

Digital music distribution channels for independent bands



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The main purpose of this thesis is to map different available digital distribution channels for independent bands and also to scrutinize how to utilize them effectively. The sub-objective is to interview music professionals.

The thesis consists of introduction, theoretical framework, different available digital music distribution channels, research methodology, the collection and analysis of empirical data, empirical results and conclusions. The theoretical framework discusses the different available digital music distribution channels for independent bands and it also opens up different business models for them.

This thesis was initiated as a result of the author's long time music interest and being part in an independent band. The empirical data was collected by arranging theme interviews with carefully selected long time music professionals. Four music professionals were interviewed. These recorded interviews were then transcribed and after that the answers were categorized under themes. Based on the findings, digital distribution channels for independent bands were introduced.

As a result, it can be said that these different digital distribution channels for independent bands can be utilized as a promotional tool. The high importance of marketing was also related to the easy access and low cost structure of these distribution channels, which has led into an oversupply situation in these market areas.

As it can be seen from the digital distribution channels for independent bands, social media is a crucial factor in distributing digital music. Succeeding at gaining media coverage of oneself in social media might be the key factor for the overall success of independent bands. Being able to differentiate in the oversupply situation of the markets is especially important and this can also be seen from the digital distribution channels for independent bands.

The author has gained many various important new aspects through the writing process of this thesis in being part of an independent band and distributing its digital music. The author also hopes that the results from the interviews with music professionals would also give good hints and advice for other independent band members.

Keywords digital music, distribution channels, independent digital music, online music services, social media

Sahlman, Jani

Digitaaliset musiikin jakelukanavat independent-yhtyeille

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Opinnäytetyön tutkimusongelmana on kuvata erilaiset digitaaliset musiikin jakelukanavat independent-yhtyeille sekä selvittää, miten näitä jakelukanavia voidaan hyödyntää tehokkaasti. Tavoitteena on löytää ajankohtaiset digitaaliset jakelukanavat, jotka ovat independent-yhtyeiden saatavilla. Lisäksi tavoitteena on haastatella musiikin ammattilaisia.

Opinnäytetyön rakenne koostuu johdannosta, teoreettisesta viitekehystä, erilaisten saatavilla olevien digitaalisen musiikin jakelukanavista, tutkimusmenetelmistä, tutkimustulosten analysoinnista ja työstämisestä, tutkimustuloksista sekä johtopäätöksistä. Teoreettinen keskustelu keskittyy independent-yhtyeiden saatavilla olevien erilaisten digitaalisten musiikin jakelukanavien kuvaamisesta ja lisäksi käsitellään myös erilaisia businessmalleja esiteltyihin jakelukanaviin liittyen.

Opinnäytetyön idea on lähtöisin tekijänsä pitkäaikaisesta musiikin harrastuksesta independent-yhtyeen jäsenenä. Empiirinen aineisto kerättiin valitsemalla teemahaastatteluihin neljä pitkäaikaista musiikin ammattilaista. Nämä nauhoitetut haastattelut purettiin sanasta sanaan ja kategorisoitiin tiettyjen teemojen alle. Tuloksiin perustuen kehitettiin digitaalisen jakelun palvelumalli independent-yhtyeille.

Opinnäytetyön tuloksista voidaan todeta, että näitä erilaisia mahdollisia digitaalisen musiikin jakelukanavia independent-yhtyeille voidaan hyödyntää promootion työkaluna. Markkinoinnin roolin tärkeys liittyi näiden jakelukanavien helppoon pääsyyn ja matalaan kustannustasoon, mikä on johtanut ylitarjontaan näillä markkina-alueilla.

Digitaalisista jakeluteista independent-yhtyeille voidaan todeta, että sosiaalinen media on keskeinen tekijä digitaalisen musiikin jakelussa. Independent-bändin kokonaisenestyksen avaintekijänä on oman tunnettavuutensa lisääminen sosiaalisessa mediassa. Erottautuminen on myös tärkeää ylitarjonnan tilassa.

Opinnäytetyön tekijä on saanut tärkeitä uusia näkökulmia independent-yhtyeen jäsenenä olemiseen ja sen digitaaliseen musiikin jakeluun tämän opinnäytetyön myötä. Tekijä toivoo, että tämä digitaalisen jakelun palvelumalli independent-yhtyeille antaisi myös muille independent-yhtyeiden jäsenille hyviä vinkkejä ja ohjeita.

Avainsanat digitaalinen musiikki, independent digitaalinen musiikki, jakelukanavat, online musiikkipalvelut, sosiaalinen media

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1 Introduction

Music listeners are demanding more and more of easy access music that they listen to. They want that music is at least to some point free and that the quality of music is good enough against today's quality standards of the music industry. Listeners also expect active newsfeeds from the bands in social media and in other media altogether.

Because of Internet, music listeners now have almost unlimited amount of music in their reach from which they can then choose to listen to. Internet has made it also possible for independent bands that do not have a record deal to publish and sell their music by themselves. This has even more expanded the supply of different music that there is for music listeners to choose from.

Music industry has several times tried to regulate the digital revolution of music. Internet has made it possible to easily download and share music price free among listeners. Because of this, music industry has had to figure out different new ways of gaining incomes from music and from services created around music. Because of Internet and digitalization of music, the music industry is now going through business challenges that it has not ever faced before.

1.1 Background for the research

The author of this thesis has been a musician for about ten years in addition to his daily work as an IT consultant. The last five years the author has had his own band which has released one studio EP (extended play) recording. Now this band has an upcoming studio EP to publish, distribute and promote online. Author's band is a band without a record deal which means, in other words, that it is an independent band.

Recent changes in music business have been really interesting from the author's point of view. Mainly this is because that technical improvement, mostly Internet, has made it possible for small bands to release their recordings in a cost effective way to a potentially wide audience.

In case of the author's band and in case of many other independent bands the whole creation process, recording, distribution and promotion are made with the help of self activeness and funding from band members. This very close relation to the creation process in a whole drives the eagerness of the band to promote their songs in the most efficient way as possible.

Because there are a lot of new comers in the field of music nowadays it makes it really hard to distinct oneself from the mass. This thesis is representing different digital distribution and

promotion channels that are available for an independent band to utilize and hopefully find their audience through them. It is really important to recognize the latest technical advancements that there are in the reach of an independent band but it is at least equally important to understand the behavior of the consumers of music.

1.2 Research objectives

The aim of this thesis is to find out the different available digital distribution channels for independent bands and create a model how to utilize them efficiently. Furthermore, this thesis could be utilized as a small guide for small independent bands in promoting and selling their music through digital distribution channels. By choosing proper digital music distribution channels and utilizing them effectively even a small band might be able to widen its audience and also gain some incomes through the music offered.

This thesis can also point out that a band that is active on music markets can gain interest of the listeners and thereby show that the band is listening to its customers who are the listeners and fans of the band. The real service offering and experience is made together with listeners and fans of the band.

The main research question is: what are the digital music distribution channels for independent bands?

Sub-questions for the theoretical part of this thesis are the following:

- What is meant with the term digital music? (Chapter 2)
- What is the definition for an independent band? (Section 3.1)
- What are the different online business models for independent bands? (Section 4.1)
- What are the different available digital distribution channels for independent bands? (Sections 4.2-4.7)
- What is the role of social media in digital music distribution? (Section 4.5)
- How can digital music be distributed independently? (Section 4.6)

Sub-questions issued in the empirical part of this thesis are the following:

- What are the characteristics for digital music? (Section 6.1)
- What are the characteristics for an independent band? (Section 6.2)

- Which are the most crucial digital distribution channels (for example, social media, online music subscription services, online music store, band web site) for independent bands? (Section 6.3)
- What are the biggest challenges for independent bands when it comes to utilizing these distribution channels? (Section 6.4)
- In what manner the new digital distribution channels are more effective compared to the traditional channels of distributing music? (Section 6.5)

The author has composed songs, recorded, produced and promoted them. The author has also been performing with his band in several occasions for many years. So it can be said that the author has the practical understanding of the music business in general.

1.3 Limitations and outline for the study

The study is limited to only concern independent bands without a record deal. The target group is independent bands and artists. Therefore the presented different digital music distribution channels are reflected on the answers of music professionals and independent bands. These digital music distribution channels are today in the centre of music distribution and discovery of new music.

This study is focusing on different digital music distribution channels and how to utilize them effectively for independent bands.

1.4 Existing research on digital music business

This section discusses about the existing studies that were found by the author related to digital music distribution. One of the theses listed in Table 1 was found about digital music distribution. It is a Bachelor's thesis written in English from Degree Programme in Music Management in Jyväskylä University of Applied Sciences. None of the studies found were handling digital music distribution from the point of view of an independent band.

Author, Year	Thesis name
Music business	
Laaksolahti Mikko, 2010	Utilizing social media in marketing digital music
Koskinen Sampo, 2010	Social media management for a band, Case: Husky Rescue
Viitaniemi Sanna, 2011	Lauletaan Joulu! Tarina musiikin tuotteistamisesta
Moilanen Antti, 2011	Digital distribution of recorded music in Finland, An analysis of services from a consumer and industry perspective
Nyström Suvi Svetlana, 2011	Yhden naisen yritys, Lasten kulttuurikeskus musikantit
Rousi Mikki, 2012	Producing a song in a home studio environment
Syvänperä Petrus, 2011	The production process of an audio cd
Vermasheinä Kaisa, 2011	Music goes social! Music startups' viewpoints on marketing communications, social media and music industry
Petko Elena, 2011	Online music piracy and file-sharing in Russia

Table 1: Previous studies discussing music business

Laaksolahti (2010) conducted his thesis at Lappeenranta University of Technology in Degree Programme in International Marketing Management. Laaksolahti's (2010) thesis was related to the social media and its most well known applications. The aim of Laaksolahti's (2010) thesis was to examine how social media is utilized in the music industry when related to marketing of digital music. Social media is also one of the digital distribution channels for an independent band that the author of this thesis is representing. Laaksolahti (2010) found out that social media is comparably a new concept in the music industry. Laaksolahti (2010) also pointed out that the possibilities that lie in the social media marketing of digital music are not yet fully recognized. Laaksolahti (2010) stated that the impact of social media on music sales is a bit unclear.

