Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Management

Diploma Thesis

Advertising and Marketing in the Music Industry

Nikolay Penev

© 2013 CULS

! ! !

**Místo této strany vložíte zadání bakalářské práce.
(Do jedné vazby originál a do druhé kopii)**

! ! !

Declaration

I declare that I have worked on my diploma thesis titled "Advertising and Marketing in the Music Industry" by myself and I have used only the sources mentioned at the end of the thesis.

In Prague on 27.3.2013 _____

Nikolay Penev

Acknowledgement

Reklama a Marketing v Hudebním Průmyslu

Advertising and Marketing in the Music Industry

Souhrn

Tato práce se převážně zabývá marketingem a reklamou v hudebním průmyslu. Zkoumání různých strategii marketingu a reklamy v hudebním průmyslu je hlavním cílem této práce. Práce prohlíží různé odvětví hudebního průmyslu, zabývá se ekonomikou tohoto průmyslu a podmínkami jeho rozvoje. Analýza přináší pohled na:

- ekonomické podmínky v hudebním průmyslu v minulosti a současnosti
- průběh příjmů v některých oblastech
- vývoj různých technologických změn, které měli dopad na odvětví hudebního průmyslu
- Případové studie
- další faktory související s hudebním průmyslem jsou prozkoumány formou dotazníku

Mnohé z uvedených faktorů jsou graficky přezkoumány, diskutovány a porovnány mezi sebou. Práce přináší také předpokládanou předpověď o příjmech z hudebního průmyslu v některých oblastech a přehled předpokládaných změn v odvětví marketingu a reklamy. V závěru jsou prodiskutovány výsledky, které vyplývají z analýzy.

Summary

This work is mainly engaged in marketing and advertising in the music industry. Exploring different strategies in marketing and advertising in the music industry is the main objective of this work. The work browses through various branches of the music industry, and is dealing with the economics of this industry and the conditions of its development. The analysis provides a view to:

- the economic conditions in the music industry in the past and present,
- development of revenues of some areas
- Case studies
- the development of various technological changes that have had an impact on the music industry
- other factors associated with the music industry are analyzed in a survey

Many of these factors are graphically examined, discussed and compared with each other. The thesis brings expected forecast of revenues in some areas of the music industry and an overview of projected changes in the marketing and advertising. In the conclusion results arising from the analysis are discussed.

Klíčová slova: Marketing, Reklama, Hudba, Hudební Průmysl, příjmy z hudebního průmyslu

Keywords:

Marketing, Advertising, Music, Music Industry, Receipts from the Music Industry

Contents

Table of figures

1 Introduction

20th century has brought music to a different position than it has been ever before. In these years music has grown on importance in economic matter and has become an industry. This thesis mainly deals with this music industry and different approaches in Advertising and strategies in Marketing in the different branches of it. The music industry has always been a significant part of the show business. The goal of analyzing the strategies and approaches is to see how they were improving and what can be done better and improved further in the strategies of major and minor music producers, companies, labels, artists etc. The other goals are to predict what the future of the industry will bring based on trends and other techniques.

The thesis is going to examine partially the music industry in the Czech Republic and focus on the music industries of the most successful countries in this business. Since the conditions of the industry in the Czech Republic are in very different than in for example in the US or UK. In the past decade many things have changed in the way how music is marketed and advertised. The internet and the online world have shifted not only the marketing and advertising from being physical to virtual but also for example the audio storage options were extended and their sales are slowly transforming to be digital. Selling music is becoming more and more an online internet business and this thesis will explain many of the changes but also many of the "old fashioned" ways to advertise and market music.

2 Objectives

The goal of this diploma thesis is to collect information about the new trends in marketing and advertising in the music industry and describe them along with important information regarding the industry. Historical data about the industry and its development are to be analyzed and also economic development in order to see how past trends have been changing and affecting marketing and advertising. The concepts of marketing and advertising are to be examined and described. The definitions from different branches from the music industry are to be described so different areas where marketing and advertising are applicable can be defined. Other goals are to forecast further economic development in the music industry and find out what different trends in marketing and advertising can emerge in the future. Most of the new trends are interconnected with the online world and a great deal of this thesis will be to analyze as many of them. Another aim is to find out advertising types according to different music genres, but also regarding some other branches from the music industry that may appear important. A field research with questionnaires is to be prepared and analysis of advertisements and different marketing strategies is to be evaluated through it in order to achieve this goal. The outcome of the field research is to point out some strengths and weaknesses of methods used in marketing and advertising in the industry.

3   Methodology

The methods chosen for the research and analysis of the Advertising and Marketing in the Music industry are:

Comparative methods

- Comparison of different qualitative and quantitative data, in order to find out relationship between two or more variables.
- Observation of different trends.
- Brand based comparative methods studying consumer behaviour and different attitudes towards particular brands.

Qualitative analysis

Use of qualitative information with the purpose to derive information needed for the research. The analysis of qualitative data in this thesis can but don't have to include:

- Fieldwork research,
  The fieldwork is a participative study in which the results are gained from the field research and the collected data is not secondary.
- Observation,
- The observation is the procedure of collecting data from an environment with problems that need to be resolved and the interpretation of such problems.
- Interviews,
  The observation is the procedure of collecting data from the environment of the problematic that are to be solved and interpreting them.

- Surveys and questionnaires,

  The questionnaires and the surveys are forms with prepared questions. The questions are answered either by selecting an option from a multiple choice list or by specifying the answer in an open-ended text box.[1]

Descriptive analysis of time series data

Time series analysis deals with evaluating collection of data gathered through measurements over time. The analysis explains the behaviour of the data.

Forecasting based on trends

Forecasting based on trends is an attempt to predict future events based on events that happened in the past

---

[1] http://www.ehow.com/list_7459438_different-types-methodologies.html

4 Literature overview

4.1 The Concepts of Marketing and Advertising

As this work is mostly connected with Advertising and Marketing it is crucial to explain the concepts of some terms:

4.1.1 Market

According to Kotler and other in their book Marketing management:

According to Kotler (Marketing management) the market describes various groupings of customers who buy products or services.[2]

4.1.2 Marketer

According to Kotler and other in their book Marketing management:

Someone who seeks a response from another party called the prospect[3]

4.1.3 Marketing Definitions

According to Kotler and other in their book Marketing management:

Process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create, exchanges that satisfy individual and organisational goals[4]

According to marketingpower.com

---

[2] KOTLER, Philip, KELLER, Kevin. Marketing Management, pg. 973

[3] [3] KOTLER, Philip, KELLER, Kevin. Marketing Management, pg. 973

[4] [4] KOTLER, Philip, KELLER, Kevin. Marketing Management, pg. 973

- *„Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.* (Approved October 2007)"[5]

4.1.4 Advertising Definitions

According to Kotler and others in the book Marketing Management Advertising is defined as

- any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor[6]

According to managementhelp.org the definition of advertising is:

- *„Advertising is bringing a product (or service) to the attention of potential and current customers. Advertising is focused on one particular product or service. Thus, an advertising plan for one product might be very different than that for another product. Advertising is typically done with signs, brochures, commercials, direct mailings or e-mail messages, personal contact, etc."[7]*

4.1.5 SWOT analysis

According to Ferrell and Hartline Marketing strategy[8] SWOT analysis is a way how to analyse internal and external factor influencing a company.

---

[5] http://www.marketingpower.com/AboutAMA/Pages/DefinitionofMarketing.aspx 12.3.2013

[6] KOTLER, Philip, KELLER, Kevin. Marketing Management, pg. 964
[7] http://managementhelp.org/marketing/advertising/defined.htm 12.3.2013

[8] FERELL, Odies C. , HARTLINE Michael D. : Marketing Strategy, Page 43,44

SWOT is a shortcut for strengths, weaknesses (which would be the internal factors), opportunities and threats (which would be the external).

Figure 3.9 Using SWOT analysis to monitor the internal and external position of an organisation
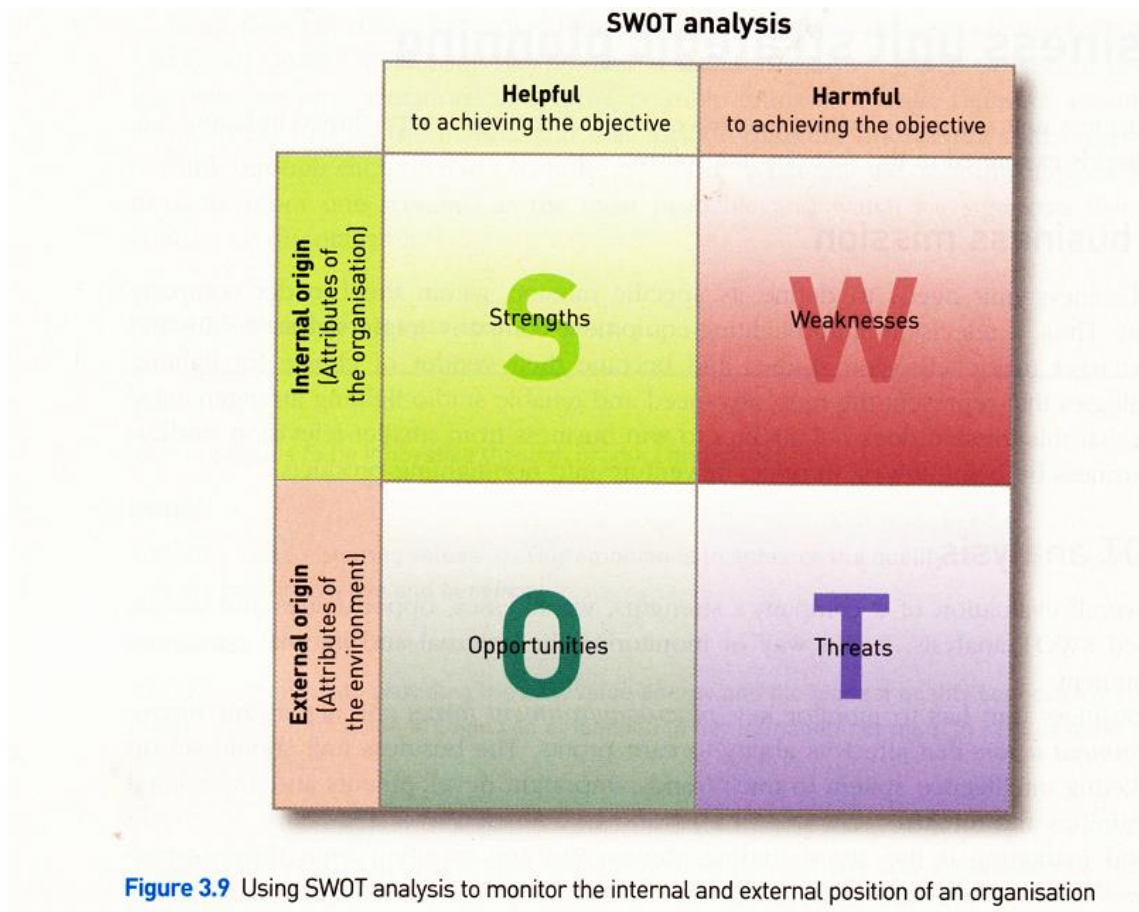
Picture 1 - SWOT analysis (taken from Marketing Management by Philip Kotler)

4.1.6 Marketing mix

The marketing mix is a tool that explains how a company is dealing with a product's pricing, distribution (place), promotion and the product itself it is often called the 4 Ps product oriented model. The model was extended also to 7Ps[9] including people, process and physical evidence. From consumer side the marketing mix is explained by the 4 Cs, where product

---

[9] ROBINSON P: Operations Management in the Travel Industry, , page 151

is replaced by consumer, price by cost, promotion by communication and place by convenience. Kotler and Armstrong explain the 4 Ps more in to detail in their book Marketing principles[10]:

- Products
  - Variety
  - Quality
  - Design
  - Features
  - Brand name
  - Packing
  - Services
- Price
  - List price
  - Discounts allowances
  - Payment perdio
  - Credit terms
- Promotion
  - Advertising
  - Personal selling
  - Sales promotion
  - Public Relations
- Place
  - Channels coverage
  - Assortments
  - Locations

---

[10] KOTLER Philip J. , ARMSTORNG Armstrong: Principles of marketing, page 76

- o Inventory
- o Transportation
- o Logistics

4.2 History of the Music Industry

Music in its forms as recordings of musicians or life performances, together with other products as literature etc. has been commercialized and emerged to become an industry as we know it today in the middle of the 20th century. The attempts to commercialize the music started in the 17th - 18th century, when the first opera houses and concert houses were opened and composers such Mozart were seeking opportunities to commercialize their material by performing in front of the general public. As Mozart used to live and perform in Prague, we can see that Czech lands were one of the cradles of the music industry.

 In late 19th century the phonograph and also the first gramophone was released.

The first record labels were founded and later went out of business. Columbia Records can be mentioned as one that was founded in 1888 and still exists today. In the 20's of the 20th century the radio broadcasting started and marked the end of an old era and created an opportunity for a wide range of music genres to become popular worldwide. Additional sound recording formats were invented later: the music cassette, the compact discs, minidiscs and the digital formats such as mp3. The last format has brought the music industry to an unexpected situation as the first file sharing programs for personal computers were introduced.

4.3 Marketing and advertising in the music industry

Marketing and advertising in the music industry has become very diverse. Since there is plenty of music styles and genres, it is possible that musicians that play similar genres have very different strategies in the way they advertise and promote their music. Musicians relate their music to some particular art style which they keep or come with something new every time according to the trends. Very often musicians even change the type of music they play according to the music trends. Some musicians promote their music through a lifestyle, other base the marketing on fashion trends. There are musicians who promote their political views through music. Other musicians may only have commercial initiatives. Their goal is to create profit and their only focus is to maximize the profit. There are musicians who can keep doing this profit maximizing strategy only short term and others who remain on the scene for a very long period of time. Big parts of the profit maximizing artists are short timers that come and go with the trend that goes with them. Controversy is sadly one of the biggest advertising tools in the music industry and all of the best sold musicians are surrounded with it even though they might not be the best singers or players. In these days when classic Television and Radio are on their way to the end it is possible that things will be changing but not to another long term trend but to multiple rapidly changing different ones.

