

## CUSTOMER RELATIONSHIP MANAGEMENT IN MUSIC INDUSTRY – DOES SHARING MUSIC ONLINE WORKS?

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### **Abstract:**

Customer Relationship Management (CRM) as a concept of creating and managing the relations with consumers is very important in music industry. The music business has been undergoing drastic changes since many years and is now heading towards direct to customer ideology. The purpose of this article is to analyze possibilities of sharing music online as a CRM tool to create and maintain direct relations with costumers. The article will present synthetic results gathered during the survey addressed to bands working with independent recording studios in Germany. Conclusions taken from this research may provide recommendations for various music bands and music managers.

*Keywords: Customer Relationship Management, CRM, music industry, music management, online marketing*

## 1. INTRODUCTION

The Customer Relationship Management (CRM), by customer-oriented approach, can be used as a strategy to achieve competitive advantage even in music industry. Communication with customers is essential for music business and with tools provided by online environment it gives opportunities to adopt this concept to changing economy of music industry and new customer's needs.

One on hand, the music industry, especially big record labels and music managers that works with music stars, is using Customer Relationship Management from a long time. On the other hand bands that are recording music independently or in small record studios, usually are dealing with management and marketing issues by themselves and slowly are learning about a big potential that gives using CRM in their work.

Sharing music online was a subject of many publications but most of them were focused on legal terms of such activity and consumer perception, and not as a CRM tool, especially for bands recording music in independent studios that are usually dealing with management by themselves.

## 2. LITERATURE REVIEW

Customer Relationship Management became one of the solutions for highly competitive environment of many organisations. Some of them are becoming more customer-centric, which means that clients are not only the source of profits but also a source of inspirations and active participation in creating and developing trade offer (Zinczuk, 2011).

Since many years global sales of CD's decrease with every year due to e.g. lack of releases considered as global hits, competition from computer games dedicated for younger consumers, and what is more important, the availability of free music on the Internet (Fox, 2004). The revolution in the distribution of the music on the Internet and using it as a marketing's tool, started in 1999, and is still a field to be explored by music bands or their managers (Vaccaro & Cohn, 2004).

New virtual communities, that are based on individual technology users – as well artists as consumers – have effects in cultural values (Hughes & Lang, 2003):

- behavioural changes,
- attitudinal changes,
- fundamental shifts in ethical judgments.

Even if music is shared online it still has high initial production costs, with very low reproduction costs at this same time, which can easily provide losses on profits due to online music piracy. There are few steps that consumer might achieve after finding music online – first of all he might download it or do not download it. If he does he can just listen to it and delete it from computer, or listen and keep it. Each step of his decision process will end with a question to buy, or not to buy music legally (Bhattacharjee & Gopal & Sanders, 2003).

Relationship between consumers and artist was always very important but social media websites created an easy platform to maintain such relations in digital way, which made the Internet not only the tool for promotion but also necessary instrument to make profit (Stafford, 2010).

CRM provides also technologies for music industry that are mostly focused on monitoring music downloads and streams in real time that helps with filtering recordings based on consumer behavior and creates algorithms that are used for example by streaming services (McCourt, 2015). Although those systems can not be effective since all the data shows only what the users already likes and might be not interested in listening to different bands that plays similar music when it would be more attractive for him to explore music market (Burkart & McCourt, 2006).

## 3. RESEARCH PROBLEMS AND METHODOLOGY

The main aim of this work is to analyze sharing music online as a part of Customer Relationship Management by a music bands that are connected only with independent or small record companies and to show what goals can be achieved by using this tool to create and maintain direct relations with customers.

In particular, the aim of the paper is to answer the following research questions:

- RQ1: What are the strategies of sharing music online?
- RQ2: Is sharing music online is an effective tool of creating and maintaining relationship with customers by a music bands?
- RQ3: Is the possibility of illegal downloading and piracy a threat to music bands?