Koskinen (2010) carried out his thesis in Degree Programme in Music Management in Jyväskylä University of Applied Sciences. The aim of Koskinen's (2010) thesis was to create, produce and manage the social media presence for a selected case band. Koskinen's (2010) thesis was also discussing about the possibility of starting a business around providing social media and online marketing services to Finnish artists. Koskinen's (2010) thesis covered different social media networking sites and services such as Facebook, Myspace and Twitter. The author of this thesis also chose Facebook and Twitter to be represented in the social media section of this thesis. Koskinen (2010) pointed out in his thesis different skills that are needed in order to manage a band's social media presence.

Viitaniemi (2011) made her research in music education study programme in Helsinki Metropolia University of Applied Sciences. Viitaniemi's (2011) thesis focused on creating a multi-media music concept. The music concept that Viitaniemi (2011) presents in her thesis consists of a TV format, an online game and accessories. The creation process that Viitaniemi (2011) presented in her thesis brought out many questions and thoughts related to cultural production process. Viitaniemi (2011) found out that the language of business and culture does not easily correlate with each other.

Moilanen (2011) conducted his thesis in Degree Programme in Music Management in Jyväskylä University of Applied Sciences. Moilanen (2011) focused on digital music distribution of recorded music in Finland. The goal of Moilanen's (2011) thesis was to represent how consumers in Finland perceive digital music distribution and how companies use digital music distribution as a means of control. Moilanen (2011) found out that consumers in Finland are generally satisfied with the available authorized music services. Moilanen (2011) pointed out that illegal file sharing is common in Finland and authorized services are not at desirable cost level. Moilanen (2011) came into conclusion that record industry is not using its business competence well enough to gain back customers that are frequently using illegal music services.

Nyström (2011) made her research in Degree Programme in Classical Music in Helsinki Metropolia University of Applied Sciences. Nyström's (2011) thesis is a description of the development of the musical nursery school into a cultural centre for children and about the different phases of the change. Nyström's (2011) thesis target was to provide different viewpoints on entrepreneurship and teaching in cultural sector. Nyström (2011) found out that conducting an operational concept of a musical nursery school including one's goals combined with the school's business activities can be very challenging.

Rousi (2012) conducted his research in Degree Programme in Music and Media Management Culture in Jyväskylä University of Applied Sciences. Rousi (2012) is discussing in his thesis about producing a song in a home environment. Rousi (2012) pointed out that good production is nowadays highly valued in music business. The author has noticed similar fact when working within the music business with his independent band. Rousi (2012) also represents the different aspects of a producer's role in music production.

Syvänperä (2011) carried out his thesis in Degree Programme in Music Management in Jyväskylä University of Applied Sciences. Syvänperä (2011) discusses about the production process of an audio CD in his thesis. Author of this thesis also covers the term of an audio CD in this thesis because of its crucial role in digital music business. Syvänperä's (2011) thesis goal was to provide guidelines for music business beginners about the different phases of a CD production. Syvänperä (2011) describes artistic decisions made along the way such as compositions, cover design planning, pre-recordings, cooperation plans, programming and learning to use instruments and recording software. Syvänperä (2011) found out that the best way to learn the process is to go through the whole process by oneself.

Vermasheinä (2011) conducted the only Master's thesis that is listed in the Table 1.

Vermasheinä (2011) made her research in Degree Programme in Media Production and Management in Helsinki Metropolia University of Applied Sciences. Vermasheinä's (2011)

this thesis is discussing about Finnish music industry startups' viewpoints on marketing communications and social media, as well as their views on the future of the music business. Vermasheinä (2011) points out that many startup companies have been established in Finland focusing on providing online and digital services for music listeners, musicians and other actors in the music industry. Vermasheinä (2011) lists Facebook, LinkedIn and Twitter as the most important social media marketing channels for companies. Vermasheinä (2011) states that direct interaction with a music fan is a key factor in two of the four interviewed companies. Vermasheinä (2011) also states that the interviewed companies have a deeper relation with the social media than just marketing based relation.

Petko (2011) made her research in Degree Programme in Music Management in Jyväskylä University of Applied Sciences. Petko (2011) is focusing on online music piracy and file-sharing in Russia. Author of this thesis is also discussing about the problematic illegal file-sharing on Peer-to-Peer networks in this thesis. Petko's (2011) thesis goal was to provide an overview of different positions and different attitudes in Russian Federation towards online piracy as well as developing and proposing solutions that would satisfy all of the stakeholders related to the conflict. Petko (2011) found out that modern anti-piracy policy in Russia needs legislative and non-legislative measures in order to reduce the effects of the piracy.

The author states that it is important to make the thesis about services and describe the different available digital music distribution channels in the service manner for independent bands' needs. Digital music distribution especially for independent bands has not been broadly researched before. Service design is studied in this thesis by the author in the context of digital music distribution for independent bands.

The author will apply the results found in this thesis through his own band. A new way of distributing author's band's digital music is made based on the conclusions put together in this thesis. This thesis might also provide advices and hints for other independent bands distributing their digital music as well.

2 Digital and analogue music

Digital music stands for digital audio which is a method of producing the sound through numerical values. This is on the contrary to analogue methods which reproduce the sound with the assistance of physical methods. Analogue systems include such as magnetic tapes and vinyl. (MP3.about.com 2013.)

All the sounds that you hear in real life are analogue sounds. So any sound you hear is not initially in digital form. In analogue sound form all the sounds are created without

interruptions continuously. Producing digital audio differs clearly from creating analogue audio. Digital audio uses small amounts of information which are called bits to represent the different parts of the analogue sound wave. The sampling rate of digital audio determines its quality. Higher sample rate of digital audio corresponds with a more accurate copy of the original analogue audio. (Miller 2012, 39 - 42.)

There are also physical sources of digital music. The most commonly known physical source of digital music is CD which stands for compact disc. Compact disc is working with a method where a laser can read the depth differences that are on the surface of a disc. These depth differences are then reflected on the power of a laser beam which is furthermore measured and decoded as binary data. (MP3.about.com 2013.)

Emphasis in this study is on non-physical sources of digital audio. These non-physical sources of digital audio use various encoding formats to store the audio information. The most commonly known digital audio file is MP3. (MP3.about.com 2013.)

MP3 digital audio format

MP3 uses different MPEG Audio Layer 3 encoding formats. It is a patented digital audio encoding format which uses data compression. The compression works in a way where some data of the original audio, for example, CD format is lost. This data lost comes mostly in the compression process from the reduced accuracy in certain parts of the sound which most people cannot even hear. (Digiarty Software 2013.)

Tuomola (2002) states that MP3 is the leading sound compression and storage format in the Internet and in home computer use in year 2001. He adds that there are no signs of decreasing popularity in MP3 files use in the future either. There are available different CD players that are directly able to repeat music in the MP3 format. (Tuomola 2002, 32.)

MP3 audio file is commonly used audio storage format among consumers. MP3 has also become standard digital audio compression format for the transfer and playback of music on digital audio players. (Digiarty Software 2013.)

Though MP3 data compression it is possible to reduce the file size of an audio file multiple times compared to the original one. For example, a standard MP3 file with good quality bit rate is twelve times smaller compared to the original audio file with normal CD quality bit rate. Because of the small size of the MP3 files it makes it easier to transfer them over the Internet. (Webopedia 2013.)

3 Independent digital music

This thesis is focusing on independent digital music. Wikipedia (2013) defines independent music as a music that is produced apart from major record labels or their subsidiaries. Independent music can also be described as such music where an artist has had control from the creation process of music to the promoting phase of the music. Independent music is often called, referred and shortened as indie music. (Wikipedia 2013.)

3.1 Distinction between independent and not independent music

Richardson (2007) lists the differences of firstly being a record artist, secondly being an independent artist or thirdly being something in between of the first two mentioned in her Black Enterprise's article "The Rise of independent music" by the following:

Record deal artist:

- Artist becomes part of label's roster and must share attention and support
- Artist generally signs a multi-year, multi-album contract
- Label pays all charges, including marketing and promotion of recording, manufacturing and distribution costs
- Artist typically receives a significant up-front advance and royalty rate of 10 % to 15 %
- Artists can't receive royalties until all costs are recouped by the label, including advances
- In most cases, unless the artist scores a hit record, the artist won't see any more money after the advance
- Generally, label owns copyrights to all recordings

(Richardson 2007,114.)

Independent artist:

- Without a record deal
- Independent artist has own source of capital
- Independent artist pays for the recording costs and some promotion
- Independent artist may rent distribution system from the major labels, which will charge for manufacturing the CDs, converting the files digitally to make them available for download, shipping, and storage; in some cases, the label will also create the cover art for an additional fee
- Independent artist owns copyrights to all recordings

(Richardson 2007,114.)

Joint ventures (between an independent artist label and major label):

- Independent artist and major label enter an agreement where both parties share costs and profits
- Independent artist generally performs the artists and repertoire, selecting the artist and paying for the recording and production
- Label pays manufacturing and distribution costs and may pay some promotion costs
- Ideally, independent artist pays 50 % of the cost and receives 50 % of the profit.

(Richardson 2007,114.)

Kusek and Leonhard (2005) are telling about independent and smaller artist-owned labels that because of their smaller size they are more flexible to reorganize their business models. An example of this flexibility is that independent labels were licensing their catalogues to the legitimate music download services while major labels were still in the considering phase. (Kusek & Leonhard 2005, 111.)

Internet and its technology play a big role where it has made it possible for independent music to reach massive audiences without the help of major record labels and high overall costs. Digital music services are established in such manner that they drive the discovery of new music. This has created a lot of new opportunities for independent bands and music. (Wikipedia 2013.)

3.2 Spellman's traditional and new music value chains

Spellman (2011) states that for over forty years now the music industry has practised a business model where the growth has been made by major record companies through acquisitions. In other words, major record companies have signed or bought independent artists that have already developed their artist work. Spellman (2011) continues that today many artists and their managers see the role of record companies not that important as before because of the recent changes in the music value chain. (Spellman 2011, 23.)