4.4 The different branches of the music industry

The music business consists of companies and individuals who are making money by creating and selling music. Among those companies and individuals we can define these branches:

4.4.1 Composers

The composer is an individual who creates music for further performance. There are several tools the most known of which is the musical notation; however it is disputable whether it is the most used.

In old times the music would be passed from one generation to another as an oral tradition. With time more techniques developed. Modern composers are also using electronic media. Many things have become easier for the composers with the advanced development of electronic media at end of the 20th century. With the new tools composers don't even have to be familiar with musical notation. Also music instruments might have their own types of writing the music. The guitar tabs are such an example.

4.4.2 Musicians

A musician is an individual who performs music by playing a musical instrument (instrumentalist) or by using his/her voice as an instrument (singer). Musicians as composers do also write music. Musicians can be musicians by profession however it is not always a rule. Composers can also sometimes be characterized as musicians together with conductors and choreographers.

4.4.3 Record Label

Record label is a music company that is doing the marketing for the music performers and their recordings and other materials such videos and DVDs. The Record label might also be responsible for manufacturing the materials and their distribution along with their marketing and advertising. There are 3 major record labels today: Universal Music Group, Sony Music Entertainment and Warner Music Group.

Besides these three labels there are other labels that are called to be independent (indie) labels. Some of them produce non-mainstream music some of them do produce mainstream music however they are not under the control of the other 3 major labels so they are called independent. There is a double meaning of the term though.

4.4.4 Music Publisher

It is the company or the individual that is managing the production of usually music, audio and video recordings. It involves the publishing of music productions, manufacturing and / or distribution of phonograms - sound and pictures, mostly for playing music. Music publishers are company-publishers of sound and images, and software professionals in the music publishing businesses that were affirmed in this kind of publishing. The musicians are having publishing contracts with the publisher which agrees to provide royalties to the musicians for different use of their compositions. There are several types of royalties:

- *Mechanical royalties given for CDs and digital downloads*
- *Performance royalties which are paid by radio stations that broadcast the recorded music*
- *Synchronization royalties for using the music in a television soundtrack or a movie soundtrack*

4.4.5 Music Producer

Music producer is an individual from the music industry who is engaged in the supervision and management of the recording process of a performer or group of performers.

The producer's functions vary and include: collecting ideas for the music

project, selecting songs and / or musicians, guiding the performers in the studio recording sessions, control and supervision of the entire process by blending (mixing) and mastering. Producers also often take on entrepreneurial commitment, responsibility for budget, calendar and negotiations.

Besides the actual music producer there is also an executive producer who is responsible for financing the project.

Music producer is sometimes compared to a movie director. The work of the producer is to create, shape and appearance of a given musical work. Its liability may be focused on one or two songs, or even an entire album. Often develop an overall vision (or image) for the album and how the various songs interact. [11]

In today's world technologies are well developed and access to them is relatively easy. An alternative to traditional music producer can be the so called "Bedroom producer" or house producer. Given the state of the art technology for a good producer it is easy to achieve high quality tracks without the use of any musical instrument. Many famous musicians currently use this approach.

4.4.6 Recording Studio/Sound Engineers

A recording studio is a place where music is being recorded. It consists of three or more rooms equipped for recording. There is a room for

---

[11] Interview with PHIL EK, Interview by Bob Noble, May 25, 2009

http://www.hitquarters.com/index.php3?page=intrview/opar/intrview_Phil_Ek_Interview.html

recording vocals, drums, and other instruments; a room where the sound engineer records the music; the last room is a kind of storage for microphones and other equipment. The Sound Engineer is a skilled audio technician who knows how to operate with recording equipment and other machinery. It's typical for a sound engineer to have a good knowledge of acoustics. The sound engineer is the person who records, mixes the music.

4.5 Important organizations of the music industry

4.5.1 IFPI – International Federation of the Phonographic Industry

It is an Organization that represents the music industry worldwide. It is registered in Switzerland and based in London with other regional offices in Brussels, Hong Kong and Miami. The Organization is providing information and statistics about the music industry in world scale.[12]

4.6 RIAA – The Recording Industry Association of America

It is an organization that keeps the financial interests of major music companies. It's member are labels that distribute about 85% of all the legitimate recorded music produced and sold in the US. [13]

5 Analysis

5.1 The recent years and the current situation in the music industry

The music industry has lost a considerable amount of its revenues since the introduction of the digital formats. For example the sales in the US for

---

[12] http://ifpi.org/content/section_about/index.html

[13] http://www.riaa.com/aboutus.php?content_selector=about-who-we-are-riaa

have been cut to half from 14.6 Billion USD to 6.3 Billion USD for the period of 1999 to 2009[14]

After a long period of time when the digital music formats weren't generating revenues, Apple Inc introduced the website iTunes. iTunes sells music in digital format legally and has increased the sales of digital music

The Digital Formats and the online file sharing have pushed the music industry again to another era. The creation of music recordings has become much easier after the introduction of the personal computers. It has become possible to create recordings of a very good quality in someone's bedroom. Sometimes such home recordings are comparable to professional studio recordings created few years ago.

That technological advantage has encouraged many more musicians to record music and many more people to get engaged in marketing and advertising recorded music.

5.2   SWOT analysis of recorded music business

5.2.1.1 Strengths:

Large market - Almost every person who owns a Personal Computer, mobile phone, TV, Radio and other devices is able to listen to recorded music. The market for music around the world is very large thanks to the technological improvement in the last century.

---

[14] Music's lost decade: Sales cut in half, By David Goldman, staff writerFebruary 3, 2010: 9:52 AM ET
http://money.cnn.com/2010/02/02/news/companies/napster_music_industry/

Different varieties of recorded music – recorded music can be played in multiple devices as mentioned before and also in many different formats of audio storage. People can listen to music in their car, on their way to work, at home, basically everywhere.

Different genres – anyone and everyone in the world probably likes some kind of music, and even if not there is so many new genres coming out every year, that more and more people are finding taste in music

English – thanks to this language which is widely spoken around the world, music is getting to be understood much easier

Weaknesses –

File sharing - The biggest weakness occurring today for recorded music was brought in the last 15 years when file sharing first appeared. File sharing has developed letting people listen to music unlimitedly without paying for it. Artist and labels are making a lot less money than before.

Storng competition – There is so many artist today that it is difficult for many musicians to make music for living. On the other side it makes today's music much more colourful.

Monopoly – it is not monopoly at the exact meaning, but US and UK bands are the best selling in the world and their marketers and advertisers are hardly letting other musicians enter the market. However new trends might be on the way to change that, take the Korean performer PSY and his Gangnam style for example.

English – English is also a weakness of the recorded music because it limits its variety. People who don't understand Czech are very unlikely to buy an album of a Czech artist sang in Czech.

5.2.1.2 Opportunities

Digital formats distribution development - The availability of music has greatly improved due to the shift from physical audio storage to digital formats music has become much more available. 20 years ago it was hardly possible for a single person to start a label or music project and distribute music worldwide. The competition and the lack of fast distribution for physical storage were the main contributing factors. Digital formats are much more efficient way of distributing music

Online music video – online music videos are a great way to advertise recorded music any artist can upload and share his/her music with the world

5.2.1.3 Threats

File sharing – file sharing is also a big threat to the recorded music. If file sharing grows, the sales of recorded music fall letting artist and labels without pay for their hard work. However it creates hyper competition and musicians strive to be successful.

5.3   Old trends vs. new trends in marketing and advertising in the music industry

It has been quite some time since the days when customers had to pay the full price for an album in order to hear 1 or 2 songs that they liked. Since the internet has allowed file sharing, many people would attempt to generate income out of it and some of them would succeed finding new ways of marketing music. One of the biggest examples is iTunes. There are still many past methods that are efficient today, but might have lost in effectiveness due to the constantly changing environment of today's'

marketing and advertising. Let us review the old trends and compare them to the new once.

Before the review start let's explain some needed information

Before the review start let's explain some needed information

5.3.1.1 UPC code

This code is included with records such compact discs and also almost every product nowadays. It is the barcode which cashiers use for reading the type of the good using optical reader devices. The shortcut stands for Universal Product Code. The code has 12 numbers and looks like this:

Picture 2 - UPC code (taken from http://www.codeupc.net/)

"For a CD, the UPC's 12 digits are assigned as follows: the first 6 digits (the prefix) represent the record label or other releasing entity (more on this later), and the last 6 digits (the suffix) represent the artist and the release. " [15]

---

[15] The last word and numbers on your cd http://www.airshowmastering.com/libfiles/LastWord.pdf 12.3.2012

The code is used for pricing and tracking sales. A company called Nielsen (Soundscan) is also making statistics about record sales. This is why some music websites require these codes. For example every artist who wants to sell his/her record on amazon.com and some other music stores has to have the 12 digit code in order to be allowed to release the record there

5.3.1.2 ISRC code

The ISRC code is a code that is added to every song on a record in order to create statistics about the sales of the various songs on that record.. The shortcut stands for International Standard Recording Code. It is also used for tracking the people who are expected to receive royalties for selling the record in outlets or online music stores, satellite radios or online radios. The code is supposed to be reliable as the information stays added to the track even after it is taken from the CD using extraction programs. Appointed by the International Standard Organization (ISO) the code is maintained in the US by RIAA and by IFPI in other countries.

What does the code mean?:

US-Z04-99-32243
(1)   (2)   (3)   (4)

1) The country of origin for the sound recording copyright owner.

2) The code for the registrant or copyright owner, which is unique the sound recording copyright owner, whether artist or record label.

3) The year the ISRC was embedded in the sound recording track. The year strictly refers to when the ISRC was applied to the track, not when the track was first released.

4) The designation code, also known as the code assigned to each track.

The ISRC is always tied to the track, not the delivery medium. So, for example, a track from a Super Audio CD release that is later released on a CD compilation would have the same ISRC in each case. However, a revised release of the same tune, for example, with a different tempo, would be considered a new track and would require a different ISRC.

Picture 3 ISRC number (taken from airshowmastering.com/libfiles/LastWord.pdf)

16

5.3.1.3 Artist Royalties

According to the "Business of music 10th edition" the artist royalty is a percentage of the price of the record. The percentage is around 9-12%. New artists are getting lower percentage from the labels. Established

---

[16] The last word and numbers on yoor cd http://www.airshowmastering.com/libfiles/LastWord.pdf 12.3.2012

bands/artists are getting a higher percentage. Sometimes when a label wants to prolong the agreement it might offer the artist a higher percentage. The US labels typically give higher rate for domestic sales and lower for foreign sales. In negotiating rates for foreign sales artists should try to get 85% of the royalty rate for US sales, 75% for Europe, Japan and Australia and 50% for the rest of the world. Where a record company has subsidiaries the rates should be higher than normally since the record company has lower expenses on promoting and selling the record.

5.3.2 Classic Radio vs. Online Radio and Streaming music websites

Music radios have always been a media that can influence the music tastes. Different stations playing different music genres were able to satisfy many listeners, make them find out about musicians and eventually help many artists sell their records. Radio is also a good way to find out about concerts in town and other information about a particular genre of music. Radio stations would make a great deal of advertising for bands in the past and present. The internet of course created a much more complicated listener and it is obvious that the influence of the classic Radio stations has fallen through the last decade together with the count of listeners. New technologies have shifted many listeners to online music platforms such as Last.fm, Myspace.com and others

5.3.3 Last.fm

Last.fm is a website that works similar to radio. The unique feature is that the player will play similar artists to the once the user likes or artists from a genre the user chooses, sometimes it also works for a region or country.

Last.fm provides 50 full song previews to its new users which afterwards have to pay a fee of 3$ per month to be able to continue listening to the songs that musicians and labels etc. uploaded. In some countries users don't have to pay a fee. The site generates revenue by advertising, fees and donations.

Any musician is able to upload music. The more the listeners play the song the more the artist will gain in royalties. Musicians are also able to promote their music using the feature called powerplay:

Picture 4 - Last.fm's powerplay (taken from http://musicmanager.last.fm/promotion/powerplay/step_two?track=643428567 – unable to access without log in)

17

Let's say that a musician types Madonna into the field of similar artist. The bronze campaign will play the chosen song to 100 Madonna fans for the price of 16.50 Euro. Similar artists can be combined for example play to be played to fans of Madonna and others:

Powerplay Summary
Please check the details of your campaign below. When you're ready to go hit launch, or save it for later.

CAMPAIGN SUMMARY

Your campaign will play...

Lumberjack

Bronze
100 radio plays
€16.50

To fans of these artists...