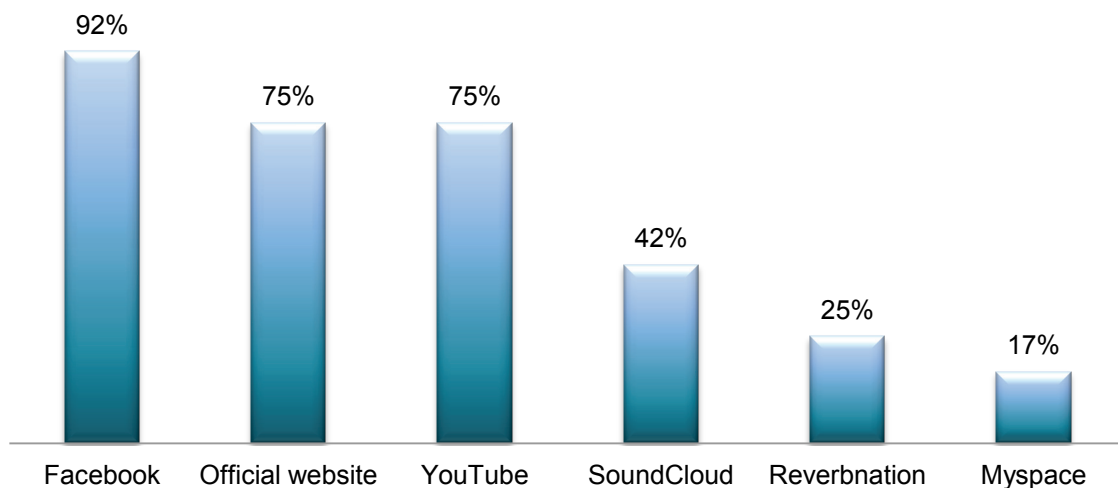
To verify research questions the author implemented a qualitative study. The study involved a group of 12 bands, that are based in Germany, plays blues or jazz music and are recording music independently or in small record companies.

The questionnaire consisted of a set of questions – both closed and open. The survey was conducted in February 2016.

## 4. RESULTS

All of researched bands are using Internet as a tool to promote their music – specific web pages and services are presented in picture 1. The most popular service is Facebook that offers easy tool to create page and Free Band Profiles, where bands can not only interact with their fans on Facebook’s wall but also e.g. create information about events or upload music. Three-quarters of researched bands also have their official website and canal on YouTube.

**Picture 1:** Web pages and services where bands are active



Source: Own elaboration based on responses of the participants.

Only one of researched bands is using just one page to communicate with their customers, four bands are using two pages and the rest of them three or more.

Most of researched bands covers all of the costs of recording their albums and percentage of clear profit in each of the sold album is mostly between 1 and 25%, but all the higher profits were only for bands that are paying by themselves for recording albums.

The first research question (RQ1) helps gain insight in what strategies are in use by music bands in field of sharing music online. The vast majority of bands (75%) is sharing their music online and most of them (66,7%) is doing it for free. The rest of the bands is sharing music online for free as well as require payment for it (33,3%). Most of all bands share their music worldwide (66,7%) rather than just in selected countries.

Bands that share music online for free most often share simple songs (83,3%) than just samples of them, but they never share whole albums. To do it they always use Facebook – but very often

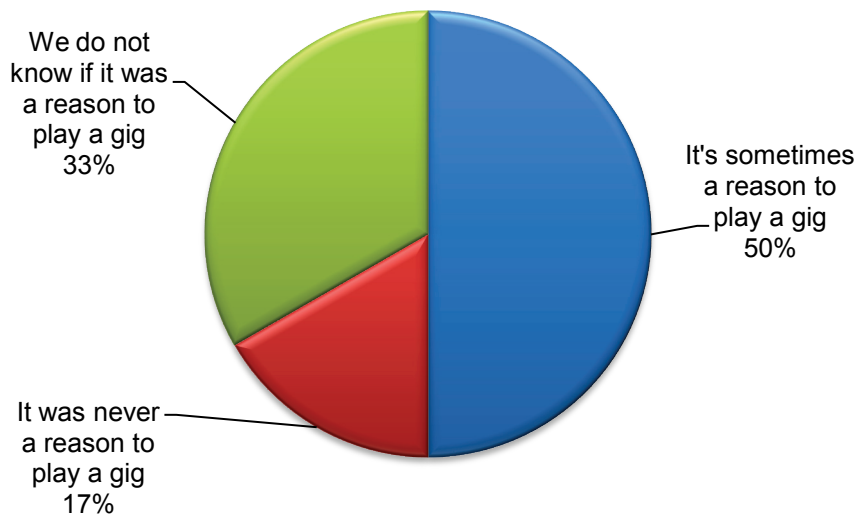
YouTube as well (83,3%). Just two of researched bands are sharing they music online for free on their official website or SoundCloud.

Bands that share their music online for free as well as for payment usually are sharing they single songs for free, but also, although less often, just samples of them or even whole albums. To do it they use YouTube, band’s website, Facebook and SoundCloud. When bands require payment for music that is shared online they usually use YouTube, official website, Facebook and other websites (e.g. online music shops) and they share single songs as well as just samples but less often whole albums.