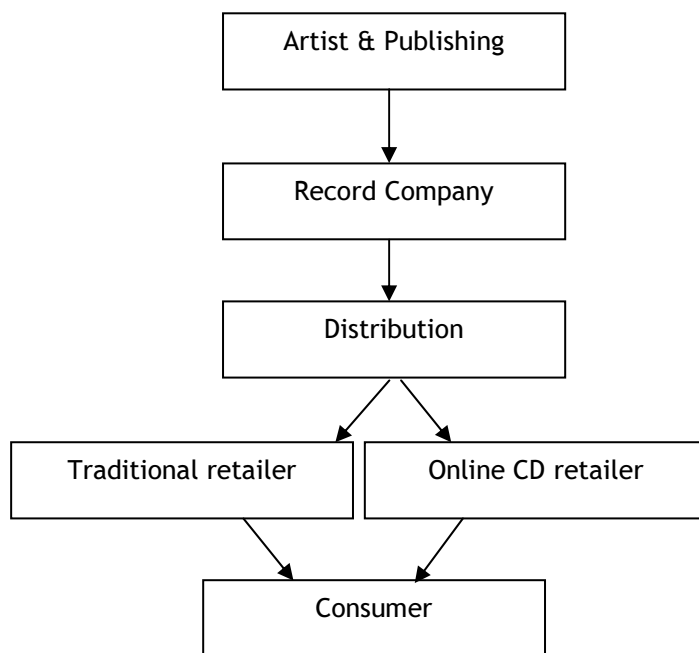


Figure 1: Traditional Music Value Chain (Spellman 2011, 24)

Spellman (2011) describes the traditional music value chain (Figure 1) where an artist and publishing are made for record companies which then furthermore take care of the distribution to the traditional retailers and online CD retailers. In Spellman's (2011) traditional music value chain the ending point is the consumer. (Spellman 2011, 24.)

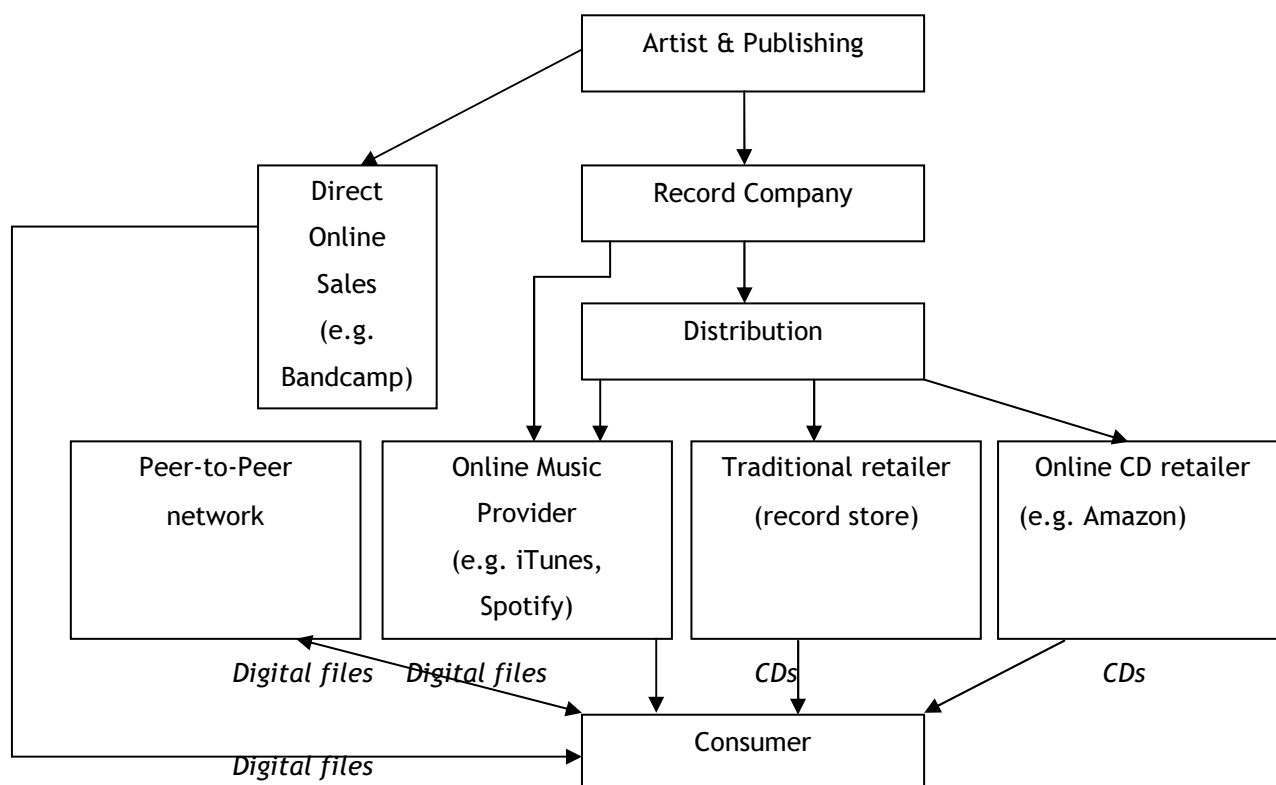


Figure 2: New Music Economy Value Chain (Spellman 2011, 24)

Spellman (2011) illustrates how the new music economy value chain (Figure 2) enables direct online sales such as Bancamp's services for an artist. This creates the possibility for an independent artist to publish and distribute their music directly to the consumers without the traditional music value chain. Spellman (2011) also describes online music providers' such as iTunes and Spotify alongside with Peer-to-Peer networks as differences from the traditional music value chain. (Spellman 2011, 24.)

4 Digital music distribution channels

Sales of physical music recordings have been worldwide declining over the last years which has led the music business to face new challenges. For example, the total turnover of physical music recordings in Germany has decreased at a rate of 38.5 per cent during the last seven years of time. (Amberg 2007, 291.)

Many reasons have affected to this change in the field of music business. Those reasons are, for example, economic recession, changes in using different media as well as changes in the consumer behaviour. There has also been an increasing competition between new distribution channels of music. Furthermore, technical improvements such as MP3 files and peer-to-peer

networks have made it possible for consumers to copy and share music illegally for free. (Amberg 2007, 291.)

Spellman (2011) is telling about how the music business is changing and how music is nowadays treated as a service. Through digitization of music record companies are now able to save various costs compared to the physical version of the product. Cost savings in digital music distribution are visible especially when comparing to the handling costs of physical music. In digital music distribution supplying, warehousing, inventorying, distributing and shipping costs are nonexistent. Music in digital form can be distributed to the consumers straight over the Internet. (Spellman 2011, 46-47.)

Digital music distribution is not about just selling audio downloads. Spellman (2011) lists smart phones, tablets, TVs, set-top boxes as music listening devices which are connected to the digital music stream. Streaming music through the Internet will become such commodity for consumers that they will pay their Internet Service Providers a fixed monthly fee of streaming the music they choose to listen to around the clock. (Spellman 2011, 47, 110.)

Spellman (2011) summarizes the changes in music distribution accordingly: “The future isn’t about a change in distribution itself. Instead of distributing things, we’ll get access. It’s a critical difference. The future isn’t about downloading songs and burning CDs. It’s about just-in-time customized delivery. Music as service, not product.” (Spellman 2011, 47.)

Kusek and Leonhard (2005) are also discussing about music as a service. Discovery of music listening devices were enabling listening to music without the need to go to see the actual live performance. This changed the music business model from interactive entertainment into selling fixed products. (Kusek & Leonhard 2005, 12.)

The digital distribution of music is now again changing this arrangement upside down. Nowadays technology has encouraged the artists to communicate directly with their fans. The mindset of record labels and artists need to change from selling goods into selling experiences and services that take into account the consumer needs. (Kusek & Leonhard 2005, 13-15.)

Spellman (2011) categorizes the major players and channels in the digital music distribution by the following:

Digital music warehouses are in the centre of the digital music business. These digital warehouses hold licensed content in various formats for distribution to media and retail business.

- Apple (outlet iTunes)

Independent aggregators whose role resembles digital warehouses but for smaller businesses. Aggregators receive your songs and then negotiate the content licence agreement with the digital music services. Furthermore, these aggregators collect royalties and take care of the pay outs from the music services and then finally send labels and artists royalty checks alongside with sales reports.

- EmuBands (EmuBands, UK)

Digital jukeboxes are commercial jukebox systems for restaurants and bars.

- ECast

Satellite radio stations make money through subscriptions and sales of receivers. Satellite radios are expanding their markets through the deals with car manufacturers.

- Sirius Radio

Internet radio is a programmed audio streaming on the Internet.

- Last.FM

Peer-to-Peer (P2P) networks are using standard Internet protocols and applications for file sharing between the Internet users. It is possible to distribute any kind of digital information through this channel. Music and video piracy are focused in these networks.

- BitTorrent

Artist download sites are Internet web pages created by artists who distribute their music directly to their fans.

Community & social media download sites makes it possible for artists to have active communication between fans and distribute their music, for example, for focused groups of music listeners.

(Spellman 2011, 110-112.)

Music subscription services, a music streaming model which resembles a radio station from which the user has the total control over. The ideology with the music subscription services is that the consumer owns the license to listen to the music instead of owning the actual music product. It's an on-demand service which is based on a fixed monthly fee. (Tuomola 2002, 36 - 37.)