Artist	Popularity
Madonna	
Johnny Cash	
Tom Jones	
Bobby Brown	
The Ghastly Ones	

[edit target artists]

Step 4: Launch Campaign
Give this campaign a name so you can find it later:
Lumberjack Campaign
This campaign will cost **€16.50** to launch

Picture 5 - Last.fm powerplay (taken from https://www.last.fm - unable to access without log in)

18

5.3.3.1 Pandora

Pandora appears to be similar site to Last.fm for mobile electronic devices such Smartphone or tablet downloadable as a application. The site is however unavailable in the Czech Republic since only listeners from the United States, Australia and New Zealand can access it. The site has

---

[17] http://musicmanager.last.fm/promotion/powerplay/step_two?track=643428567 12.3.2013

[18] http://musicmanager.last.fm/promotion/powerplay/step_three?campaign=1073978 12.3.2013

around 140 million registered users and 75% of them are connecting to the radio via Smartphone or tablet.[19]
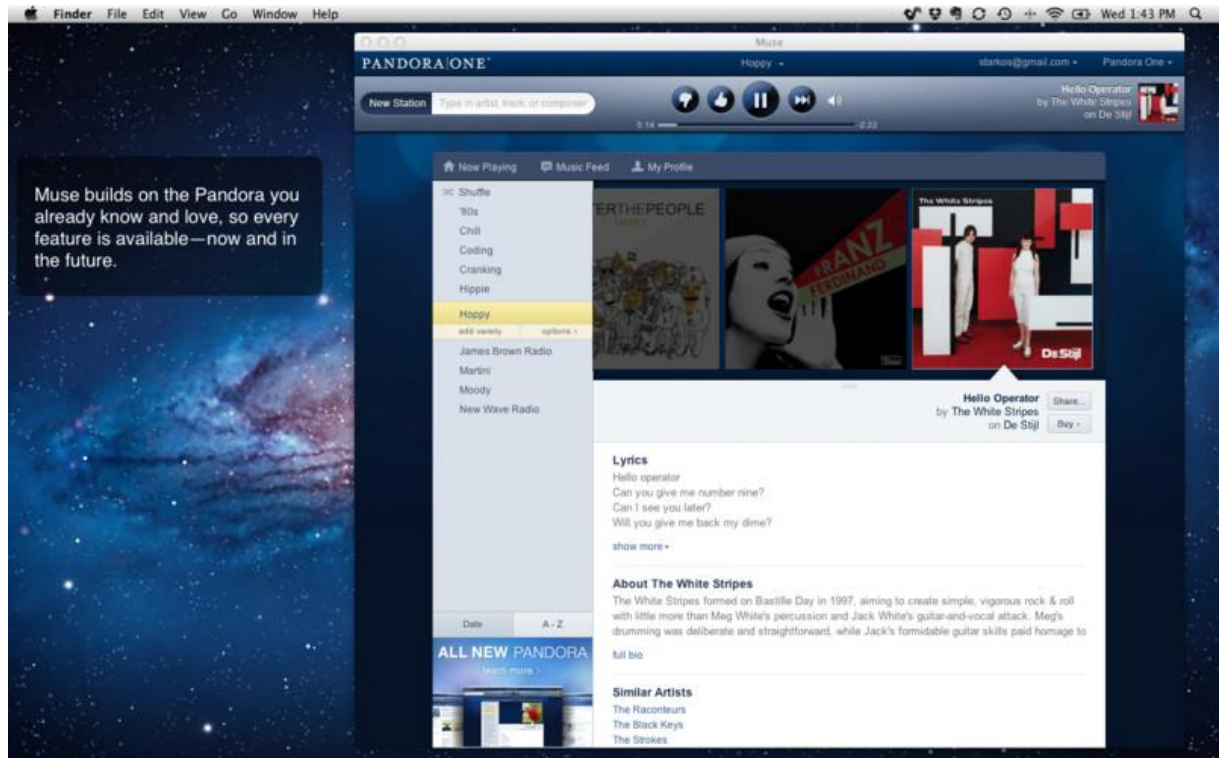
Picture 6 - Pandora internet radio (taken from http://mac.downloadatoz.com/muse-pandora-radio-player/screenshot.html)

[20]

5.3.4 Television vs. Online video websites

Music TV channels and music TV shows similarly to the radio had much bigger influence on listeners in the past before the internet "stole" significant part of them. Music TV channels were able to create a "hit" from a new song within few days or hours. Playing regularly a music video

---

[19] Pandora offers listeners ad-free personalized radio with new Windows Phone 8 app http://www.mobilemarketer.com/cms/news/music/15016.html 22.3.2013

[20] http://mac.downloadatoz.com/muse-pandora-radio-player/screenshot.html

from a catchy song has brought huge profits to recording companies and mainstream artists. People would buy a whole album of songs which they didn't necessarily like except for that one famous song.

The influence of the classic TV channels on the markets has been diminishing. The most popular TV music channel MTV is plays music videos only as a small part of its program, the rest are comedy shows relevant to the music industry, however the times when MTV was very influential are long in the past.

5.3.5 YouTube

Youtube.com can be considered the replacement of the music TV as far as influence goes.. You can probably find all the existing music videos on earth, except videos that artists or their labels did not allow to be viewed on the site. For example the world famous musician Prince was not available for view on YouTube for some time, because he did not wish to be there. Nowadays however you can view some of his videos on YouTube. The site does not contain only music videos but also movies, home videos, video tutorials etc.. Anyone from anywhere can upload a video on YouTube with a PC other device that allows it. One of the YouTube features is the subscription. Once you are interested in a particular artist, you are able to subscribe for videos he/she is going to post on the site. When the artist uploads a video, the subscribers are notified on the site and by email if they wish to. YouTube is one of the main reasons why music TV channels lost their audience. The TV channels show only limited variety of music. They cannot realistically satisfy the diverse tastes of the modern listeners. YouTube will show you only videos that the user searches for and wants to see (except for some short advertisements

before the start of some videos that were embedded to the website last year). The probability that the user is going to like the video is very high. Overall YouTube can be regarded one of the most important places where musicians can advertise and market their music! Let us make a small example.

5.3.5.1.1 Gangnam Style

How many people on earth know the song Gangnam Style today? If you see YouTube calculations it will show almost 1, 5 billion views. That means it is the most viewed music video in the history of the music industry! No Television was and will ever be able to reach that many views. According to Billboard the video watched in the recent time 76, 4 times per second.[21]

It is obvious that YouTube generates significant revenues from such large number of views combined with the recently added advertisements. The YouTube developers decided to help musicians by sharing with them the revenue generated by the advertisements however it seems that the musicians receive only symbolic remuneration. For example the band Dead Kennedys states that after having around 14 000 000 views of their material the band has received only few hundred dollars from YouTube. There is controversy around the share from the revenues since according to npr.org YouTube is not stating how the share is exactly calculated[22]

---

[21] 'Gangnam Style' is most watched video in history
http://marquee.blogs.cnn.com/2012/12/21/gangnam-style-video-is-most-watched-in-history/
23.1.2013

[22] The record news from NPR http://www.npr.org/blogs/therecord/2012/09/27/161837316/youtube-shares-ad-revenue-with-musicians-but-does-it-add-up 27.9.2012

YouTube is the 3rd most visited website in the world, which speaks for its marketing and advertising power. The site is able to present the right advertisements to the right users according to the type of videos users have played and added to their favourites. An example would be a user who has played 10 rock and roll videos in the last hour. YouTube will present that user with an advertisement for a rock and roll concert that will be held in the next two days in a close proximity of the geographic location of the user. It is very probable that the user already likes the artist presented in the advertisement. How easy and efficient? YouTube is truly the place where a musician must advertise if he/she wants to reach a broader audience.

5.4 Classic Music Magazines vs. Online music magazines

Magazines were probably one of the first methods to promote music, introduce musicians to the market and advertise their music. Interestingly music magazines are still sold today even though one cannot use printed paper to listen to music. Certainly some magazines provide CD's, however it is remarkable that this form of music marketing still exists considering all the substitutes that are available today. The reason is probably that is hard to create an online magazine for which people would spend more money than for a printed one. The other reason is that the biggest online music magazines are mostly made by the same brands which produce the printed ones. Thanks to file sharing it is more probable that people would not pay for an online music magazine and would download a free copy. This gap is letting printed magazines be still profitable however the future of this business is doubtful. Once an independent free online music magazine (that generates it's revenues

from advertisements for example) reaches the popularity of the printed ones, it might crush its printed opponents quite easily.

5.4.1 Classic music magazines: Rolling Stone, Entertainment Weekly, Billboard, Spin, Clash

Picture 7 - Rolling Stone cover (taken from http://fineartamerica.com/featured/rolling-stone-cover-volume-782-3-19-1998-jack-nicholson.html)

These are few of the most successful music magazines. Entertainment weekly is the most successful music magazine but also includes information about other types of entertainment. The magazine has

reached 1, 7[23] million customers in the second half of 2012. Rolling stone is focused on music and has reached almost 1,5 million customers in the second half of 2012[24]. Billboard is not such best-selling magazine however its chart appears to be the most important in the music industry in the US, showing weekly the most popular songs in the US. Spin and Clash are other successful music magazines reaching also many online readers in the UK.

5.4.2 Online music magazines

Pitchfork.com – This magazine has 240 000 readers per day and 1,5 million visitors per month, so it basically reaches more people than any classic magazine. The problem is that the time spent on the site can be really short. That is why ads cannot make it more profitable yet and an equal opponent to the printed magazines.

There is still lack of powerful e-zines. In some countries however the situation might already be different. For example online magazines in the Czech Republic such as topzine.cz might already be more profitable than the printed ones. Unfortunately there is lack of data on that topic.

5.4.3 Music stores vs. Online Music Stores

The role of physical media with music records is diminishing every single day. It is not so long ago when music was difficult and expensive to obtain. During the 90's the only way to listen to records in the Czech Republic was to borrow it from somebody, borrow it from a rental store or buy it from distributor as BontonLand. The prices were much higher

---

[23] Entertainment weekly circulation http://abcas3.auditedmedia.com/ecirc/magtitlesearch.asp 2.3.2013

[24] Rolling stone circulation http://abcas3.auditedmedia.com/ecirc/magtitlesearch.asp 2.3.2013

than today. An audio cassette cost around 300 CZK (10-12Euro) and a CD was priced 600 CZK (20-24Euro). Today things are very different, digital music sales are ahead of the physical and almost no one is willing to pay 20 to 24 Euro for a CD. The prices are about 2 to 3 times lower. The days when physical music stores and rentals were full of people seem to be long time gone and gone for good.

Today people are able to obtain music via file sharing, online music stores and online streaming audio or video channels. Some of them were mentioned above. Let us explore some online music stores combined with other features:

5.4.4 iTunes and iTunes music store

iTunes is a music and video player that is compatible with the Apple platforms such as the Mac or iPhone. It is also compatible with PC and platforms running on Microsoft Windows and possibly other platforms too. The difference between this player and many other music players is that users are able to buy music directly from it. Customers of iTunes do not have to visit any physical stores. The process of obtaining music is as simple as possible. Users can search for artists by genre, name of the artist or name of the album and purchase a song very often for 0, 99 Euro. Whole albums are sold at a lower price compared to the same songs purchased individually. Great feature of iTunes are the previews of the songs. Users are able to play minute and a half from the songs and they can decide afterwards whether they like the song and want to buy the whole version.
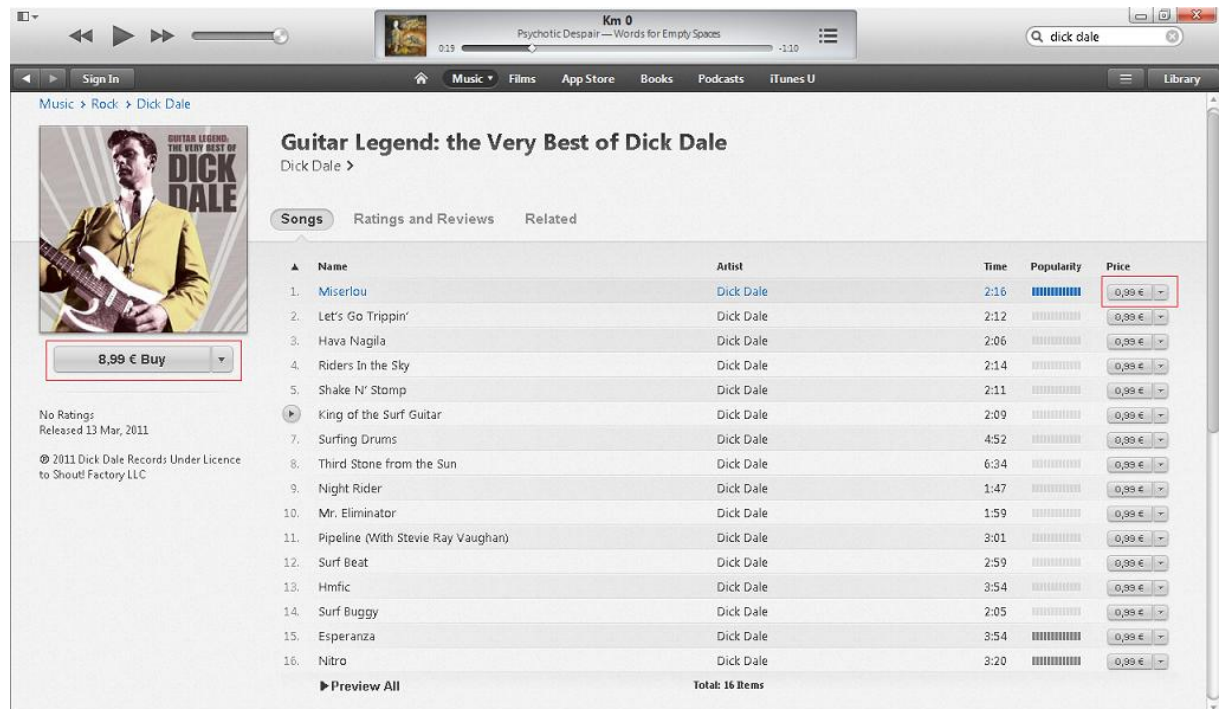
Picture 8 - iTunes (PC screenshot of the player)

iTunes is definitely very user friendly. On the other side the artists are in a bit more difficult position since the content requirements for iTunes sellers are

- At least 20 albums in your catalogue
- UPCs/EANs/JANs for all products you intend to distribute
- ISRCs for all tracks you intend to distribute [25]

That means that every musician having a record on CD or digital files first needs a UPC bar code which costs from 10$ to 30$. Since minimum albums required are 20 the artist needs to find a distribution company to

