. Thus for a period of one week consumers are given the opportunity of listening to albums free of charge before the official release date. Sony BMG also plans to introduce a concept called *Secret Shows*, which is already functioning in the United States. The idea is to promote secret events and sell tickets to them in MySpace. According to the informant, the performers are kept a secret till the actual event takes place the goal being that the performers would match to consumers' high expectations.

In addition to these marketing actions Sony BMG, along with other major record companies, has negotiated for a service called *MySpace Music* in which consumers would be able to stream music free of charge. The service would include a music store from where consumers could buy downloads for their personal computers and PDA devices. The intention is to sell music files in MP3 format suitable with most MP3 players. As tracks sold through iTunes are merely compatible with the Apple's iPod devices, *MySpace Music* might prove to be a prominent competitor for iTunes, as well as other legitimate music distribution services.

In 2007 the popularity of Facebook rocketed in Finland and at the time this study was conducted Sony BMG's marketing efforts in Facebook were still in a test phase. The company has created *become a fan pages* for its artists and searched for means to increase the number of members involved in these communities. For marketers Facebook offers the possibility to carry out carefully designed ad campaigns, since advertising can be targeted according to users' age, sex and interest areas. For instance, if users' favourite music is reported in their profiles or they are members in some fan community, an advertiser can use this information when designing a targeted ad campaign. Yet, due to limited marketing resources Sony BMG has not made efforts to market the founded fan communities. Instead, the company has monitored how the number of members develops without financial investments. The interviewee pinpointed that the company has good faith in word-of-mouth marketing taking place between consumers.

Furthermore, the staff of Sony BMG also uses its personal networks to carry out viral marketing actions. The employees use Facebook to send messages about interesting artists for their *friends* and business partners. Typically these messages include links to artists' MySpace website and videos uploaded on YouTube. The informant indicated that "Sony BMG regards viral marketing as an easy and cost efficient way to market artists in web 2.0 based networks".

5.2 Case LoneRider

The LoneRider a small Finnish independent music company founded in 2005. LoneRider employs social media widely for their artist marketing. As the artists presented by the company are mainly pop/rock/metal music artist, MySpace and YouTube are the most important UGC websites for marketing efforts.

Most of the company's artists have established a profile in MySpace where users can *listen to the songs* of the band. Furthermore, *additional information* about the band is provided in the profile. Also *tour dates* and *other material* is also offered for fans and those who have just accidentally found their profile.

In YouTube artist's *music videos* and *concert performances* are shown. One of the company's artists received a huge success in YouTube in Finland while users spread the word intensively about the artist's catchy music video and it became fast one the most viewed Finnish videos in YouTube in 2007. This also led to increased record sales of that particular artist. In the future the company has planned to use Habbo hotel in marketing their artist targeted to younger music fans. For example, the band called Gorillaz has been successful in using Habbo hotel while promoting their music. The interviewee highlighted that "*Almost all our artists are present in MySpace. It is almost like an obligation to be there nowadays. There the word spreads effectively via word of mouth. For music videos and concert performances YouTube is an absolute must*".

5.3 Case Nordie

The third case company Nordie is a Scandinavian music company, more accurately their office in Finland. They use also social media for their artist marketing and have experiences about using MySpace, YouTube and Finnish community IRC-Gallery and Aapeli virtual game world. Their artists represent mainly pop/rock/metal music genres.

Therefore, *a profile* in MySpace is created for artists and also in IRC-Gallery as it is popular in Finland. Moreover, *music videos* are included in the YouTube. Profiles and uploading of videos to YouTube present most important marketing efforts in relation to social media. More specifically, the usages of MySpace, IRC-Gallery and YouTube for business purposes are similar to those described in LoneRider case.

Additionally, the representatives of the company pointed out that MySpace is useful for *networking* and *internationalization* activities. Still, in his opinion, there is no sense of community as there is not that much discussion between the users. However, it is pointed that amount of discussion and interaction depends on the community and it is one of the issues that needs to be promoted in each community like Facebook does.

In the future Nordie has plans to further expand social media related marketing activities by exploiting the possibilities of Facebook and Last.fm in their artist marketing. Interviewee noted that discussion boards in different music focused

communities or in the artist homepages, are communities in which user's share their opinions, photos from concerts or information about the artist among each other and those could be harnessed for marketing.

5.4 Case Branch

For the fourth case company Branch the social media is not that important marketing channel. This is mainly because their target customers i.e. audience is older than those presented in earlier cases. In Finland this Branch of a European record company produces Finnish pop music for adults. Thus, from the Branch's point of view it is difficult to reach their audience via internet. Nevertheless, the interviewee recognized the importance of social media and identified a number of communities for the marketing of their artists. As older and older are using the internet and as the significance of the social media phenomenon is increasing the company is planning to initiate social media based artist marketing trials and campaigns. As the interviewee puts it *"The need for the sense of community will not end suddenly so different communities and social networks will retain their significance in the future. It might not be MySpace nor Facebook but some other services instead"*.

To sum up, it seems that Finnish music industry companies are actively evaluating the new channel and its suitability for business and marketing. Some companies that perceive concrete benefits have already formalized their digital marketing strategies while others are still pondering on maturity of underlying technology and effectiveness of the channel.