4.1 Different e-business models for digital music distribution

Amberg (2007, 292) continues that a few companies in different business branches have already established Internet-based business models for digital music distribution. Amberg (2007) represents the following three different types of e-business models for digital music distribution from the category A to the category C:

CATEGORY A			
<i>Pay-per-download and independent of the technology of the supplier</i>			
<i>Characteristics</i>		T-Online www.musicload.de	MediaMarkt www.musikdownload.mediamarkt.de
<i>Type and volume of content</i>	Number of songs	>300,000	360,000
	Type of songs	Rock and pop music, charts	A full range of songs, particularly charts
	Data format	WMA	WMA
<i>Price of content</i>	Price per song	€0.99-1.59	€0.99
	Price per album	€7.99 upward	€9.99
	Special offer	Six songs in a price-bundling for €5	Nonexistent
<i>Rights of use</i>	Number of downloads per song	Within six months of date of purchase	4
	Copy rights	5-10	5-10
	Export rights	5-25	5-25
<i>Additional services</i>	Information	Not any additional information about artists, bands, etc.	No additional information about artists, bands, etc.
	User support	Guided tour, software to administrate the audio content and rights	Information about the use of the online shop

Table 2: E-business model for digital music distribution category A (Amberg 2007, 294)

In Table 2 Amberg (2007) demonstrates the ‘pay-per-download and independent of the technology of the supplier’ e-business model A. T-Online and MediaMarkt are mentioned as example services. The price per song varies from 0,99 € to 1,59 € in these services. These pay-per-download services are independent of the technology of the supplier. (Amberg 2007, 294.)

CATEGORY B			
<i>Pay-per-download and dependent of the technology of the supplier</i>			
<i>Characteristics</i>		Apple iTunes www.apple.com	Sony Connect www.connect-europe.com
<i>Type and volume of content</i>	Number of songs	700,000	360,000
	Type of songs	Rock and pop music, jazz, audio books	A full range of songs, particularly charts
	Data format	AAC (M4P)	WMA
<i>Price of content</i>	Price per song	€0.99	€0.99
	Price per album	€9.99	€9.99
	Special offer	Nonexistent	Nonexistent
<i>Rights of use</i>	Number of downloads per song	1	4
	Copy rights	Unrestricted	5-10
	Export rights	Unrestricted	5-25
	<i>Additional services</i>	Information	Information about few artists and link to their web sites
	User support	Client software for using the offering	Information about the use of the online shop

Table 3: E-business model for digital music distribution category B (Amberg 2007, 295)

In Table 3 Amberg (2007) demonstrates the e-business model B for digital music distribution which is 'pay-per-download and dependent of the technology of the supplier'. Example services mentioned by Amberg (2007) are Apple iTunes and Sony Connect. Price per song in other words per download is 0,99 €. The rights of use is limited from 1 to 4 downloads per song in these services. Additional services within these services include such as information about artists and links to their web sites. User support includes client software and information about the online shop. (Amberg 2007, 295.)

4.1.1 Digital downloads services

Digital downloads have been growing internationally and the service offerings to consumers around them have also improved since the launch of the first online music stores in Europe and United States approximately ten years ago. These online music download stores bring the majority of revenues that come from the digital music sales in altogether. Download stores represent also the majority of the 500 different digital music service offerings. These download stores cover up to 20 million track music libraries (Digital Music Report 2012, 10). In Amberg's (2007) e-business model as presented in Tables 2 and 3 the categorisation of digital music download stores would fall into the category of A and B depending on the service provider.

4.1.2 Music subscription services

Music subscription is a fast growing online music service business model with its global consumer growth rate of 65 per cent in year 2011. There were 13 million music service subscribers in the year 2011 in addition to the tens of millions users of digital music download services. Music subscription is a digital music service that is changing the way people are consuming music and the methods of paying for it. (Digital Music Report 2012, 10.)

Music subscription services also offer different return on investment possibilities for artists and record labels compared to, for example, digital downloads. Digital downloads business model is working in a way where a certain song is purchased and paid once. Whereas in the music subscription business model a certain song or an album can be listened to hundreds of times and where each listening event generates a payment for the artwork's rights holders. (Digital Music Report 2012, 10.)

Single payment for each listening event in music subscription model is lower compared to a single digital song download but payments over a long period of time can be higher from music subscription services. This is because in music subscription services model consumers may repeatedly listen to a certain track or an album of an artist. This accumulates the payments triggered from each listening event generated by a service user (Digital Music Report 2012, 10.) In Amberg's (2007) categorisation of different e-business models of digital music the music subscription service would fall under the category C as illustrated in Table 4.

CATEGORY C			
<i>Based on a fixed price</i>			
<i>Characteristics</i>		Napster www.napster.com	Rhapsody www.rhapsody.com
<i>Type and volume of content</i>	Number of songs	1,500,000	>1,000,000
	Type of songs	A full range of songs	A full range of songs
	Data format	WMA	MP3
<i>Price of content</i>	Fixed price	€9.95/month	€8.33/month
	Price per song	€0.99	
	Special offer	Nonexistent	Nonexistent
<i>Rights of use</i>	Number of downloads per song	Unrestricted within the fixed price/on up to three PCs with the same user name password	Unrestricted within the fixed price/on up to three PCs with the same user name password
	Copy rights	Not included	Not included
	Export rights	Not included	Not included
<i>Additional services</i>	Information	Artist biographies, music reviews, recommendations, etc.	Artist biographies, music reviews, recommendations, etc.
	User support	Community feature	Community feature

Table 4: E-business model for digital music distribution category C (Amberg 2007, 296)

In Table 4 Amberg (2007) demonstrates the services which are 'based on a fixed price'. According to Amberg (2007), these services include such as Napster and Rhapsody. Price of content varies within these services from 8,33 € per month to 9,95 € per month. Rights of the use are categorized as unrestricted within the fixed price on maximum up to three PCs with the same user name and password. Additional services include such as artist biographies, music reviews and recommendations. (Amberg 2007, 296.)

4.2 Music subscription service called Spotify

Spotify is a music subscription service that was launched officially on October 2008 in United Kingdom, Germany, France, Italy, Spain, Finland, Norway and Sweden. The name Spotify is a combination of the words "spot" and "identify". Daniel Ek and Martin Lorentzon are the entrepreneurs who founded the company. Spotify's headquarter is situated in United Kingdom and its research and development office is situated in Stockholm Sweden. Spotify's business model is to round up content from right-holders, distribute the content to consumers through their own technical application and gain profits from the advertisements funded service and through subscription service from its frequent users. (Darby 2009, 14.)

Compared to consumers who are purchasing digital downloads Spotify subscribers are creating more long-term value for the music business. According to Spotify, their users who are registered to the Spotify premium member account are paying at least 120 dollars from the premium account annually. This is twice as much compared to the average digital download consumer. Spotify furthermore states that its business model has supported the traditional digital download service model. Spotify states that it has been growing the traditional and digital music business sales in altogether. (Spotify.com 2013.)

4.2.1 Spotify for music listeners

Spotify is a music subscription service where its users can register for free to use the service. It's an on-demand music streaming service where a user can decide when to listen to the music that a user chooses to listen to. Therefore it is said that Spotify can be used for consumers to try out different music before choosing to whether purchase the music or not. (Darby 2009, 14.)

Spotify's free version makes it possible for the service users to try out the service with certain limitations and with mandatory advertisement breaks. Spotify free users are paying for the music they are listening to through listening to the steady advertisements stream. Spotify pays royalties also out of the free music streamed. (Spotify.com 2013.)

Spotify is one of the largest online music services along with iTunes and Pandora. Spotify is probably the fastest-growing streaming music service. Through Spotify you are able to listen to a large music library where ever and with various devices. Spotify has good social media features, as an example of this it is well integrated with Facebook. Spotify can automatically post your listening activity onto your Facebook wall. In addition to Facebook integration you are easily able to share your music with friends via Twitter and email. (Miller 2012, 237-238.)

Spotify states that its users discover new music through their service, builds playlists and creates a social identity around the music they listen to. Firstly people start to use the service with the free account but in time choose to turn as a paying subscriber of the service. This is because of limitations and advertisement free of service that can be also used on various devices such as smart phones and tablets. (Spotify.com 2013.)

Spotify's social media features can be seen in the Illustration 1 where Spotify application is giving recommendations for example from the 'Top playlists near you' and 'Top tracks near you'.

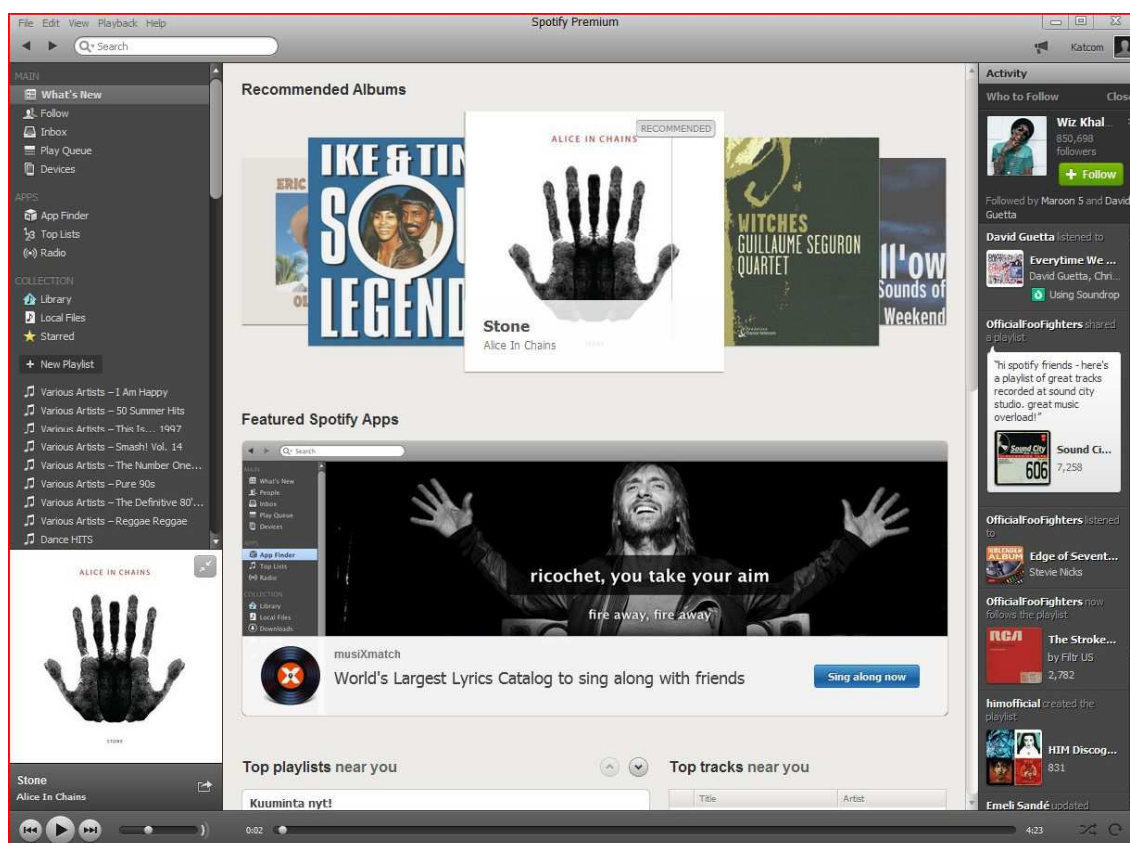


Illustration 1: Spotify end user application (Spotify.com 2013)

Spotify's basic music streaming service is free to register and use which is financed through advertising. The second option is the premium service that is free from adverts and costs 9.95 pounds per month. Spotify is further developing different revenue streams from the mobile use of its service at the moment. (Darby 2009, 14.)