---

[25] iTunes Connect
https://itunesconnect.apple.com/WebObjects/iTunesConnect.woa/wo/0.0.0.7.3.9.3.1.1 12.3.2013

put the music on iTunes.[26] iTunes is definitely the biggest online music seller with having 80% of the online music market in 2008, however there are more innovative websites coming with a lot easier solutions for the musicians such as Bandcamp.com.
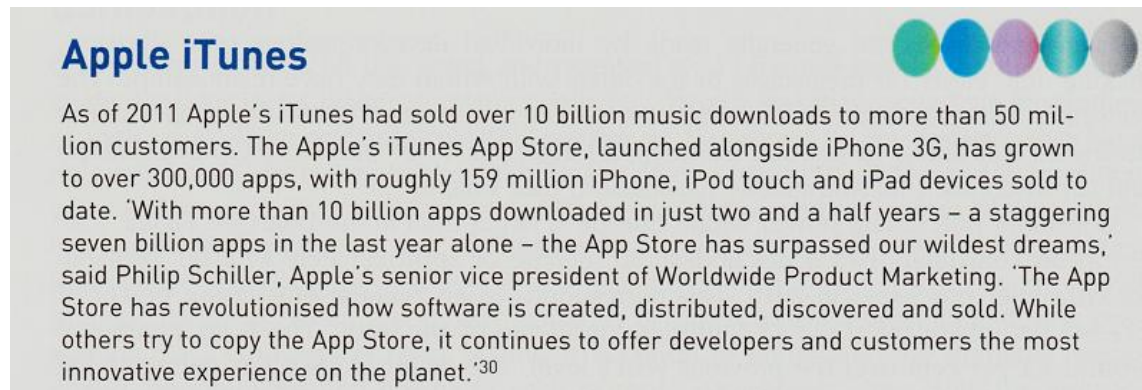
Picture 9 - iTunes (Taken from Marketing Management by Philip Kotler)

---

[26] How to sell your music on iTunes
http://www.youtube.com/watch?feature=player_embedded&v=MbgctI_9bTE 12.3.2013
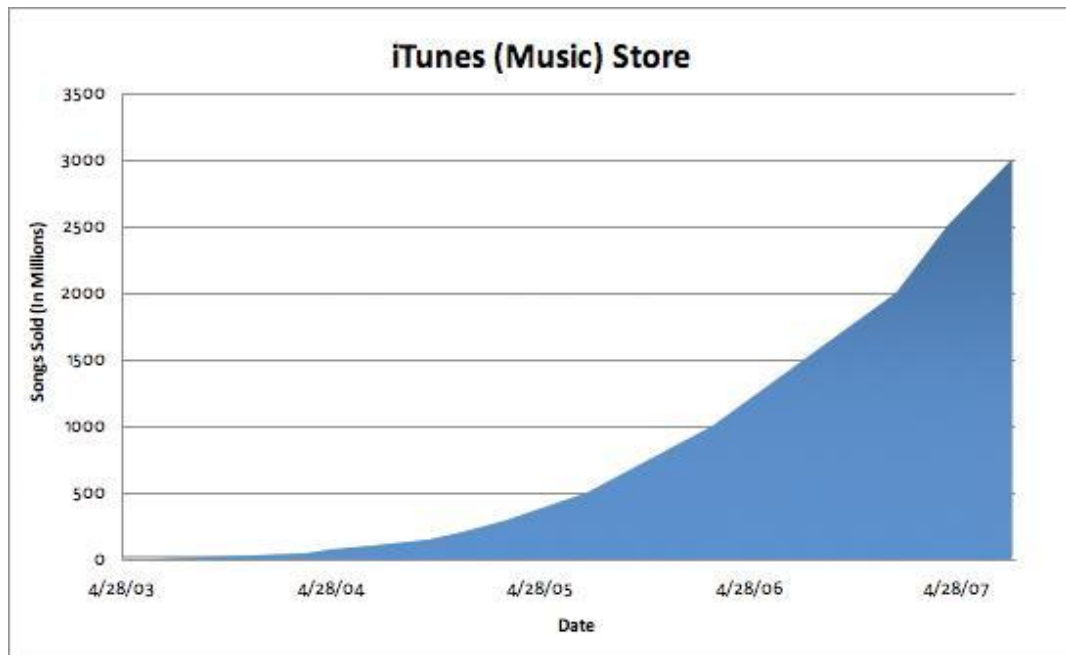
Picture 10 - Songs sold on iTunes - taken from
http://www.macrumors.com/2007/07/31/itunes-store-tops-three-billion-songs/

We can see that iTunes sales had very rapid development and has the biggest share on the market in the figures above and below.
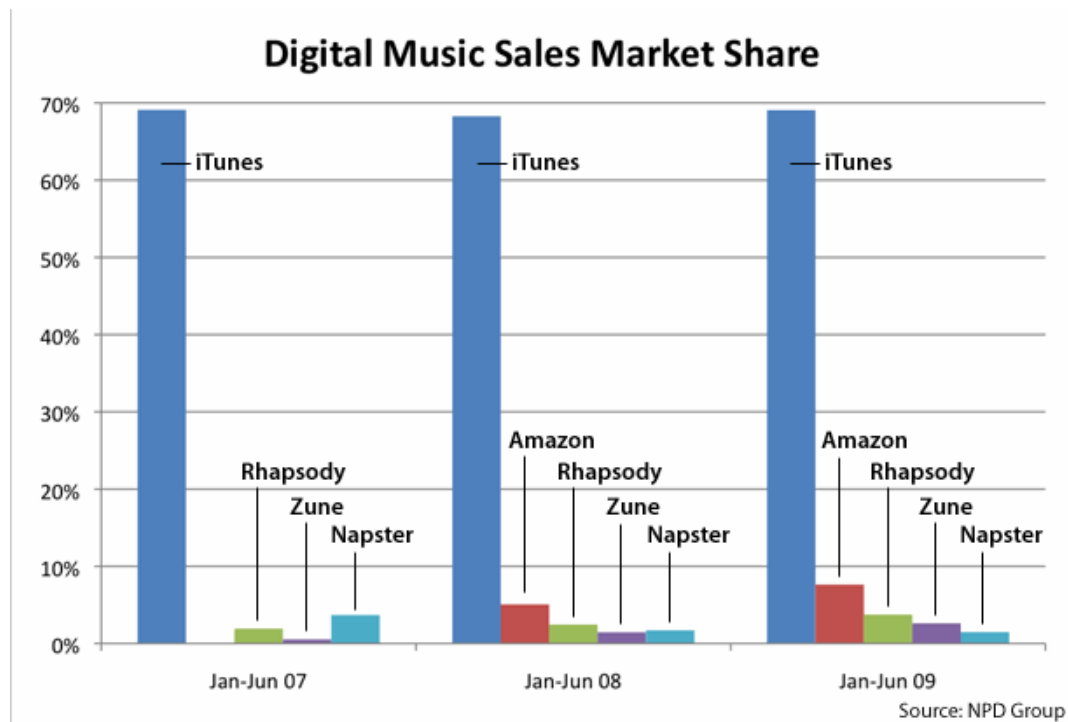
Picture 11 - Digital music sales market share - taken from http://www.edibleapple.com/2009/08/22/itunes-dominates-online-us-music-sales-chart/

5.4.5 Marketing mix of iTunes

According to the survey in chapter 5.7 iTunes is the most popular online music store. Let us examine the Marketing mix of the store

- Products
  - Variety – probably one of the largest variety of music genres and artist on the market
  - Quality – quality of records is one of the highest possible
  - Design – Apple design of the player is very modern
  - Features – extremely user friendly
  - Brand name – Apple is one of the most known brands on the market
  - Packing – digital music format

- o Services – online downloads
- Price
    - o List price – 0.99 USD cents per song
    - o Discounts allowances – discounts for full albums
- Promotion
    - o Advertising – iTunes is on every Apple device and it is possible for other it doesn't need large promotion
- Place – it is the biggest pro of iTunes everything is online and available on multiple electronic devices such Smartphone. Customers do not have to go anywhere the store is with them once they own electronic device with iTunes available on it.

5.5 Bandcamp.com

Bandcamp.com is a website with a similar function as iTunes however there are some differences between the two.

While iTunes allows users to access the music content on both their personal computers and online, BandCamp is focused on the online content. BandCamp allows users to play music they look for and buy songs they demand.

Picture 12 - Bandcamp (bandcamp artist profile taken from http://kinggizzardandthelizardwizard.com/track/the-raid)

27

Bandcamp is as user friendly as iTunes. The interface and functionality is easy to understand for both users and artists. Any musician can upload and sell music and merchandise (T-shirts etc.) on bandcamp in a matter of minutes. Bandcamp.com is the perfect place for non-mainstream musicians who wish to advertise, market and sell music and other products. Probably the biggest advantage is that there are no restrictions on how many albums an artist or label has to be selling and no other business constraints Anyone can sell even only one song and sell it

---

27 http://kinggizzardandthelizardwizard.com/track/the-raid 12.3.2013

without having a distributor, ISRC number or UPC barcode. It is enough to make a profile and upload a song and it is ready to sell. Easy and efficient bandcamp.com is a little revolution in the music industry and has bright future.

Other factors showing the competitively of the site compared to others is that there is many functions that other music stores do not offer even combined. For example there are no geographic restrictions for bandcamp.com anyone can access it from anywhere unless a government is censoring the site. High quality digital audio formats are provided. Users can choose to download .flac format .alac, .vorbis or .aac and .mp3 as usual. A very good feature is that an artist may decide not charge for .mp3 files and require customers to pay only for the high quality formats. Next feature that iTunes and dozens of other music stores do not provide to their customers is the full length preview that bandcamp.com has on every song. This feature might be seen as a restriction to some musicians and labels expecting that a user hearing a whole song will not be willing to buy that song afterwards. This is probably the reason why not many mainstream musicians have bandcamp profiles.

5.6   The Social networks

There is no match (vs.) to the social networks. This brand new service is the heaven for all marketers and advertisers. Facebook, Twitter, Linkedin and Vkontakte are among the most visited sites in the world with Facebook being the second most visited after google.com[28]

---

[28] Most visited sites http://www.alexa.com/topsites 2.3.2013

5.6.1 Facebook

For the 9 years of its existence facebook reached over 1 billion active users making almost impossible things for advertisers and marketers come true.

As mobile devices started allowing the use of facebook there are 600 million users accessing the site through their smartphones etc. Once an artist sets page on facebook similarly as YouTube and Last.Fm a campaign can be started for reaching audience from all around the world. The time needed to launch a campaign and introduce appropriate material to target audience is probably the shortest possible. With few clicks, an artist can invite or advertise his/her page and through applications let new audience view music videos (from youtube or other sites), records (from soundcloud.com for example), photos, bio of the artist, concert dates (through applications such reverbnation).

5.7 Questionnaire summary and discussion of the results (Questionnaire can be found in the appendices)

There were 108 people who participated in the survey (it is still opened, so there are more by today). The participants were mostly from the Czech Republic and Bulgaria. The other answers were from Portugal, United States, Greece, Poland, Ghana, Russia, Slovakia, Mongolia, Belgium, Italy, Irelands, Turkey, France, Germany, Spain, Romania, Colombia and Ukraine. This is a total of twenty countries in covering all the world continents except Australia and Antarctica. The participants are mostly my Facebook contacts or their contacts. The Questionnaire was created using Google Docs. For seeing full form of the question, please check the appendix with the unfilled questionnaire where multiple choice options is to be founded describing whether only one or multiple answers were possible to be checked etc.
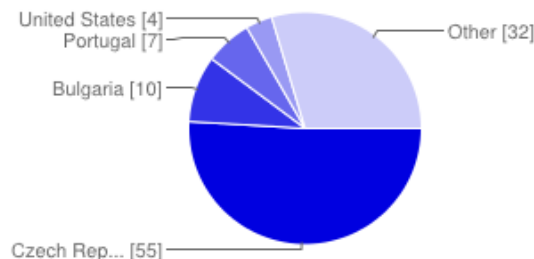
Picture 13 - Participants country of origin

The next figure shows the sex and the age of the participants. Majority were male in the age groups between 18-33 years old.

Sex?
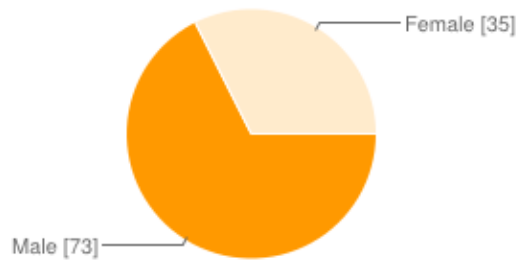
Male	**73**	68%
Female	**35**	32%

Female [35]

Male [73]

What is your age?
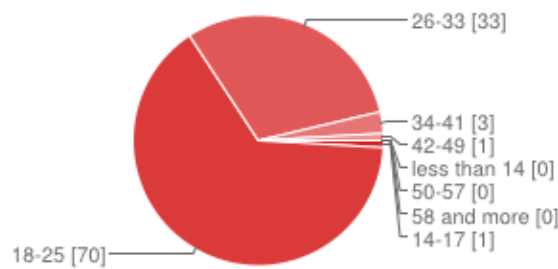
less than 14	**0**	0%
14-17	**1**	1%
18-25	**70**	65%
26-33	**33**	31%
34-41	**3**	3%
42-49	**1**	1%
50-57	**0**	0%
58 and more	**0**	0%

26-33 [33]

34-41 [3]
42-49 [1]
less than 14 [0]
50-57 [0]
58 and more [0]
14-17 [1]

18-25 [70]

Picture 14 - Participants sex and age

These are the occupations of the questioned people, they were mostly students.

What is your occupation?

