

Chapter 8

Insights into Social Media and Online Digital Music

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ABSTRACT

This chapter investigates social media along with traditional assessment channels and their roles in music evaluation. For the current popular social media (such as Facebook and Twitter), marketing applications in the music industry are found to be limited. For certain specialized social media (social media sites specifically dedicated to music and audio sharing and product reviews and opinions), they are neither well known nor commonly used. More efforts to promote these social media are required to increase consumer awareness. This chapter also includes findings which describe consumers' different attitudes about social media related to new artists and established ones. The use of traditional music evaluation channels and the use of social media are positively correlated. At present, social media do not significantly impact consumers' music evaluations, but they do impact how much consumers are willing to pay for music products. Analysis of respondents' statements about social media demonstrate that social media marketing applications potentially can have a great impact on digital music product evaluations and willingness to pay. Overall, findings indicate that the music industry should take better advantage of social media to influence consumers' music evaluations and willingness to pay. Traditional channels and social media are correlated, indicating that the music industry should not neglect traditional channels while expanding the use of social media.

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INTRODUCTION

More and more resources in business are being dedicated to understanding and using social media. Kaplan and Haenlein (2010, p. 61) define social media as “a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user-generated content.” Relying on social media instead of or in addition to traditional business channels both presents a tremendous opportunity (numerous media available, mostly for free) and dramatically increases the level of challenge for businesses (choosing the right social media to use, competing for the attention of consumers, dealing with the fast pace of change in social media). Currently, in the complex and dynamic world of social media, the whole structure of the business world is changing with power moving away from organizations to individuals and communities. In the process both companies and individuals are contributing value (Berthon et al., 2012). The challenge is to determine the effectiveness of what businesses are doing with social media so that they can better assess how to create value and use social media to accomplish objectives.

Social media has profound and wide-reaching effects on so many areas of business, especially marketing. One example of the power of social media is the phenomenon of Dave Carroll’s “United Breaks Guitars,” a lament for the guitar which baggage handlers at United Airways broke. The video generated more than 9 million hits on YouTube as of 2009 (Kietzmann et al., 2011) and produced a public relations nightmare for United Airlines, costing them more than \$180 million when their market capitalization was affected (Berthon et al., 2012). Dave Carroll also launched a gripe line giving consumers more of a voice. Another example of the impact of social media is the great success Korean artists had developing a following for Korean Pop (K-pop)

in Europe. That success was largely attributed to the use of social media to develop an international customer base. Both customers and organizations are increasingly tapping into the power of social media to engage in numerous activities including, but not limited to, holding conversations, sharing content, and forming communities (Kietzmann et al., 2011). Marketers are seeking to determine how to best spark productive conversations and engage customers more so that they can achieve their objectives. Certain social media especially facilitate these three functions including Facebook, YouTube, Twitter, and blogging (Kietzmann et al., 2011).

The digital music industry is growing fast with tremendous progress in the areas of information technology, increases in bandwidth on the Internet, and the widespread use of wireless technology. According to IFPI Digital Music Report 2013 (IFPI, 2013), the music record companies’ digital revenues for 2012 are estimated at US\$ 5.6 billion, which shows a 9% growth compared with those in 2011. By 2012, more than 500 licensed digital music services were operating worldwide, offering 30 million tracks to consumers. Music download stores such as Amazon, Apple, Google, and Microsoft represent around 70 per cent of global digital revenues. Download sales increased by 12% in 2012, to 4.3 billion units globally. Music subscription services are expanding rapidly with 20 million paying subscribers globally in 2012, a growth of 44% compared to those in 2011. In 2012, for the first time, subscription services revenues have achieved a 10% share of total digital music revenue. Social media have significant impact on artists’ careers because they enable artists to build customer relationships with their current and prospective customers. The success of the band One Direction is a good example. Utilizing social media, One Direction built a solid online fan base, with more than 8.1 million followers on Twitter. It had around 21 million daily digital interactions such as online searches and video views in 2012.

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