Instead of selling the ownership of individual songs or albums Spotify's business model is to sell the access to a very wide variety of different kind of music to consumers. Spotify states that its service model is customized for today's listening habits among music consumers because many of them are already streaming the music that they listen to for example from YouTube. (Spotify.com 2013.)

4.2.2 Spotify for artists

For record labels this offers an efficient way to promote their different artists. Spotify's users state that Spotify's biggest advances lie in its easy to use platform and in the broad selection of different music it is offering. (Darby 2009, 14.) As described in Amberg's (2007) different digital music distribution e-business models, Spotify differs from digital downloads services. This is because it is based on streaming music charging a fixed amount from the use of the service. In Amberg's (2007) digital music business models Spotify falls into the category C, music services that are based on fixed price.

Spotify pays out the majority (approximately 70 %) of all of their revenues to rights' holders who are artists, record labels, publishers and performing rights' societies. Spotify gains its revenue streams through advertisements and subscription fees. Spotify periodically pays royalties to record labels, digital distributors, aggregators and publisher collecting societies with whom Spotify also has direct agreements. These instances then pay to the recording artists and songwriters according to the specific agreements made between them. Currently Spotify has paid 500 million dollars in payouts for rights holders since Spotify's launch in the year 2008. Payouts are at the moment twice as much than in the year 2012. These royalty payouts are constantly growing related to the success of the service. (Spotify.com 2013.)

Spotify pays royalties to artists in a manner where the popularity of an artist has impact on the amount of the royalty payout from Spotify. Approximately 2 % of Spotify's gross royalties are paid for an artist whose music is streamed among approximately 2 % of users of the service. Therefore a successful album or a song from an artist can generate more incomes in time compared to the traditional income model calculated from unit sales alone. Royalties for an artist are accumulated every time that a song or an album is being streamed by a user of the service. (Spotify.com 2013.)

Independent artists are able to choose any distributor that they want among distributors who have a distributor deal with Spotify to be able to display their music on Spotify. These distributors are the ones who handle the royalty payments for artists. Spotify is paying royalties to the new artists that have gained vast enough of audience to listen to their music through Spotify. This means that Spotify can be an income source for an independent artist without a record deal. (Spotify.com 2013.)

Through Spotify an artist might be able to reach already wide audience that is using Spotify. Spotify is also offering such additional features for artists where Spotify is alerting people that are connected to your band that your show is coming into their town. Spotify will also note people that are connected to your band about your new releases. (Spotify.com 2013.)

4.3 Online music store iTunes

Apple's online music store called iTunes was launched in April 2003 and initially the service was restricted to only concern users who were using Apple's computers. iTunes started the service with offering an assortment of 200 000 songs priced 99 cents each. Most of the music albums were priced at 9.99 dollars. Later in year 2003 Apple launched its iTunes Windows-compatible music service to the millions of PC users which expanded the service's reach ability. In year 2004 iTunes already had an assortment of 500 000 songs from over 200 different independent record labels along with songs from five major record companies. (Seff 2004, 20.)

Senior analyst Phil Leigh states in the article "iTunes Birthday Music" that, before the iTunes music store started its business, the digital rights for online music were highly limited. Leigh continues that Apple was able to negotiate with such rules that were comprehensible to the business and as well to the consumers. The result of these clear rules was easily recognizable through the sales figures of the iTunes service. After ten months of the service launch Apple iTunes online music store had sold 50 million songs. With these sales figures Apple achieved market share of 80 per cent in the digital music download business. (Seff 2004, 20.)

iTunes online music store was a success story from the day it launched its service. After the first 18 hours that it had been online 275 000 tracks were sold and over a million songs were sold within five days after the service launch. By the end of the year 2003 Apple's iTunes music store had already sold over 25 million songs. On February 22th in the year 2006 Apple sold its one billionth music download. (Miller 2012, 94 - 95.)

Miller (2012) states that "The most popular online music store today is Apple's iTunes store." Miller (2012) continues that iTunes has the largest customer base with over 160 million

customers. iTunes has the largest song selection available online with its over 20 million songs. Total download amount of songs from iTunes is over 10 billion. (Miller 2012, 93.)

iTunes end user application is presented in Illustration 2. It can be seen from the Illustration 2 that iTunes offer quick links to 'Top singles' and shows commercials of the newest music in the service. At the bottom right-corner can be noticed a pay-per-download 'Hit songs for 0,69 euros' banner.

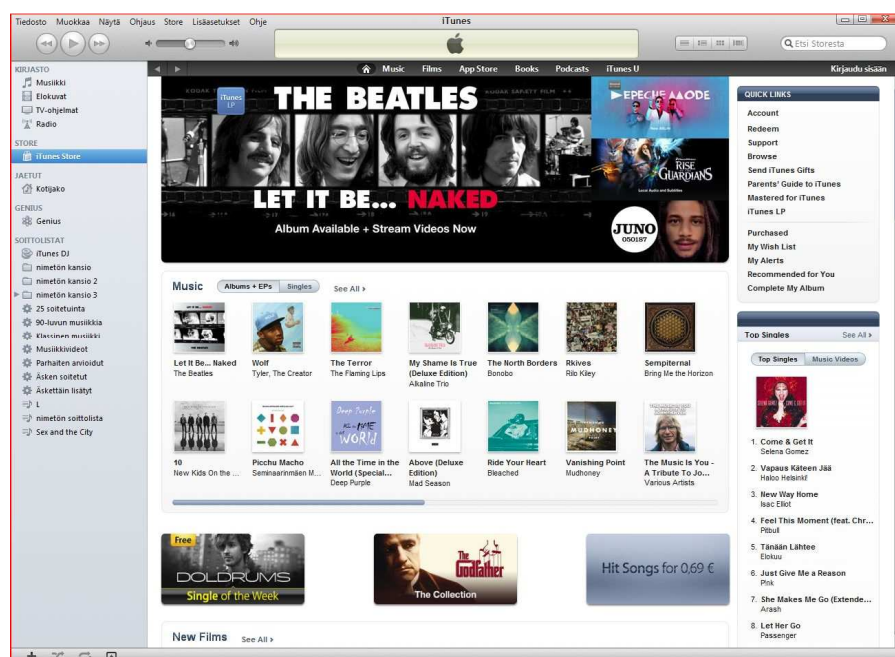


Illustration 2: iTunes end user application (Apple.com 2013)

iTunes' nearest competitor is Roxio's Napster 2.0 which has as wide assortment of songs as iTunes and similar pricing. Napster's music subscription possibility through a fixed monthly fee from users differentiates Napster from iTunes when comparing the service offerings of these two music services. Music subscription services allow people more flexibility in their purchase decisions because subscription service users are able to listen to the whole song instead of short previews of the songs. (Seff 2004, 21.)

iTunes is constantly adding new features to its music service. Seff (2004) is, according to Bill Gould, a chief executive officer of Kool Arrow records who states that providing better accessibility to independent music is the potential advantage of online music retail. Gould emphasizes that an easy to use interface is the key factor of discovering new artists and labels and it is something that service providers should pay attention to. (Seff 2004, 21.)

Apple's iTunes store is popular because the excellent consumer experience it offers. iTunes also has good deals and a very good selection of different music to choose from. Miller states that "Let's also remember that Apple defined the concept of the online music store, and pretty much dictates terms." Apple set the standard 99 cents per track pricing. Apple created the online music store business model where 30 % of the sales price is taken by Apple and the remaining balance goes back to the label or artist. So it can be said that iTunes store is playing by the rules that itself created. (Miller 2012, 106.)

4.4 Peer-to-Peer networks (P2P)

Peer-to-Peer networks are often shortened as P2P networks. It is a service which connects computer users directly to the other computer users via application that is installed to the computers. There is no central server that links these computers to each other. All the computers that are connected into P2P environment are therefore in an equal position. P2P application called Napster had a server that acted as a central database for the different files shared among P2P networks users. Also in this situation the actual file sharing was made between P2P networks users not through the application server. (Tuomola 2002, 42.)

Napster started to gain popularity among college students in the late 1990s. Record companies soon noticed that this P2P application was used for sharing songs for free and illegally. Napster started the Internet file sharing of the MP3 audio files (Miller 2012, 152). Record companies sued Napster, won the case and Napster file sharing service was soon closed forever. After Napster was shut down there came along many other P2P applications which were more powerful than Napster and that also allowed people to trade music files for free. These new P2P applications did not have any central database containing music files. They only enable the access between different P2P users to trade files with each other and are therefore treated as legal services. Users of these services are able to trade legal public domain materials as well as copyrighted materials from which these services have no control over. (Gordon 2005, 86-87.)

The newest and probably the most popular P2P application today is called BitTorrent. BitTorrent has over 150 million active users who create approximately 70 per cent of all of the Internet traffic. BitTorrent works with a method where a file is distributed in small pieces among the users. When one receives a small piece of the file that is being downloaded it instantly becomes available for others through uploading. (Miller 2012, 153.)

Sharing copyrighted material through P2P networks is illegal and it is money put aside from new emerging artists and other musicians. In other words, sharing and downloading songs in a

P2P environment is shown in lost revenues in the music business altogether. There still are some legal P2P music services that are based on a fixed monthly fee. (Miller 2012, 155-161.)