Turnov administration jobless Constultant in personal agency student Student assistant sales manager with the music instruments Logistics business developer unemployed Student student manager student+bedňák Student student IT Services specialist Studant Graphic designer Student student Rampagent Developer, technician civil engineer social media manager IT technician Pro-drummer consultant Student Videographer Sound engineer student Student news reporter Student Student student kitchen helper lawyer officer Currenly looking for a job student Student Tutor student project manager, lawyer cashier Student student student IT student fan student student journalist student student student Student student gas station attendant programmer Working Student single Office clerk student Student/Internship Digital Manager student employee Student sales manager SW Developer single technická podpora IT Student Sales student consultant student IT support assistant for mentally and physically handicapped people student translator acquisition analyst ESL Teacher student popovo project manager student Czech Student Evidence Technician student student student student Student Student sound engineer / Drummer student market analyst Environmental Engineer stagehand lighter

Picture 15 - Participants occupation

Majority of the participants were not connected to the music industry in any way. The remaining 28% were connected, 8% specified what they exactly do in the music industry:

Are you connected to the music industry in any way ?
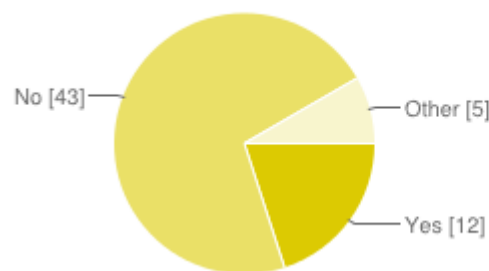
Yes	12	20%
No	43	72%
Other	5	8%

Picture 16 - Participants connections to the music industry

Majority of the participants indicated that they mostly get music through file sharing. The online stores won the second place over physical music stores. Only 3 people indicated that they would get music from rentals. Other people indicated youtube, live music shows, Vkontakte, Ulozto, last.fm, Clubs, Grooveshark and Bandcamp. YouTube was mentioned few times, but the participnat probably misunderstood the question. The other mentioned are also sites that only let you stream music. In the case of Ulozto we are talking about file sharing. The other sites allow you get music through their online store. Live shows and clubs can be considered form of a physical music store however the 2 answers added on this still do not make the physical store total greater than the 28 online music store rate. It is questionable weather the figures would be the same if older people filled the questionnaire, that's why we can consider this figures usable for our major age group 18-33 years.

Where do you get your music most frequently?

Physical music stores	22	14%
Online music stores	28	18%
File Sharing (Peer2peer programs/free downloads)	85	55%
Music Rentals	3	2%
Other	16	10%
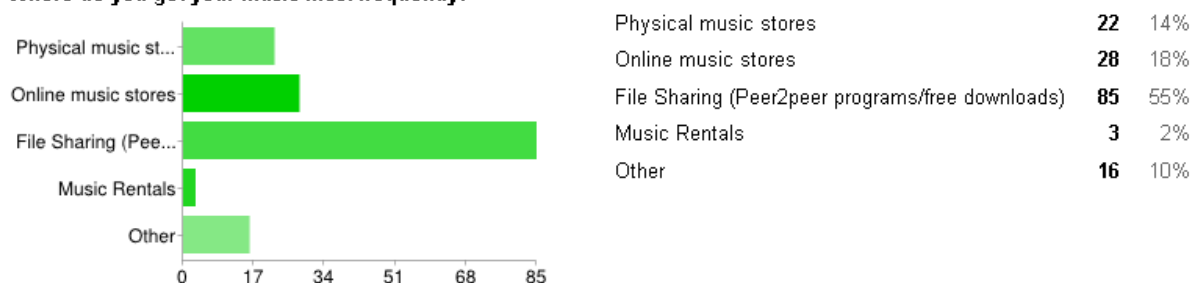
Picture 17 - Most frequent places of getting music

In the next figure the research found out that the participants mostly listened to Rock, Rock and Roll, Metal, Hardcore, Electronic, Jazz, Pop and Drum and base. The participants were able to select more than one answer in this question. The first number indicates the number of persons that checked the box of the genre the second their percentage.

What music genres do you listen to?

Rock and Roll	52	7%
Avant-Garde	8	1%
Blues	21	3%
Brazilian Music (Bossa Nova/Samba etc.)	10	1%
Latin American Genres (Salsa/Mambo etc.)	10	1%
Grind/Grindcore	21	3%
Electronic	39	5%
Surf Rock	11	1%
Hip Hop	35	5%
Jazz	30	4%
Pop	30	4%
R&B	23	3%
Rock	68	9%
Ska	31	4%
Reggae	30	4%
Hardcore	41	5%
Metal	47	6%
Brass music	3	0%
Balkan brass	8	1%
Drum and bass	30	4%
Dubstep	29	4%
Ambient	12	2%
Disco	13	2%
Techno	13	2%
Folk	13	2%
Swing	18	2%
Rockabilly/Psychobilly	13	2%
Country	13	2%
Classical music	22	3%
African Genres	8	1%
Rap	23	3%
Punk	14	2%
Other	18	2%

The most known music stores of the questioned person are iTunes, Amazon and Google play.

Do you know any of these online music stores?

7 Digital	**7**	2%
Amazon MP3	**65**	21%
iTunes store	**94**	30%
ebay Digital music center	**22**	7%
Google play	**43**	14%
Bandcamp	**18**	6%
Beatport	**5**	2%
Bleep.com	**2**	1%
Boomkat	**1**	0%
BuyMusic	**6**	2%
CD Baby	**2**	1%
Classic Archives	**1**	0%
Digital-Tunes	**6**	2%
Vodafone music	**9**	3%
Xbox Music	**16**	5%
Qobuz	**1**	0%
Pandora	**6**	2%
Other	**11**	3%
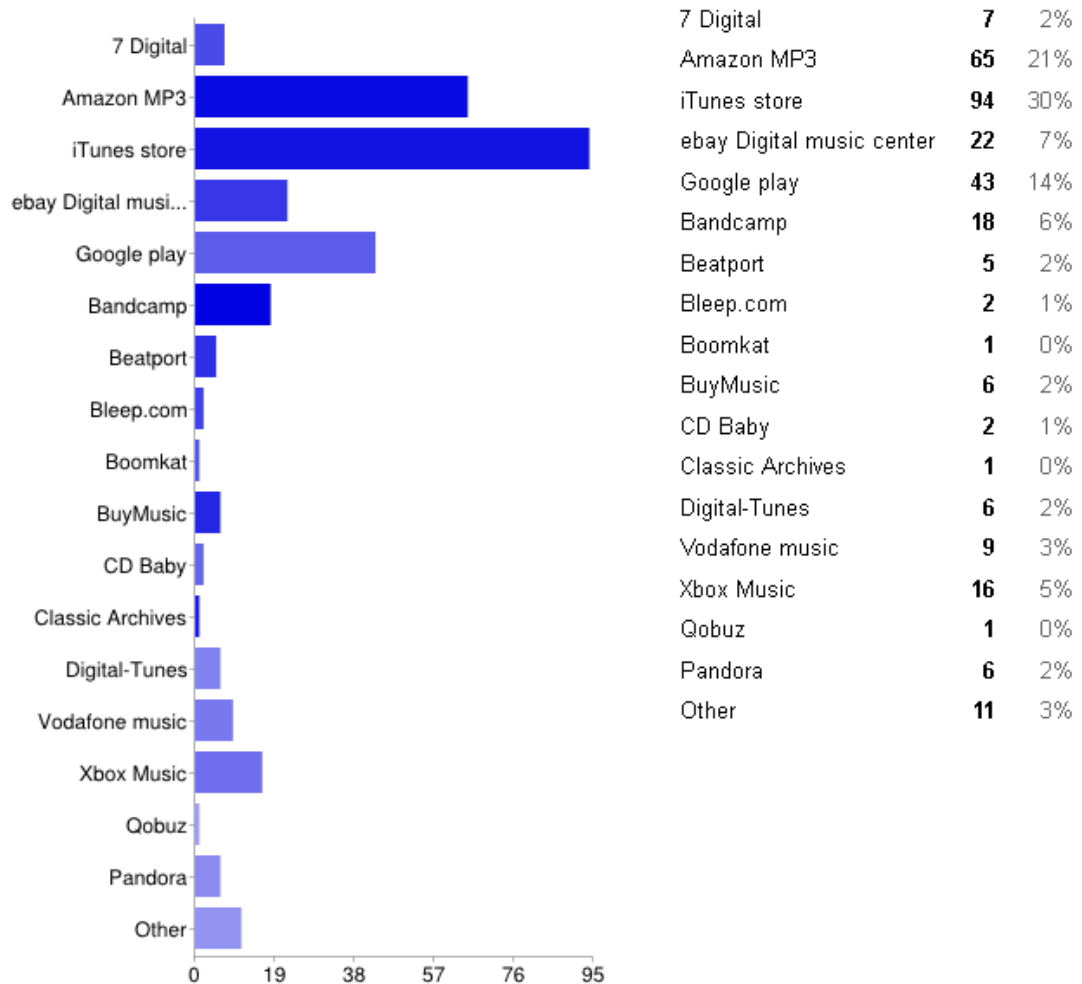
Picture 18 - Most known online music stores

Most people would visit life music performances twice a year or 5-8 times a year. The expenditures of the interviewed would be mostly 0$ to 10$, 11$-20$ or 21-30

How often do you go to see life performances of musicians?

I do not go to life performances of musicians.	4	4%
Once a year	12	12%
Twice a year	17	17%
3-4 a year	14	14%
5-8 times a year	15	15%
9-12 times a year	11	11%
13-20 times a year	9	9%
20-40 times a year	7	7%
40 or more times a year	11	11%
Other	1	1%
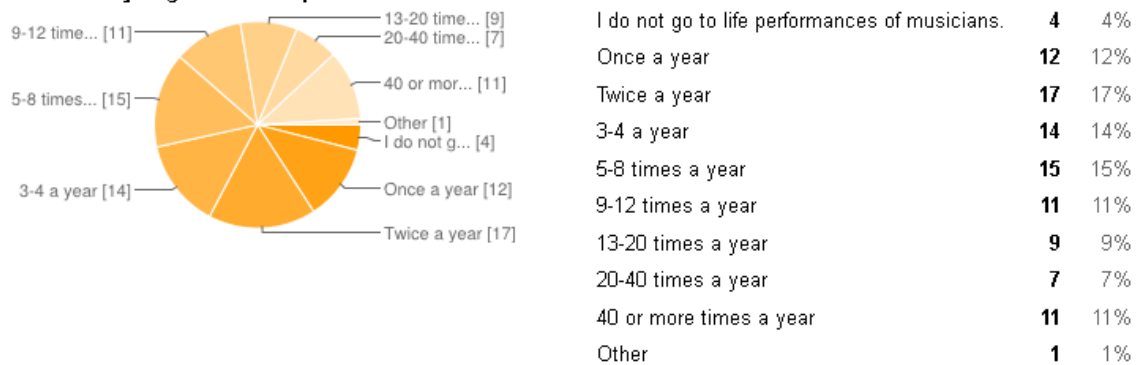
How much do you spend on tickets for life performances per month on average?

0$ - 10$	29	27%
11$ - 20$	26	24%
21$ - 30$	22	20%
31$ - 40$	12	11%
41$ - 50$	5	5%
50$ - 100$	5	5%
100$ or more	4	4%
Other	5	5%
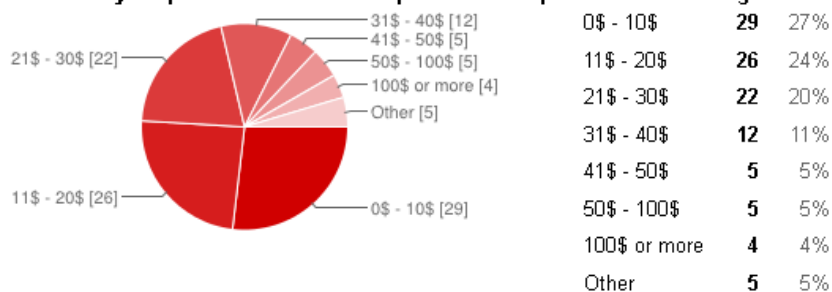
Picture 19 - Frequency of life music performance attendance and average expenditures on them

This next figure reveals the large power and variety of audince of the internet advertising. YouTube is checked by 82 people, that means that only 26 people out of the 108 would not check the box. Facebook is on the second place with 75 checks. Radio is the 3rd most powerful record advertiser and the fourth are the friends of the questioned. Band websites can tell you about the record only if you visit them, so it can not really be counted as a powerful tool for advertising however artists should still make this website for their fans as the survey points that it doesn't appear to be a weak way to advertise

Which source do you use to learn about the new music records that you listen to?