More than half of the bands that are not sharing their music online (66,7%) had considered doing it, but decided not due to do costs or possibility of illegal downloads.

The results of research conducted in connection with RQ2 shows that sharing music online provides a number of different opportunities for creating and maintaining relationship with customers. Almost all of the bands agreed on statement, that sharing music online promotes the band and raises interest in their work. Half of the music bands said, that it also allows the band to be noticed by bigger record companies. Just slightly over 41% of bands see increase in albums sales as effect of sharing music online, but more than 58% can admit, that such activity translates to a larger number of live concerts. Half of the researched bands played a concert because someone heard their music online, and only 17% of researched bands said, that music that they share online was never a reason to play a concert, which is showed on picture 2.

**Picture 2:** Influence of sharing music online in number of concerts.



Source: Own elaboration based on responses of the participants.

For all of those bands, that played gigs because their music were heard online, invitations came from Europe, and for one of them from North America.

Regarding RQ3 it can be seen that most of the bands are not monitoring Internet for illegal sharing or downloading of their music. In case of one band the Internet is monitored by someone else (e.g. manager) but approximately one third of bands doesn't know is such activity is proceed. Just two of the bands were notified about illegal sharing of the band's music and in relation to this, in case of one of the band the label became involved in the case and the user who shared the music illegally was asked to remove it. In case of other band nothing was done. The most important statements on downloading music illegally are showed in Table 1.

**Table 1:** Bands statements on downloading music illegally.

Downloading music illegally:	I agree	I partially agree	It is hard to say	I partially disagree	I disagree
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It has more influence on bands from big record companies	33,3%	8,3%	25%	0%	33,3%
It does not bother the band	8,3%	25%	0%	8,3%	58,3%
It should be punished severely	25%	0%	33,3%	8,3%	33,3%
It can help promote the band	33,3%	25%	25%	0%	16,7%
It is derogatory to album sales	16,7%	25%	25%	8,3%	25%
It can have a positive influence on band's career	25%	33,3%	25%	16,7%	0%
It is unethical	66,7%	16,7%	0%	0%	16,7%

Source: Own elaboration based on responses of the participants.

Although most of the bands are not monitoring Internet for illegal downloading or sharing. 75% of researched bands thinks, that sharing music online creates opportunities for illegal sharing it and 83,4% thinks that it's unethical, but just slightly more than 41% of bands thinks, that downloading music illegally has more influence on bands from big record companies than on bands recording independently or in small recording companies. More than half of the bands admitted that downloading music illegally bother them, but only 25% of them things, that such actions should be punished severely. On the other hand, more than half of researched bands thinks, that downloading music illegally can have a positive influence on the band's career and can help promote the band – but more than 40% of bands see such actions as derogatory to album sales and it might have influence in band's profits.

## 5. CONCLUSIONS

Sharing music online as a CRM tool used in music business is still a big field to explore due to the lack of research on that subject. The reason for it can be that information and data from this area are usually very important from strategic point of managing bands, which makes it very difficult to get access to them.

As we can see, sharing music online is giving the bands new opportunities as well as threats. The phenomenon of illegal activities in field of sharing music of bands that are recording it in independent or small record companies is not such popular as in major record companies. The reason for it can be that usually all profits from selling CDs or single songs goes straight to the band, and not only just a part of it. Most of the researched bands sees illegal downloading music online as unethical activity and from one side it is seen as a thing that bother the bands and can have influence in band's profits, especially from album sales. From the other hand it might be use as a tool to promote the band and provide more gigs, that can be a results of fans or organizers of concerts, who could hear band's music from online sources.

Despite the online piracy in music three-quarter of researched bands is sharing their music online worldwide, and more than half of them is doing it without requiring a payment, usually with using Facebook or YouTube, and offering their customers samples or single songs to listen for free, but never whole albums. Only bands, that share their music for payment, are offering whole albums, as well as samples and single songs, usually via YouTube, official website, Facebook and other websites (e.g. online music shops).

Even if most of the bands sees sharing music online as a threat of illegal downloading and sharing it, most of them are not monitoring Internet for illegal sharing or downloading of their music. It is not only because such activity can be expensive and very difficult to manage by bands from independent or small record companies, but also because illegal downloads and shares can helps with promoting the music and finding opportunities for playin more concerts, which very often gives more profits than selling music online. Furthermore it is very common for consumers that after listening to music of such bands that was downloaded illegally, many of them are buying legall music if they liked it.

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