Andersen (2010) conducted a survey of the P2P activity in Canada reflecting on the purchase of music compact discs. Andersen (2010) found out that P2P activity caused positive and negative effects on to the music CD sales but the total effect into the CD sales was somewhat neutral. Andersen (2010) pointed out that downloading a song for free from P2P networks stimulated the CD sales through hearing before buying model. On the other hand the survey pointed out that people who choose to download music for free perceive the CD album prices too high. Andersen (2010) suggests that to tackle this problem music industry could find new innovative ways to lower the prices of the music supplied (Andersen 2010, 735).

Andersen (2010) suggests that music industry could change its organization in a way where it would embrace new technological innovations. These technological innovations could then create new income models for the music industry. This change would have to be made in such manner that it would take into consideration the new ways that music users wish their music to be delivered and consumed. (Andersen 2010, 735.)

4.5 Social media

Turner and Shah (2011) define that social media is about having a dialogue with customers and prospects. Turner and Shah (2011) add that this is on contrary to the traditional marketing which is about having a monologue with your customers and prospects. Dialogue with the customer is something that makes the communication more successful and productive. It should be noticed that a great deal of social media marketing still happens offline. Word-of-mouth is often experienced as more truthful information than online conversations. (Turner & Shah 2011, 13 - 16.)

Social media is about communicating through many different channels for a certain period of time (Turner & Shah 2011, 13 - 16). Bodnar and Cohen (2012) state that the social web is not straightforward. Information and interaction are something that happens through the social web in every direction (Bodnar & Cohen 2012, 8). Lincoln (2009, 9) adds that social media is a place where people with common interests come together and share their thoughts and comments.

Lincoln (2009) continues that user-generated content is at the core of the social media and therefore it creates power to ordinary people. Social media stands for community. Inside social media there can be small and big communities that share the same interests. Through

social media people are able to connect, talk and share with one another. (Lincoln 2009, 8-14.)

4.5.1 Facebook as a digital music distribution channel

Nichols (2009) states that in 2008 a survey carried out by Entertainment Music Research (EMR) found out that Facebook was the single most important community site for discovering music for 15 % of consumers. The connection between Facebook and music has caused debate that Facebook might launch its own music streaming or downloads service. (Nichols 2009, 23.)

Facebook is already encouraging artists to promote their music on Facebook. Artists are able to post updates about their tours and new releases. Artists are also able to sell their tickets through Facebook as well as stream their videos. In addition to these, Facebook is offering Facebook Music Player for artists to stream their music and to post purchase links alongside. (Nichols 2009, 23.)

There are also hundreds of specialist interest music groups on Facebook that share their music libraries with other music fans. The popularity of these different interest music groups on Facebook has been significantly growing. Members of these different interest music groups state that interest music groups are a great way to discover new music and exchange it. Members of these music groups have also been saying that exchanging music on Facebook is increasing their music buying activity. (Nichols 2009, 23.)

Facebook is applying such changes to its service that it would become as a sharing tool for music listeners. This feature will be enabled, for instance, by reporting user activity of one's music listening activity on music streaming services such as Spotify. Facebook's approach is to integrate with such music services that allow users to stream free music or an unrestricted amount of music for a monthly fee. As an example of these kind of music services Apple and Google have started cloud music services that allow users to upload their personal music collections to servers and listen to them remotely. (Smith 2011, 8.)

4.5.2 Youtube as a distribution channel

Nielsen Co. conducted a consumer survey in the United States which results show that almost two-thirds of people under the age of 18 use Google Inc's YouTube video-sharing web service to listen to music. Survey also points out that these teenagers prefer YouTube for listening free music over listening to compact discs or radio. Record companies and music publishers are able to gain profits via advertisement shown alongside YouTube videos but the compensation is only fractions of cents per listening. (Smith 2011, 8.)

Barth (2011) states that when looking at the 2010 figures of Google Inc's YouTube video-sharing service it can be noticed that YouTube earns about one dollar per thousand views. The profit is shared between YouTube and the content creator in videos that run ads alongside. In these cases 68 per cent of the profit goes to the content creator. (Barth 2011, 37.)

YouTube can be a channel for an artist to break out. Gotye is an Australian songwriter who uploaded his music video into YouTube in 2011. At the first place he had no earlier recognition in the United States but because of the YouTube video that he uploaded he gained immediate success. Soon after the video launch Gotye's song had 381 million views in YouTube. (Weiner 2013, 75-77.)

4.5.3 Twitter as a distribution channel

Twitter is a web service which offers social networking and micro blogging features for its users. Through Twitter its users are able to send and read short messages which are limited to 140 characters. Twitter was founded in year 2006 and at the moment it has approximately 200 million users. (Spellman 2011, 125.)

Twitter is about two-way communication it can be used to generate conversation or to update information about something. Twitter users are more likely to end up buying digital music. Through Twitter you are able to share for instance links to your songs, photos and other latest news about your band. (Spellman 2011, 125-127.)

Music behaviour	Twitter users	non-Twitter users
Bought CD	33%	23%
Bought digital music	34%	16%
Listened to online radio	41%	22%
Watched online music video	39%	25%

Table 5: Music behaviour: Twitter users vs. online non-Twitter users (Spellman 2011, 126)

In Table 5 Spellman (2011) demonstrates the music behaviour of Twitter users and non-Twitter users. Spellman (2011) shows the percentages of Twitter users who ended up in buying a CD, buying digital music, listening to online radio and watching an online music video. These percentages are compared against non-Twitter users' music behaviour within these same music consumption behaviour categories. (Spellman 2011, 126.)

Spellman (2011) quotes David Emery from Beggars Group which is an collection of independent record labels states that word of mouth has always been an important factor for promoting music and through Twitter it is made easier than ever. Twitter is a great tool for artists to interact directly with their fans. (Spellman 2011, 126.)

4.6 Distribute your music independently

This section handles the different digital distribution possibilities for independent bands' in distributing their music through an aggregator (EmuBands, ReverbNation), platform (Bandcamp, Hitlantis) or via their own web sites. An aggregator enables music distribution for independent bands' in leading online retailers. Bandcamp offers a platform for independent bands' to distribute and sell their music to their fans. Hitlantis offers a unique platform and a forum that is focused on independent bands' that do not have a record contract. Artist web sites offer direct means for an independent band to sell and distribute their music.

4.6.1 EmuBands - aggregator of independent digital music

EmuBands is a digital music distribution service which operates as an aggregator for artists and record labels. By paying a one-time fee for EmuBands you are able to distribute your music in the World's leading online retailers like iTunes, Spotify and Amazon MP3. EmuBands will offer a feature to track the royalties that you have gained and a payment request of the accrued royalties can be made at any time. EmuBands will grant 100 % of the royalties received from the retailers to the artists. (EmuBands 2013.)

4.6.2 Bandcamp - sell your music directly to the fans

Bylin (2011, 29) states that Bandcamp is a web service for artists to share and sell their music on the Internet. Bandcamp has become a popular brand when it comes to seeking new upcoming artists through the Internet. Kane (2012) continues that Bandcamp is among the best channels to share, stream, sell and distribute your music. Sign-up is made easy because it only requires an e-mail address. Tracks can be uploaded to the service in high quality large file formats. Your music can be offered for free, for the price you choose to sell or with a fixed price. Bandcamp will charge from the artist 15 % of the digital purchases sales or 10 % of the merchandise sales. (Kane 2012, 17.)

4.6.3 ReverbNation - independent music online distributor

ReverbNation is a leading marketing and promotion technology platform for musicians, labels, managers and venues. ReverbNation can act as a central point for an artist's Internet

coverage in altogether. ReverbNation brings together, for example, artist's social networks, email, blogs and artist homepage. This service also provides such built-in marketing tools for an artist that it is possible for an artist to share their music and information widely and effectively over the Internet. Over 250 000 artists have chosen ReverbNation music service as their marketing partner. (Marketing Business Weekly 2008, 143.)

There are different kinds of targeted programs in ReverbNation that help independent bands to reach wider audience. It is more and more difficult to connect with consumers in a reasonable way through mainstream media today. ReverbNation provides such marketing network for artists that through the ReverbNation service they are able to reach the millions of users of the service. And in addition to the user reach ability the marketing is focused on to the target audience through this same distribution channel. (Marketing Business Weekly 2008, 143.)

4.6.4 Hitlantis - gain fans, gain success

Hitlantis is Europe's largest independent music community and it features unique service and user interface. Hitlantis is kept as a generous music service from the artists' point of view because Hitlantis passes on 90 per cent of the revenues from the music sold to the artist. Hitlantis is concentrating on to the independent bands that have not yet signed a recording contract. Users of the Hitlantis service are able to stream the music that they choose to listen to for free but there is also an option of purchasing music downloads. Artists who own the rights to their music are able to upload their music freely on Hitlantis. (Asia Pulse 2010.)

The user interface of Hitlantis is unique and it is represented through graphics on the screen. Different artists are represented as bubbles on the screen and the bubbles get closer to the centre of the screen as the popularity of an artist increases. Artists are able to grow their bubbles in other words visibility by adding more songs to the service. (Peoples 2012, 19.)

Hitlantis user interface is presented in Illustration 3. From there the graphical user interface of Hitlantis can be easily noticed. Biggest bubbles on the screen present the most popular artists that can be found from the service. Artist are able to affect on the size and positioning of their bubbles through the measures they make in the service and through to popularity they gain among the users of the service.