5.5 Finnish consumer's perceptions of social media based artist marketing efforts

As companies presented in all the cases were very positive and even optimistic regarding social media based marketing efforts an additional view was taken to the phenomenon with the help of the focus group interview conducted with consumers familiar and involved with social media related activities. Both MySpace and Facebook were widely discussed in the focus group. Also music buying behavior, prices of music and advertising generated most discussion. As respondent X puts it regarding MySpace:

"I have not bought anything in digital format, it somehow feels like it is not durable. Like I rather get a record with the covers and other stuff that comes with it then it feels like my own"

It can be seen that some customers still regard traditional music formats more pure and useful than digital format. Moreover, it can be seen that social media is not a useful marketing channel for this type of customers, but from music industry view point only a

minority of consumers represent this category. Still, YouTube based video campaigns presenting e.g. a DJ carrying thousands of vinyls with a big van could be funny enough to gain viral marketing popularity and thereby enforce digital music buying behavior. Respondent Y highlights the importance of pricing of music regarding all social media applications as follows:

“...that is the deal... the price disparity is not that big it [price of a music download/file] must go down considerably to gain popularity...In fact it is a good point that physical record is clearly a better format”

Similarly, he shares the idea of durability regarding traditional format. It was respondent Z who indicated how she uses Facebook as form of viral marketing:

“Very rarely I will put stuff to it [Facebook] as there is so much stuff in there already...however if I know that someone might like some[artist] I would. Of course then if there is some sort of interesting event like a concert I would definitely send that to all friends. Especially if you want your friends to know something you can use that”

Some support was provided for the idea of using the community as marketing tool. Consumers want to share their information that is considered cool or interesting, maybe they want to be looked up as innovators to gain higher self-esteem or perhaps they just want to help a friend interested in Ramones or Abba.

It is notable that many customers are willing to download pictures and video and even write their opinions to Facebook and MySpace about different artists but when it comes to sending invitations or other information forward it causes irritation. Respondent Q highlighted this issue as follows:

“...all the messages and suggestions to send something to 15 friends is annoying. It is always like I will never do that...”

The focus group consumers also generally regard banner advertising e.g. in Facebook as annoying no matter how personalised the ads were. More thought is needed to integrate banner ads in an interesting way to other marketing channels. According to the respondents their user profiles, for instance in Facebook, are so personal that consumers want to stay in control of what information is shown. This suggests that although social media offers possibilities to carry out carefully targeted ad campaigns, the resulted consumer attitudes might be negative. Therefore, the targeted ad campaigns should not be carried out without caution.

6 Results

Companies in the music industry both in Finland and globally are systematically evaluating the potential of social media for making music business more lucrative for

owners of companies and artists. Balancing the costs and benefits is needed by companies and creating social media marketing strategy is advisable for companies planning to engage in social media for marketing purposes. An underlying common element in all marketing efforts is that integrated and interactive marketing communications are offered to customers. Meaning that social media as a channel is complementing and in some areas substituting traditional channels in a way that create value added for the consumer.

Nevertheless, it seems that those music industry companies whose customers are habitually using social networking websites like Facebook, Bebo, MySpace and YouTube type of sharing websites can gain significant advantage by employing social media in marketing. Still, a word of caution is given; companies like Branch gain little from social media. Various ways of deploying social media for marketing were identified in this study. Moreover, consumers are reacting to these novel forms of marketing in mixed way. Table 2 draws together case companies way of using social media and consumer opinions.

Table 2: Artist marketing efforts in the Facebook, MySpace and YouTube and consumers' attitudes towards social media marketing

Social media marketing actions	Marketing process	Sony	LoneRider	Nordie	Branch	Consumers' attitude
Asking to join a community	CRM	X	X	X		+
Advertising new songs and albums	Advertising & Branding	X	X	X		+
Promoting concerts	Sales & CRM	X	X	X	X	+
Advertising fan products	Sales & CRM	X	X	X		+
Uploading videos to e.g. YouTube	Branding	X	X	X	X	+
Asking to tell friends	Sales & CRM	X				-
Advance listenings	Branding & Promoting	X				+

As can be seen from Table 2, for Sony, LoneRider and Nordie who can reach their consumers via the social media marketing efforts are rewarded by consumers. However, Branch has realized from the beginning that as a channel internet is not reaching their customers. Thus, local newspapers or music magazines are more fertile ground for marketing communications.

7 Concluding remarks

The purpose of this research was to examine how music industry companies are utilizing social media in their marketing activities. The results of the study demonstrate that the music companies employ social media in their marketing activities actively however, in different ways and that consumer generally perceive these activities positively.

The four cases studies indicated that music industry companies are using social media applications for two specific marketing actions. First, they attract audience for their artists i.e. brand visibility and second goal is to sell more songs, fan products and concerts online.

The focus groups revealed that the consumers are willing to form band communities by themselves indicating that sponsoring and initiating band communities is a viable course of action for record labels.

Given the exploratory nature of the study, the findings can only be generalized very cautiously. Four case studies and one focus group provide illustrative results that are bounded to specific context of Finland. Thus, we encourage further research building upon the present study and suggest two main lines of future inquiries.

First of all, based on literature review a taxonomy of social media and web 2.0 enabled services was synthesized using content creation and sharing and social orientation as the main differentiators. Hence, future research attempting to further categorize the ways music companies utilize social media would be highly appropriate.

Secondly, there is currently only a very limited understanding of the effectiveness of marketing activities in social media. Thus, a potential avenue for further research would be to quantify and measure how the investments in social media marketing translate into sales, brand recognition, page impressions or other performance indicators.

Third, ethnographic study with artist would provide considerable insights into marketing actions outside the control of music companies. Ethnographic approach could provide rich information on how artist are actively marketing their band and services online in different communities and content specific websites.

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