Source	Count	Percent
Television	22	6%
Radio	46	12%
Youtube	82	22%
Facebook	75	20%
Music Magazines	16	4%
Official band websites	31	8%
Myspace	8	2%
Last.fm	15	4%
iTunes	8	2%
BandCamp	5	1%
From Friends	42	11%
Street Posters/Billboards	8	2%
Flyers	8	2%
Newsletters (email)	4	1%
Other	10	3%
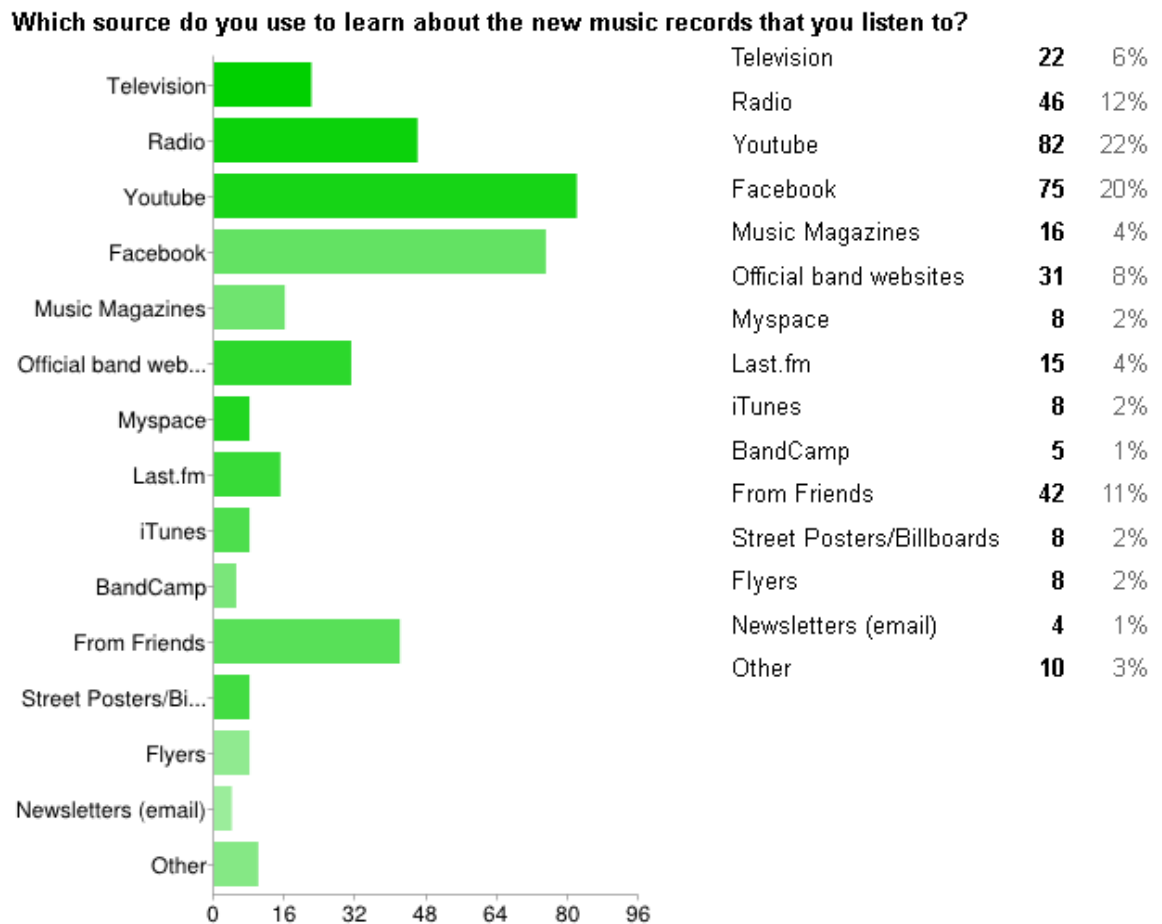
Picture 20 - Which sources do participants use to get to know about music records

The questioned indicated that the type of advertisements that catches their eye or ear mostly are Facebook ads, Billboard ads, YouTube ads, online video previews and Radio ads. This figure confirms the power of the online marketing and advertising.

What type of advertising catches your eye or ear most often?

Posters/Billboards	53	15%
Flyers	30	9%
TV advertisements	27	8%
Radio advertisement	34	10%
Facebook advertisements	64	18%
Advertisement in music magazines	14	4%
Band/Artist interviews	27	8%
Online music video previews	37	11%
Online audio previews	23	7%
Youtube advertisements	38	11%
Other	4	1%
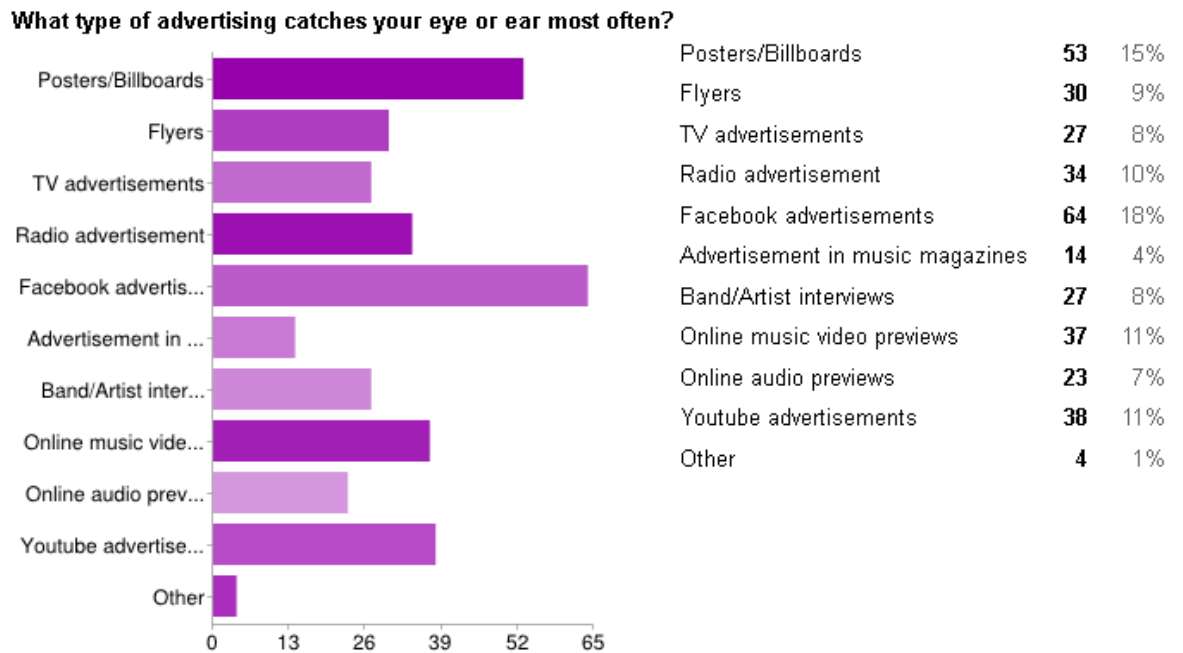
Picture 21 - Popular types of advertisements of participants

The next 2 figures show statistics about paid and unpaid online downloads. The majority of the questioned obtained 20 or more audio albums using file sharing during the last year and none using online music stores or physical stores. It is not obvious whether the participants would pay for music online or in a shop the answers are very close.

How many audio albums did you approximately download using file-sharing during the the last year?

none	18	17%
1	3	3%
2	7	6%
3-4	10	9%
5-6	9	8%
7-8	4	4%
9-10	12	11%
11-20	11	10%
more than 20	25	23%
Other	10	9%

How many albums did you approximately download using online music stores during the last year?

none	44	57%
1	5	6%
2	5	6%
3-4	6	8%
5-6	3	4%
7-8	0	0%
9-10	4	5%
11-20	4	5%
more than 20	6	8%
Other	0	0%

Picture 22 - Number of albums downloaded by file sharing and purchased in online stores

How many albums did you approximately purchased using physical music stores during the last year?

none	39	51%
1	3	4%
2	10	13%
3-4	10	13%
5-6	3	4%
7-8	2	3%
9-10	2	3%
11-20	3	4%
more than 20	5	6%
Other	0	0%
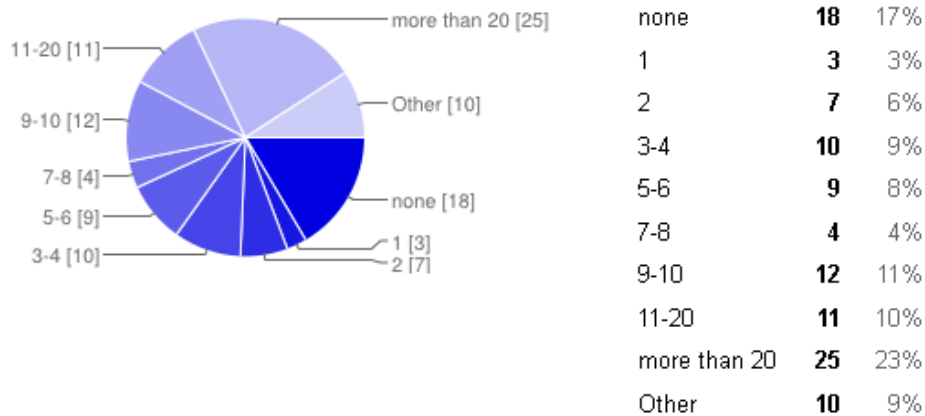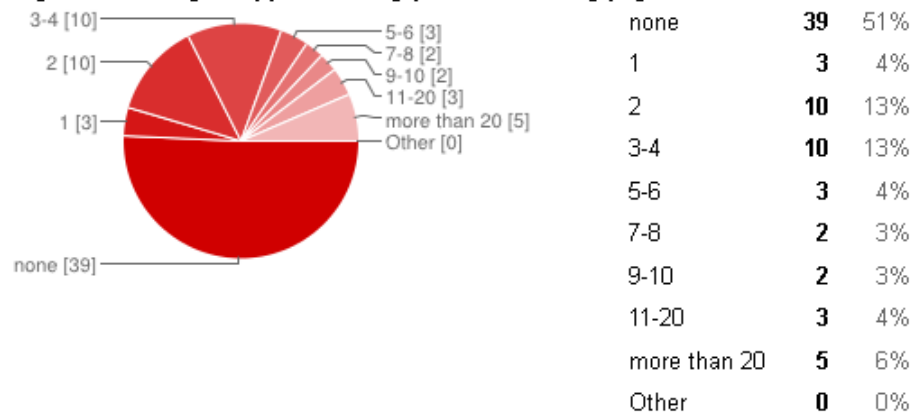
Picture 23 - Albums purchased in physical stores

The next question is about Vinyl records. It seems that many of the participants enjoy the qualities of this old audio storage especially the Rock and the Rock and Roll fans. Only about 18% did not buy vinyl in the last 10 years which is a very surprising outcome showing that vinyl records are popular (at least between the participants)

Do you remember the music genre of the Vinyls you bought in the last 10 years?

Rock and Roll	17	9%
Avant-Garde	0	0%
Blues	6	3%
Brazilian Music (Bossa Nova/Samba etc.)	2	1%
Latin American Genres (Salsa/Mambo etc.)	3	2%
Grind/Grindcore	2	1%
Electronic	3	2%
Surf Rock	1	1%
Hip Hop	11	6%
Jazz	10	5%
Pop	8	4%
R&B	6	3%
Rock	20	10%

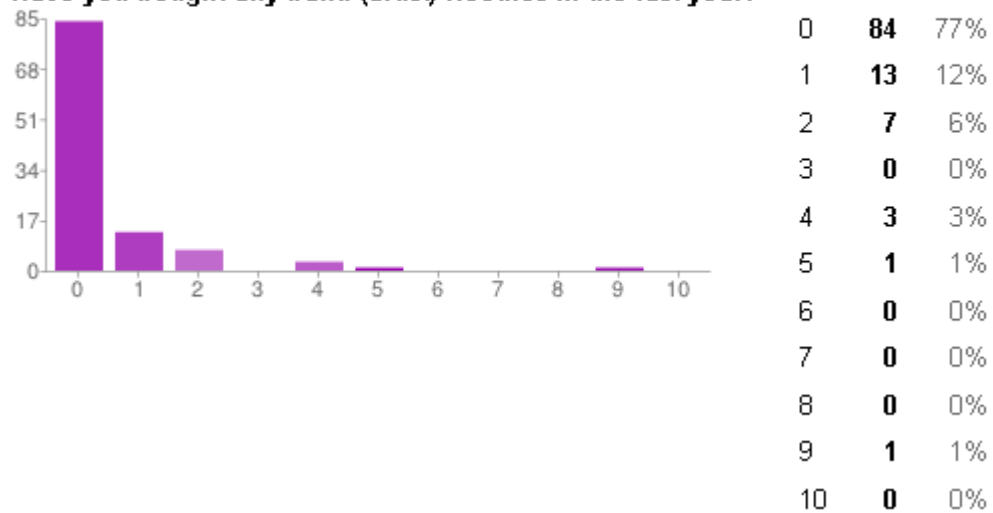|		
Ska	4	2%
Reggae	8	4%
Hardcore	11	6%
Metal	12	6%
Brass music	0	0%
Balkan brass	0	0%
Drum and bass	3	2%
Dubstep	1	1%
Ambient	1	1%
Disco	1	1%
Techno	0	0%
Folk	2	1%
Swing	2	1%
Rockabilly/Psychobilly	1	1%
Country	4	2%
Classical music	6	3%
African Genres	1	1%
Rap	6	3%
Punk	7	4%
Other	35	18%

The next 5 figures deal with artist merchandise. Artist T-shirt appear to be the most demanded

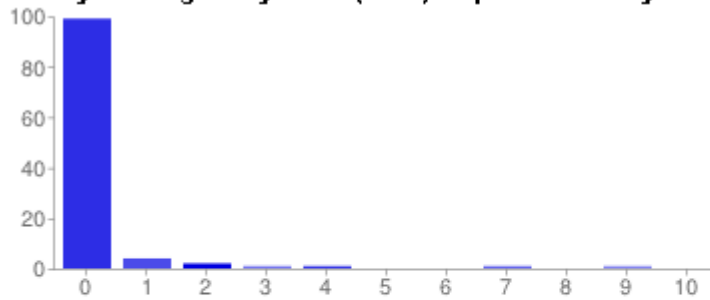**Have you bought any band (artist) T-shirts in the last year?**

0	55	50%
1	13	12%
2	10	9%
3	6	6%
4	8	7%
5	7	6%
6	3	3%
7	1	1%
8	0	0%
9	1	1%
10	5	5%

Have you bought any band (artist) Hoodies in the last year?

0	84	77%
1	13	12%
2	7	6%
3	0	0%
4	3	3%
5	1	1%
6	0	0%
7	0	0%
8	0	0%
9	1	1%
10	0	0%
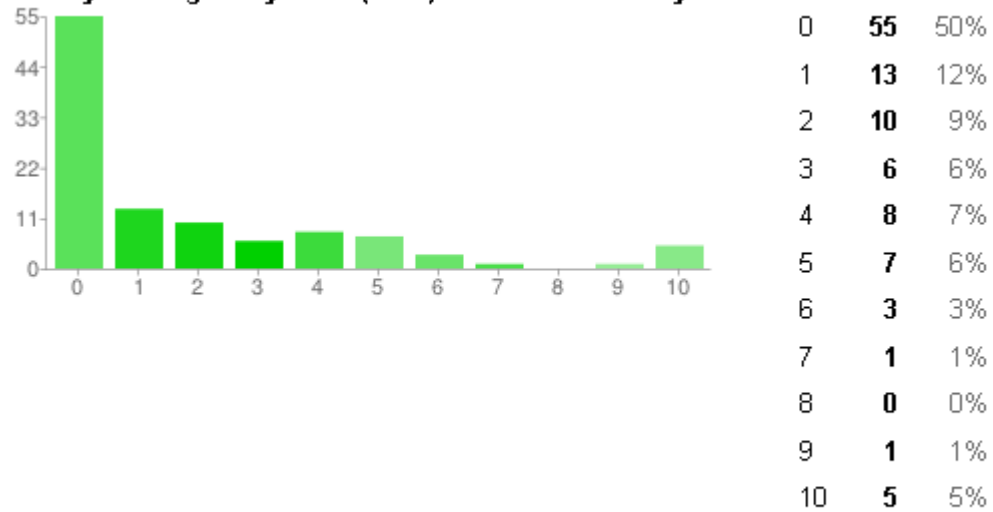
Picture 24 - artist merchandise

Have you bought any band (artist) Caps in the last year?