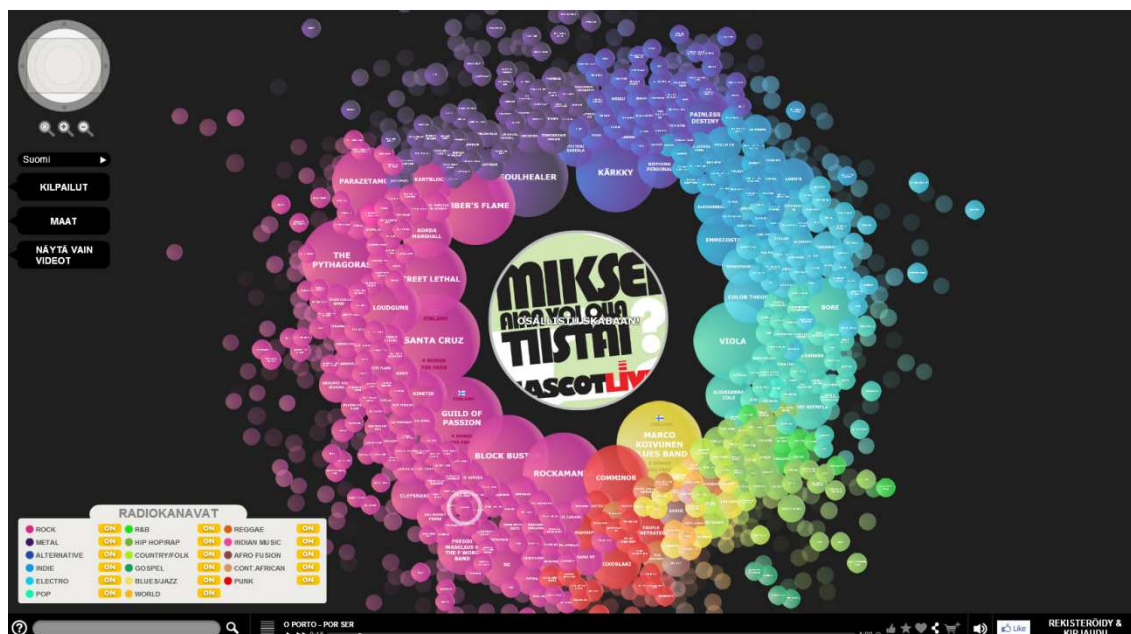


Illustration 3: Hitlantis user interface (Hitlantis.com 2013)

4.6.5 Artist web sites - do it yourself

Spellman (2011) discusses about artist download sites where he states that distributing your music digitally from your web sites means that you have to have proper tools for it. Spellman (2011) continues that this might mean higher costs when setting up and designing your web pages. Some companies offer ready applications to enable listening and purchasing your music via your web pages. Spellman (2011) lists popular artist download sites where he mentions for example Bandcamp and ReverbNation. (Spellman 2011, 112.)

4.7 Summary of digital distribution channels for independent artists

This section summarizes the different distribution channels that are available for independent bands according to the discussions in chapters 3 and 4 (Figure 3).

Digital distribution channels for independent bands

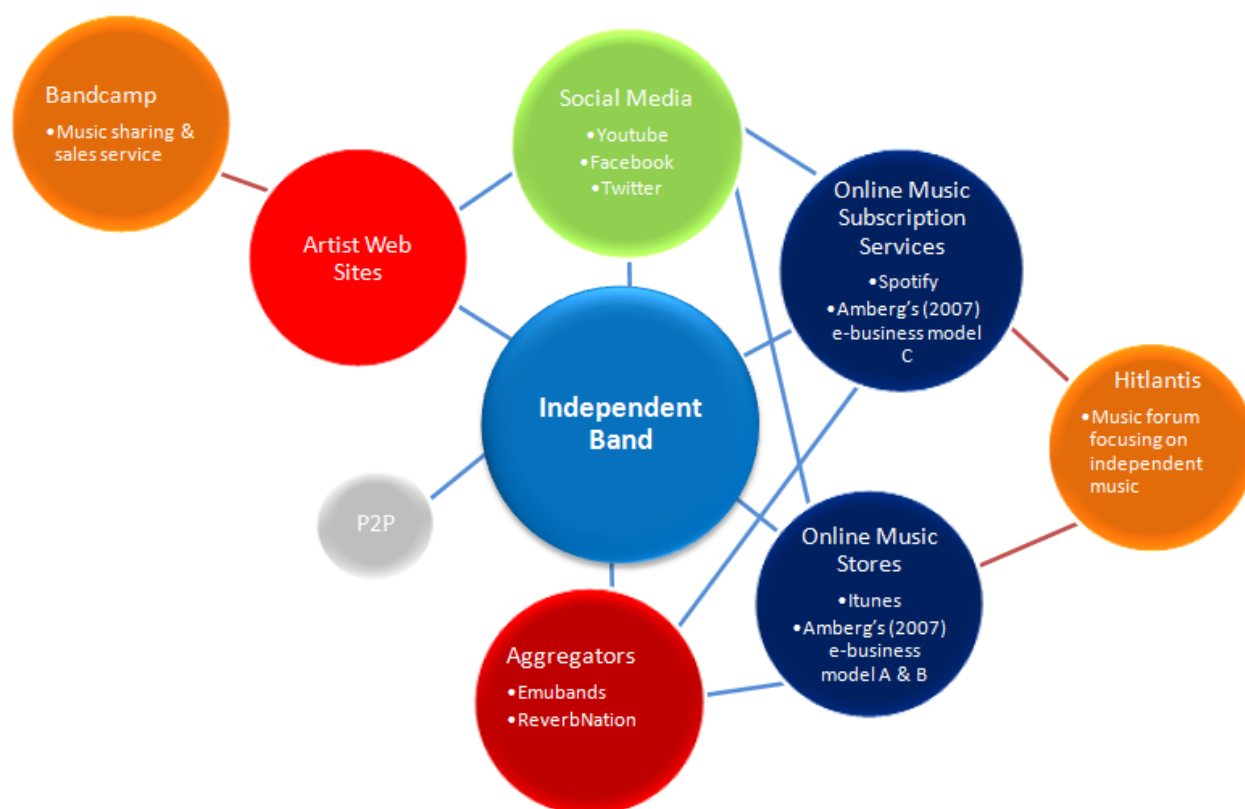


Figure 3: Digital distribution channels for independent artists - summary

Independent band

As described by Richardson (2007, 114), an independent artist is categorized as someone who is without a record deal, has own source of capital and own copyrights to all recordings.

Social media

Lincoln (2009, 8 - 14) defines that the core of the social media is user-generated content and this gives power to the ordinary people. Turner and Shah (2011, 13 - 16) add that social media is about having a dialogue with customers and prospects. This relation is illustrated by the author in the Figure 3 with the blue lines between different digital distribution channels that

describe the central role of the social media in creating discussion and interaction between the fans and listeners.

Aggregators - enablers of digital distributing for independent bands

Spellman (2011) states that aggregators are the ones to whom which independent bands are able to send their songs. Aggregators are the ones who further negotiate the content licence agreement with the digital music services. Aggregators collect royalties and take care of the pay outs from the music services on the behalf of independent bands. Finally these aggregators send labels and artists royalty checks alongside with sales reports. (Spellman 2011, 110-112). Spotify.com (2013) adds that independent artists are able to choose any distributor that they want among distributors who have a distributor deal with Spotify to be able to display their music on Spotify. These distributors are the ones who handle the royalty payments for artists (Spotify.com 2013).

Author has described this important role of aggregators as enablers of distributing digital music for independent bands in the Figure 3 as red balloon. The blue lines describe how aggregators are connected with other with other digital distribution channels for independent bands.

P2P (Peer-to-Peer Networks)

Miller (2012, 155 - 161) states that sharing copyrighted material through P2P networks is illegal and it is money put aside from new emerging artists and other musicians. Andersen (2010) on the other hand pointed out that downloading a song for free from P2P networks stimulates the CD sales through hearing before buying model. Survey conducted by Andersen (2010) also pointed out that people who choose to download music for free perceive the CD album prices too high. This role of peer-to-peer networks as a possible marketing tool for independent bands is brought up by the author in to the Figure 3 as a small grey balloon.

Online Music stores - digital downloads pay per download (Amberg's e-business model A & B)

These online music download stores bring the majority of revenues that come from the digital music sales in altogether (Digital Music Report 2012, 10). According to Miller (2012, 93) "The most popular online music store today is Apple's iTunes store." In Amberg's (2007, 294 - 295) music e-business model categorization these online music stores are in the category A which is 'pay-per-download and independent of technology of the supplier' and in category B which is 'pay-per-download and dependent of technology of the supplier'. Miller (2012, 106) continues that Apple set the standard 99 cents per track pricing. Apple created the online

music store business model where 30 % of the sales price is taken by Apple and the remaining balance goes back to the label or artist. This digital sales distribution channel is described by the author in Figure 3 as blue balloon and the blue lines illustrate the connection with other digital distribution channels for independent bands.

Online music subscription services - based on a fixed price (Amberg's e-business model C)

Single payment for each listening event in music subscription model is lower compared to a single digital song download but payments over a long period of time can be higher from music subscription services. This is because in music subscription services model consumers may repeatedly listen to a certain track or an album of an artist. (Digital Music Report 2012, 10.) In Amberg's (2007) music e-business model these online music subscription services are in the category C which is 'based on a fixed price'. There is a fixed monthly fee for the service users' who gain the access for the music libraries through paying this monthly fixed fee (Amberg 2007, 296). Online music subscription services are presented by the author in the Figure 3 as blue balloon and the blue lines illustrate the connection with the other digital distribution channels for independent bands.

Artist web sites - direct distribution

Artist download sites are Internet web pages created by artists who distribute their music directly to their fans (Spellman 2011). Because artists are able to create these web sites by themselves they are presented by the author in Figure 3 as self-reliant red balloon and blue lines illustrate the connection with the other digital distribution channels for independent bands.

Bandcamp

Bylin (2011, 29) states that Bandcamp is a web service for artists to share and sell their music on the Internet. Spellman (2011, 112) lists popular artist download sites where he mentions for example Bandcamp and ReverbNation. Bandcamp will charge from the artist 15 % of the digital purchases sales or 10 % of the merchandise sales (Kane 2012, 17). Because of the service characteristics that Bandcamp has as an artist download site and as a service which offers a service platform for independent bands to distribute and sell their music author has presented Bandcamp as orange balloon in Figure 3. The orange lines illustrate that Bandcamp is a certain kind of service platform which resembles artist web sites.