0	99	91%
1	4	4%
2	2	2%
3	1	1%
4	1	1%
5	0	0%
6	0	0%
7	1	1%
8	0	0%
9	1	1%
10	0	0%

Have you bought any band (artist) shorts in the last year?
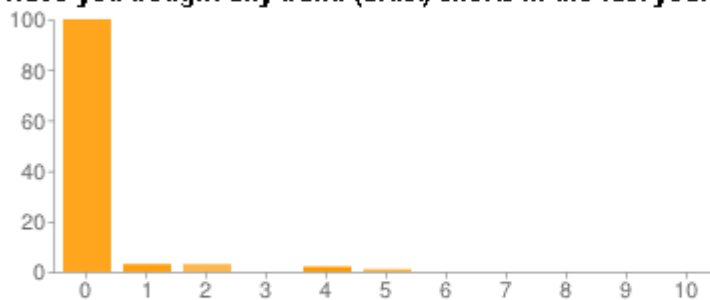
0	100	92%
1	3	3%
2	3	3%
3	0	0%
4	2	2%
5	1	1%
6	0	0%
7	0	0%
8	0	0%
9	0	0%
10	0	0%

Picture 25 - artist merchandise

Have you bought any other band (artist) merchandise last year?

no   no   no   no   no   No   no   No   some posters, buttons etc.   no   No   No   не   cotton shopping bag -
3   no   No   No   no   no   no   no   no   no   no   no   no   no   wristband, pre-order bundles   no   no   No   bag   No   nasivka. :D   No   no   2 x
CD   no   no   no   No   no   no   no   No   yamato the drummers of japan   CD´s, patches   no   no   I dont wan to spend my money for such things.   no   vinyls   buttons 5
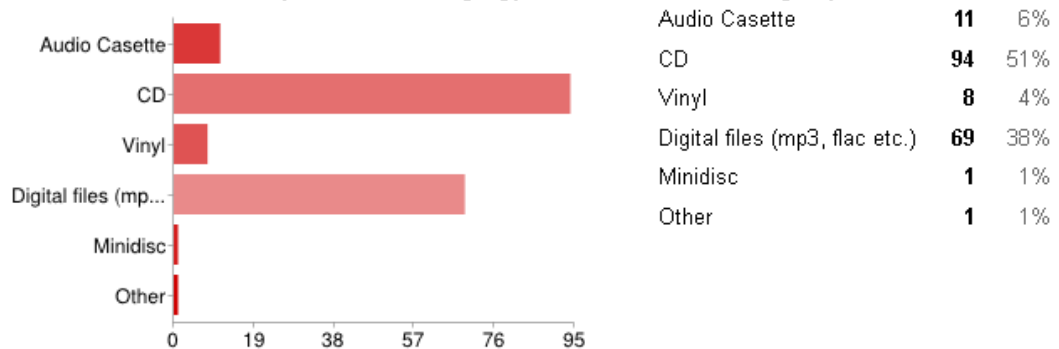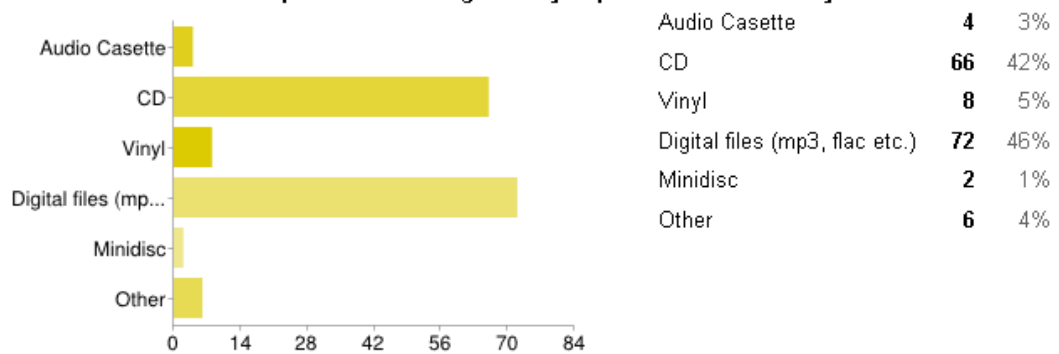pcs   no   NO   CD   no   Books   no   patches   no

The next 2 figures show 2 interesting findings. Digital files are becoming more popular than CDs and Vinyl records are becoming more popular than cassettes.

What were the 2 most frequent audio storage types of audio records that you purchased in the last 10 years?

Audio Casette	**11**	6%
CD	**94**	51%
Vinyl	**8**	4%
Digital files (mp3, flac etc.)	**69**	38%
Minidisc	**1**	1%
Other	**1**	1%

What were the 2 most frequent audio storages that you purchased in the last year for recorded music?

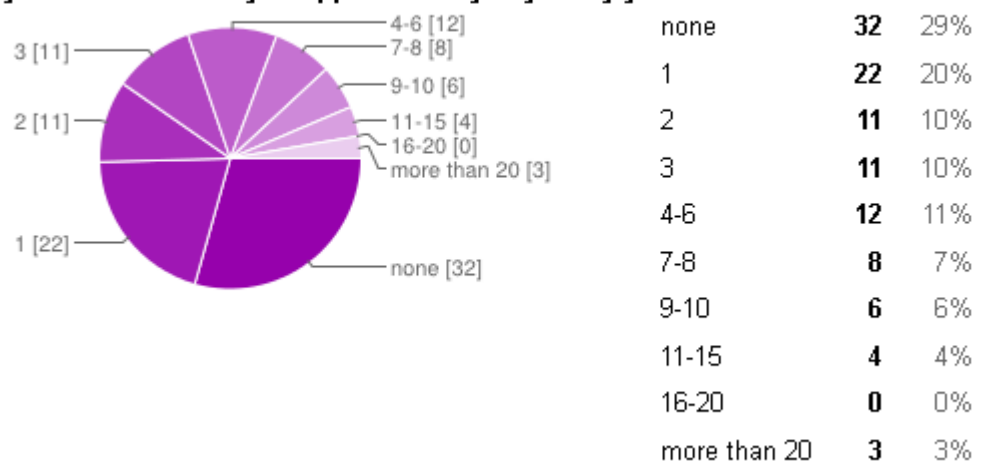|		
Audio Casette	**4**	3%
CD	**66**	42%
Vinyl	**8**	5%
Digital files (mp3, flac etc.)	**72**	46%
Minidisc	**2**	1%
Other	**6**	4%

Picture 26 - Audio storage purchases

The next 2 figures show the approximate year expenditures of the participants for recorded music. It is mostly less than 10$. Most of the participants would not buy any music. The second biggest group is buying one recorded album per year.

### Approximately how much money do you spend on recorded music per year?

Less than 10$	42	39%
11$ to 20$	21	19%
21$ to 40$	16	15%
41 to 70$	8	7%
71$ to 150$	12	11%
151$ to 300$	4	4%
more than 300$	3	3%
Other	3	3%

How many audio albums do you approximately buy every year?

none	32	29%
1	22	20%
2	11	10%
3	11	10%
4-6	12	11%
7-8	8	7%
9-10	6	6%
11-15	4	4%
16-20	0	0%
more than 20	3	3%
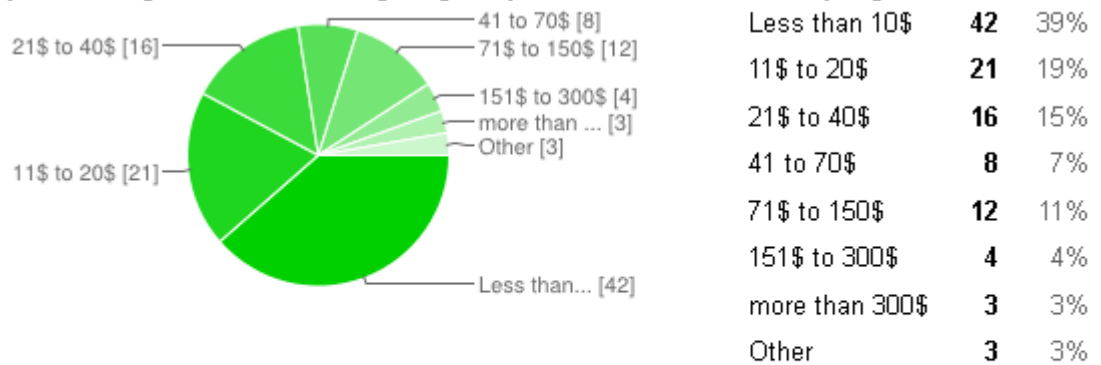
**Picture 27 - Expenditures on recorded music and number of music albums purchased**

The last 2 figures show that the participants consider Digital files as the future of audio storage. The Vinyl question stays unanswered as it is 50:50like. It is questionable whether the ones checking no in the last question indicated so, because they do not buy Vinyl records or because they were buying them all the time in the past years.

What do you consider as the future of audio storage?
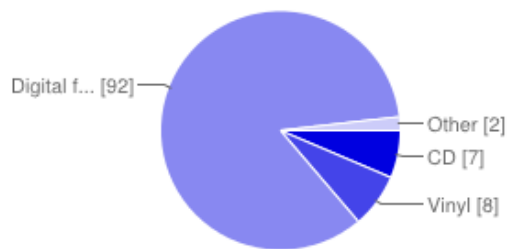
CD	7	6%
Vinyl	8	7%
Digital files (mp3, flac etc.)	92	84%
Other	2	2%

Do you consider Vinyls as a "comeback" audio storage?
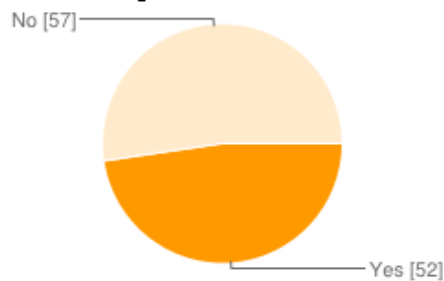
Yes	52	48%
No	57	52%

Picture 28 - Audio storage future and the Vinyl audio storage "comeback" question

6 Conclusion

There are several conclusions that the analysis shows. First of all the future of music industry sales can be predicted to be in the digital formats such mp3. This figure might appear very obvious however it indicates the classic record labels are going to disappear, which has currently changed the way of how music is marketed and advertised. Statistics discussed are pointing out that online music sales were growing in the recent years very rapidly. The fact that they have already taken the place of most best-selling audio storage over compact discs is showing that the stated above is valid. The survey from the analysis and other statistics show that iTunes and other online audio stores such Amazon and Google play can become major players in music sales in the near future, but other music stores and online platforms can become very successful too since all the three stores mentioned above have some disadvantages.

A prediction can be made that mobile device especially smart phones, tablets, personal computers and mp3 players with internet access will become the most common tools for playing and buying music with smart phones being the key technical innovation. As these mobile phones are distributed very quickly among the population and internet access is very accessible for them, recorded music has a new hyper efficient place for music purchases. Smart phones are staying 24 hours with their owners and the music store of the future is located right in their pocket. It is crucial to mention that online radios and other websites with streaming music available for smart phones (but also for tablets, PC etc.) might have great influence on sales in the future. For example the site bandcamp.com offers its users free streaming full albums of many present musicians. Another site called Pandora streams Radio with the favourite genres of its

users and it is very important to mention also YouTube which can offer today free full albums, free music videos, compilations (playlists) of artist videos and songs and other free features. The controversial file-sharing now has a substitute that is 100% legal and free in these streaming music channels. This fact points out that important part of the recorded music revenues might be created from online ads coming with streaming music in the future. This method already works today, but it brings a lot more profit to the streaming sites then the artists who are contributing the count of views of ads much more than anyone else.

From artist point of view the future in marketing and advertising is changing with the same speed. The survey in the analysis point out that today's artist should do several things to be successful. As file-sharing is the most common way to reach music, artists should try to avoid having their records on file-sharing platforms today in order to reach higher profits. However this is an impossible task today, and also it is not 100% negative that someone is downloading the recorded music freely, because it helps the artist to become more popular and create higher profits from life performances, merchandise etc. Secondly every label, artist or anybody else involved in music sales should add online music stores to the places where he or she sells the recorded music as these stores are the 2nd most visited place for getting music. In the next few years artist, labels and the others selling music should also distribute their music in physical stores as it is also a good way to deliver music to customers. However if no change comes to the strategy of the physical music stores, they will continue losing revenue based on past development.

The survey clearly states that individuals involved in marketing and advertising of musicians who do not use YouTube and Facebook to do it

are very unlikely to be very successful today as 22% and 20% of the participants answered that it is the most frequent place where they learn about new records. According to the survey except the sites mentioned above advertising is efficient also using Billboards/Posters, Flyers, Radio, Online video previews and TV as these types were all checked by about 10-11% of the asked, billboards/posters had even 15%.

According to the survey artists should try to perform live often as people are spending more money on live performances than on recorded music. We must count with expenses such as club rent etc. and be prepared that revenues from live performances don't have to be higher than from recorded music, however it is a good way of advertising music and another place where artists can sell records. Regarding artist merchandise, T-Shirts appear to be the most demanded one. It is a necessity for an artist today to sell music in digital formats and CDs. The participant indicated Digital Formats as the future of the audio storage, therefore it appears to be the most important format today and tomorrow. Vinyl records are also popular especially between Rock/Rock and Roll listeners.

The future predictions in sales of recorded music seem to be in digital files as they have become already higher than the ones on CDs. The physical audio storages will continue loosing revenues as online stores have much more attractive options. Stores as iTunes will continue growing with highest rate. More innovative websites might get significant parts of the market as iTunes does not offer perfect conditions for artists.

The next trends that might appear in the future and have influence on sales and the music industry are online radios that are currently being developed and introduced to new countries. As an example we can use

Pandora. Sales of recorded music might become lower if smartphone and other electronic devices users are allowed to access the radios worldwide.

7 Bibliography

Literature:

KOTLER, Philip, KELLER, Kevin. Marketing Management (2nd Edition)., PEARSON Education limited, 2012., ISBN 978-0-273-74361-3

KRASILOVSKY, M. William, SHEMEL, Sidney, GROSS, John. This Business of Music, 10th Edition., Watson-Guptill Publications, 2007., ISBN 9780823077236

PASSMAN, Donald S. All You Need to Know About the Music Business Seventh Edition., RosettaBooks, New York., ISBN: 9780795309779

HUTCHISON, Tim. Web marketing for the music business, CRC press, ISBN: 9781136122217

FERRELL, Odies C., HARTLINE, Michael D. : Marketing Strategy., Cengage Learning, 2010., ISBN 9780538467384

ROBINSON, P.: Operations Management in the Travel Industry, CABI, 2009, ISBN 9781780640754

KOTLER, Philip J., ARMSTRONG, Gary : Principles of marketing., Pearson Education, 2010., ISBN 9780137006694

Websites:

American Marketing Association

Definition of Marketing

<http://www.marketingpower.com/AboutAMA/Pages/DefinitionofMarketing.aspx>

Management Help

Definition of Advertising

<http://managementhelp.org/marketing/advertising/defined.htm>

Ehow

Different Types of Methodologies, By Rebecca Macken, 4.2.2012

<http://www.ehow.com/list_7459438_different-types-methodologies.html>

CNN Money

Music's lost decade: Sales cut in half, By David Goldman, staff writerFebruary 3, 2010: 9:52 AM ET

<http://money.cnn.com/2010/02/02/news/companies/napster_music_industry/ >

Hitquarters

Interview with PHIL EK, Interview by Bob Noble, May 25, 2009

<http://www.hitquarters.com/index.php3?page=intrview/opar/intrview_Phil_Ek_Interview.html>

IFPI

IFPI's Mission, February 11, 2013

<http://ifpi.org/content/section_about/index.html>

RIAA

About RIAA, February 11, 2013

<http://www.riaa.com/aboutus.php?content_selector=about-who-we-are-riaa >

CODEUPC

UPC Code sample picture, 11.3.2013

http://www.codeupc.net/)

AIRSHOWMASTERNG

The last word and numbers on your CD
http://www.airshowmastering.com/libfiles/LastWord.pdf 12.3.2012

LAST.FM

Powerplay preview

http://musicmanager.last.fm/promotion/powerplay/step_two?track=643428567

MOBILE MARKETER

Pandora offers listeners ad-free personalized radio with new Windows Phone 8 app

 http://www.mobilemarketer.com/cms/news/music/15016.html 2.3.2013

MAC.DOWNLOADATOZ

Screenshot of Pandora

http://mac.downloadatoz.com/muse-pandora-radio-player/screenshot.html 15.3.2012

CNN

'Gangnam Style' is most watched video in history

http://marquee.blogs.cnn.com/2012/12/21/gangnam-style-video-is-most-watched-in-history/ 23.1.2013

NPR

The record news from NPR

http://www.npr.org/blogs/therecord/2012/09/27/161837316/youtube-shares-ad-revenue-with-musicians-but-does-it-add-up 27.9.2012

FINEARTAMERICA

Rolling Stone cover

http://fineartamerica.com/featured/rolling-stone-cover-volume-782-3-19-1998-jack-nicholson.html - 22.3.2013

ABCAS3

Entertainment weekly circulation

http://abcas3.auditedmedia.com/ecirc/magtitlesearch.asp 2.3.2013

Rolling stone circulation

http://abcas3.auditedmedia.com/ecirc/magtitlesearch.asp 2.3.2013

APPLE

iTunes

https://itunesconnect.apple.com/WebObjects/iTunesConnect.woa/wo/0.0.0.7.3.9.3.1.1 12.3.2013

YOUTUBE

How to sell your music on iTunes

http://www.youtube.com/watch?feature=player_embedded&v=MbgctI_9bTE 12.3.2013

BANDCAMP

King Gizzard & the Lizard Wizard bandcamp profile page

http://kinggizzardandthelizardwizard.com/track/the-raid 12.3.2013

ALEXA

Most visited sites on the web

http://www.alexa.com/topsites 2.3.2013

EDIBLEAPPLE

DIGITAL MUSIC MARKET SHARE

http://www.edibleapple.com/2009/08/22/itunes-dominates-online-us-music-sales-chart/ 20.3.2013

MACRUMORS

iTunes sold songs development

http://www.macrumors.com/2007/07/31/itunes-store-tops-three-billion-songs/ 20.3.2013

8 Supplements

8.1 Sample from the survey responses:

The full spreadsheet with updated answrs can be viewed at:

https://docs.google.com/spreadsheet/ccc?key=0Aje_72xRv6UMdEpNdG5ucER4R0d3ZFA1SERxN0Vsd3c#gid=0

8.2 The questionnaire

Below you can view the original form of the questionnaire:

The Music Industry Questionnaire https://docs.google.com/forms/d/1-c3DVWWS5HUsyREJk6TKZGN...

Edit this form

The Music Industry Questionnaire

This questionnaire is for my diploma thesis which deals with Marketing and Advertising in the Music Industry. I will be very grateful if you fill out the questionairre! Don't hesitate to contact me if you got any questions or ideas.....
My name is Nikolay Penev and my email adress is nkpcz@yahoo.com
*Required

Where are you from? *

- ○ Czech Republic
- ○ Bulgaria
- ○ Portugal
- ○ United States
- ○ Other: _____

Sex? *

- ○ Male
- ○ Female

What is your age? *

- ○ less than 14
- ○ 14-17
- ○ 18-25
- ○ 26-33
- ○ 34-41
- ○ 42-49
- ○ 50-57
- ○ 58 and more

What is your occupation? *

_____

Are you connected to the music industry in any way ? *
Do you have a band, are you a promoter or do you work for a company related to the music industry? If yes you can also specify in the "other" option. If no check no.

- ○ Yes
- ○ No
- ○ Other: _____

Continue »

Edit this form

The Music Industry Questionnaire

*Required

The music industry questionnaire

Where do you get your music most frequently? *
Check 1 or 2 of the boxes.

- Physical music stores
- Online music stores
- File Sharing (Peer2peer programs/free downloads)
- Music Rentals
- Other: [   ]

What music genres do you listen to? *
Your favorite ones

- Rock and Roll
- Avant-Garde
- Blues
- Brazilian Music (Bossa Nova/Samba etc.)
- Latin American Genres (Salsa/Mambo etc.)
- Grind/Grindcore
- Electronic
- Surf Rock
- Hip Hop
- Jazz
- Pop
- R&B
- Rock
- Ska
- Reggae
- Hardcore
- Metal
- Brass music
- Balkan brass
- Drum and bass
- Dubstep

- [ ] Ambient
- [ ] Disco
- [ ] Techno
- [ ] Folk
- [ ] Swing
- [ ] Rockabilly/Psychobilly
- [ ] Country
- [ ] Classical music
- [ ] African Genres
- [ ] Rap
- [ ] Punk
- [ ] Other: _____

Do you know any of these online music stores? *
Check the ones you know. If you know any other stores specify in the "other" field please.

- [ ] 7 Digital
- [ ] Amazon MP3
- [ ] iTunes store
- [ ] ebay Digital music center
- [ ] Google play
- [ ] Bandcamp
- [ ] Beatport
- [ ] Bleep.com
- [ ] Boomkat
- [ ] BuyMusic
- [ ] CD Baby
- [ ] Classic Archives
- [ ] Digital-Tunes
- [ ] Vodafone music
- [ ] Xbox Music
- [ ] Qobuz
- [ ] Pandora
- [ ] Other: _____

« Back   Continue »

Edit this form

The Music Industry Questionnaire

*Required

The music industry questionnaire

Which source do you use to learn about the new music records that you listen to? *
The most frequent sources of information (Don't pick all of them just the most frequent, please)..
Specify in the "other" field if you can't choose from the list

- Television
- Radio
- Youtube
- Facebook
- Music Magazines
- Official band websites
- Myspace
- Last.fm
- iTunes
- BandCamp
- From Friends
- Street Posters/Billboards
- Flyers
- Newsletters (email)
- Other: [   ]

What type of advertising catches your eye or ear most often? *
Check the boxes of your favorite types (Don't pick all of them just the most frequent, please)..
Imagine that you were a musician and wanted to get popular. What sources would you choose to
promote? (If you are a musician then you don't have to imagine it). Specify in the "other" field if you
cannot choose from the list. If you come up with a combination such as youtube videos advertised
on facebook, you can specify it in the "other" option.

- Posters/Billboards
- Flyers
- TV advertisements
- Radio advertisement
- Facebook advertisements
- Advertisement in music magazines
- Band/Artist interviews

☐ Online music video previews

☐ Online audio previews

☐ Youtube advertisements

☐ Other: _____

How many audio albums did you approximately download using file-sharing during the the last year? *
If you buy individual songs rather than albums, please specify how many approximately in the other field and type songs after. For example: "300 songs"

○ none

○ 1

○ 2

○ 3-4

○ 5-6

○ 7-8

○ 9-10

○ 11-20

○ more than 20

○ Other: _____

How many albums did you approximately download using online music stores during the last year? *
If you buy individual songs rather than albums, please specify how many approximately in the other field and type songs after. For example: "300 songs"

○ none

○ 1

○ 2

○ 3-4

○ 5-6

○ 7-8

○ 9-10

○ 11-20

○ more than 20

○ Other: _____

How many albums did you approximately purchased using physical music stores during the last year? *
If you buy individual songs rather than albums, please specify how many approximately in the other field and type songs after. For example: "300 songs"

○ none

- ○ 1
- ○ 2
- ○ 3-4
- ○ 5-6
- ○ 7-8
- ○ 9-10
- ○ 11-20
- ○ more than 20
- ○ Other: [   ]

Do you remember the music genre of the Vinyls you bought in the last 10 years?
If you do not know the genre you can name the artist in the "other" option. Type none if you did not purchase a vinyl in the last 10 years.

- ☐ Rock and Roll
- ☐ Avant-Garde
- ☐ Blues
- ☐ Brazilian Music (Bossa Nova/Samba etc.)
- ☐ Latin American Genres (Salsa/Mambo etc.)
- ☐ Grind/Grindcore
- ☐ Electronic
- ☐ Surf Rock
- ☐ Hip Hop
- ☐ Jazz
- ☐ Pop
- ☐ R&B
- ☐ Rock
- ☐ Ska
- ☐ Reggae
- ☐ Hardcore
- ☐ Metal
- ☐ Brass music
- ☐ Balkan brass
- ☐ Drum and bass
- ☐ Dubstep
- ☐ Ambient
- ☐ Disco
- ☐ Techno

- ☐ Folk
- ☐ Swing
- ☐ Rockabilly/Psychobilly
- ☐ Country
- ☐ Classical music
- ☐ African Genres
- ☐ Rap
- ☐ Punk
- ☐ Other: _____

[« Back] [Continue »]

Edit this form

The Music Industry Questionnaire

*Required

The music industry questionnaire

Have you bought any band (artist) T-shirts in the last year? *
If no click 0 if yes specify how many pieces. 10 goes for 10 or more.

0   1   2   3   4   5   6   7   8   9   10

○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○

Have you bought any band (artist) Hoodies in the last year? *
(Band/artist merchandise). Specify how many.

0   1   2   3   4   5   6   7   8   9   10

○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○

Have you bought any band (artist) Caps in the last year? *
(Band/artist merchandise) Specify how many.

0   1   2   3   4   5   6   7   8   9   10

○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○

Have you bought any band (artist) shorts in the last year? *
(Band/artist merchandise)

0   1   2   3   4   5   6   7   8   9   10

○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○

Have you bought any other band (artist) merchandise last year?
Please specify or type no.

[« Back]   [Continue »]

Edit this form

The Music Industry Questionnaire

*Required

The music industry questionnaire

What were the 2 most frequent audio storage types of audio records that you purchased in the last 10 years? *

- Audio Casette
- CD
- Vinyl
- Digital files (mp3, flac etc.)
- Minidisc
- Other: _____

What were the 2 most frequent audio storages that you purchased in the last year for recorded music?

- Audio Casette
- CD
- Vinyl
- Digital files (mp3, flac etc.)
- Minidisc
- Other: _____

Approximately how much money do you spend on recorded music per year? *
If you can't calculate it in USD type your own currency in the "other" option. 1$ is approx. 20 CZK, 0,77 Euro or 1.51 BGN

- Less than 10$
- 11$ to 20$
- 21$ to 40$
- 41 to 70$
- 71$ to 150$
- 151$ to 300$
- more than 300$
- Other: _____

How many audio albums do you approximately buy every year? *
CD/Vynil/Cassette/MP3 albums/other

○ none

○ 1

○ 2

○ 3

○ 4-6

○ 7-8

○ 9-10

○ 11-15

○ 16-20

○ more than 20

What do you consider as the future of audio storage? *

○ CD

○ Vinyl

○ Digital files (mp3, flac etc.)

○ Other: _____

Do you consider Vinyls as a "comeback" audio storage?

○ Yes

○ No

[« Back] [Submit]