Hitlantis

Hitlantis is Europe's largest independent music community and it features unique service and user interface (Asia Pulse 2010). Users of the Hitlantis service are able to stream the music that they choose to listen to for free but there is also an option of purchasing music downloads (Asia Pulse 2010). Because of the two-way characteristics of Hitlantis author chose to present the Hitlantis music service in between of online music subscription services and online music stores. Orange lines illustrate this connection between these three digital distribution channels for independent bands.

5 Collection and analysis of empirical data

Qualitative research method often focuses on small amounts of cases and these cases are then analyzed carefully throughout. Content's scientific criteria is hereby not determined through quantity but is instead determined by quality. This is known as discretionary sampling which differs from statistical sampling methods. (Eskola & Suoranta 2000, 18.)

In this thesis the theme interviews were utilized as a data collection method.

5.1 Creating the theme interview form and selecting the interviewees

According to Eskola and Suoranta (2000, 85), interviews are the most common way of gathering qualitative data in Finland. Interview is a certain matter of discussion which is led by the researcher and the goal of the discussion is to determine one's opinions and point of views. The author decided to choose a theme interview as qualitative data gathering method because of its free and structural nature.

Hirsjärvi, Remes and Sajavaara (2009) determine a theme interview as something in between of a structural interview and an open interview method. It is typical for the theme interviews that the themes of interviews are known but the specific shape and order of the questions is lacking. Theme interviews usually last from one to two hours and the interviewer should be prepared for interviewees who speak a lot and for those interviewees who do not speak that much. (Hirsjärvi, Remes & Sajavaara 2009, 208-211.)

Hirsjärvi and Hurme (2000) define a theme interview as a half structured interview method. Aspect, topics and themes of the interview are the same for all interviewees. Interviews are focused on the certain themes which lead the discussion instead of specific detailed questions. The theme interview takes into consideration certain interpretations of people and the meanings that people give to different matters and that these meanings are raised

through interactivity. (Hirsjärvi & Hurme 2000, 47 - 48.) The author experienced that the theme interviews made it possible for the author as in the role of an interviewer to ask clarifications for certain answers. Clarifications were asked to really understand the meaning of the answer and also wider author's knowledge about the topics and themes discussed throughout the interviews.

The author created the theme interview form around the theoretical research questions. The questions were created in such manner that discussion between the theoretical part of the research and the empirical part of the research would be possible. The themes of the interview were derived from the research problems into the following: characteristics of digital music, characteristics of an independent band, valuing different digital distribution channels for independent bands, biggest challenges and opportunities for independent bands when utilizing the digital distribution channels and comparing the effectiveness of traditional way of distributing music into digital distribution of music (Appendix 1).

These questions were then presented to a test interviewee and the length of the interview was measured. The author concluded that the questions were formed correctly because no short yes or no answers were received. Also the amount of questions was appropriate because the duration of the test interview was about one hour.

According to Tuomi and Sarajärvi (2002), it is important that the people from whom the data is gathered own a vast knowledge of the matter being researched or that they have experience about the matter. Then the selection of the interviewees cannot be randomly accomplished instead the selection of the interviewees should be carefully considered and corresponding to the requirements of the matter. Therefore there cannot be determined any fixed amount of interviewees. (Tuomi & Sarajärvi 2002, 88.)

The theme interview form was divided into five topics and into themes concluded from these topics. The topics and themes in the theme interview form were derived from the research problems. The author also got ideas for the theme interview form from the sources of theoretical framework of this study. The author utilized Spellman's (2011) traditional music value chain and new music economy value chain theories to support the conducted theme interviews.

The interviewees were not randomly chosen, instead, they were carefully chosen for the interviews. The author trusted into his own experience when deciding who to interview. All of the interviewees present long time music professionals. Respondent 1 represents Samsara records as a digital music distribution professional. Samsara records is a small record label which publishes recordings of different bands. Samsara records acts also as an aggregator for

independent bands delivering their music into the most essential digital distribution channels. Respondent 1 is also a long time music professional who has also played in different kind of bands.

Respondent 2 is a long time music professional who teaches music, creates music and plays music. Respondent 2 has also been in a variety of different bands. Respondent 2 has his own studio where he is able to create music and record it. Respondent 3 is also a long time music professional who teaches music. Respondent 3 has his own band school and studio. Respondent 3 has a very wide knowledge of the music business altogether. Respondent 3 has also played in variety of different bands and has distributed their music.

Respondent 4 is a member of an independent band called 'Oriental Jam'. Respondent 4 has his own studio as well where he records and produces different kind of music. Respondent 4 also is a long time music professional who has a vast understanding and knowledge of music business altogether and about distributing digital music.

In this study the amount of interviewees were four persons. This amount was decided as adequate by the author after all of the interviews were accomplished. Author experienced that after the four interviews there were enough data to answer to the presented research problems.

5.2 Collection of empirical data

Three of the interviews were held in October 2013 and one of the interviews was held in November 2013. None of the interviews specifically followed the structure of the theme interview form that was sent beforehand to the interviewees. All of the interviews were a distinctive experience with the interviewee and interviews had their own twists and turns. The author led the discussion with the help of the questions presented in the theme interview form.

Already during the first interview there were two extra questions which related to the relations of gig organizers with independent bands and the other extra question related to the Internet radios and radio channels as distribution channels for independent bands. These additional questions were not added to the original theme interview form but they were presented as extra questions to all of the interviewees. The main points of discussions varied from interview to interview. There were also a lot of good different viewpoints into the matters discussed varying from an interviewee to another.

The author aimed at discussing about the research problems and tried to find answers and different point of views into them. The further goal of the discussion was to get a wider understanding of the respondent's point of views and answers about the different subjects and themes presented during the interviews. Theme interview was a great tool for the author to keep the discussion structured and yet freely flowing. The discussions were focused on predetermined themes but the theme interview as an interview method also gave the opportunity for free discussion.

It was also beneficial because of the theme interviews that the author was able to ask more detailed questions about the matter if needed. In other words this deducted the possibility of misunderstandings and interpretations between the interviewer and the interviewee.

All of the interviews lasted from one hour to one and a half hours. All of the interviews were recorded into digital format.

5.3 Analysis of empirical data

The gathered data was inspected through by extracting the interviews from word to word. To transcript the data from word to word is called transcribing (Hirsjärvi & Hurme 2000, 138.)

Tuomi and Sarajärvi (2002) are, according to Miles and Huberman (1984), who describe matter oriented content analysis method as three phase process which include 1) content reducing; 2) content clustering ergo grouping; 3) and abstraction ergo creating theoretic terms. (Tuomi & Sarajärvi 2003, 110-111.)

This model was utilized by the author when reading through the conducted interviews. The main points were underlined and those terms and themes were written down which were most often mentioned during the interviews. After this the comments of the interviewees were compared according to the terms and themes that came out from the interviews. The answers were translated into English whereas the author tried to maintain the meaning and style of the original answers which were in Finnish.

Matter oriented content analysis method is based on interpretation and conclusion where research problems are answered through combining terms. In the results the terms are opened and in their contents and conclusions there is a drive to understand what the matters mean to the interviewees from their own perspective. (Tuomi & Sarajärvi 2002, 115.)

After reducing the content the author divided the comments of the interviewees into separate themes which were then divided according to the research problems into five

different sections. The content was analysed based on the experience of the author and based on comparing the answers of the interviewees' according to the themes related to former theories and knowledge about the matter.

According to Eskola and Suoranta (2000), it can be discussed about qualitative research's reporting form where dialogue between the theoretical and empirical part of the study is present. There empirical observations are being interpreted through theoretical ideas and it is brought visible on the report. In practice this means that from the content some observation is being brought visible and then alongside this observation is being brought some observation from another study or theoretical conceptualisation that is handling the same theme. (Eskola & Suoranta 2000, 241.)

5.4 Reliability and validity of the study

The author considers that the results of this study are reliable because the interviews were carefully transcript into text and then comments of the interviewees were categorized into separate groups according to the terms. During the interviews the author gave the respondent the possibility to freely answer to the question and the opportunity to add comments other than the presented question or claim. By doing this the author aimed at carefully capturing the comments of the respondents and as well being objective to their answers.

According to Hirsjärvi and Hurme (1988), the study must be capable of reaching essential attributes about the phenomenon being researched. In the theme interview the interviewer should be well aware of the themes discussed and as well be aware of the interviewees. How the researcher experiences the results corresponding to the reality would also act as an indicator of the reliability of the study. (Hirsjärvi & Hurme 1988, 128-130.)

The author has gained experience about the different digital and non-digital distribution channels for independent bands by running his own independent band for many years. This experience gave the author good qualifications to prepare the theme interview, evaluating the received answers and making conclusions. The author wanted to confirm that the respondents would fully understand the questions, subjects and themes that were discussed in the interviews. The author ensured the sufficient knowledge of the respondents by choosing them with consideration for the interviews.

Eskola and Suoranta (2000) also emphasize the role of the researcher as the criteria for the validity of the qualitative research. In that case the evaluation of the validity comprehends the whole research process. In addition to this, the interpretations of the researcher must

gain consolidation and support from other studies that have examined similar matters. (Eskola & Suoranta 2000, 210-211.)

The author states that the answers of this study and the conclusions made in it are not in conflict with the reality. This statement is supported by the theoretical chapters of this study. Validity statement of this study is also supported by the comparability and the uniformity of the answers gained from the interviews.

6 Empirical results

The purpose of this thesis was to find out what are the different digital distribution channels for independent bands and create a model how to utilize these different digital distribution channels effectively.

The results of this study are based on the theme interviews as a qualitative data collection method. The results are grouped by themes and they are divided according to the research problems in five different categories. There is also presented a digital distribution model for an independent band for distributing music in digital channels.

In the next sections it is demonstrated how the received comments from the interviews answer to the research problems. Answers are kept as anonymous because it gives more freedom to the respondents and thus creates better validity.

6.1 Characteristics of digital music

Digital music is experienced as something that can be any kind of music. Respondents relate the characteristics of digital music into the content, availability and move ability aspects. This was related to something that enables more possibilities on the production side compared to the analogue format. One of the respondents stated that digital music is far produced and commercial aspect is strongly present. The availability was related by the respondents to the fact that digital music is something that is always available. According to the respondents, digital music is something that can be easily distributed, for example, to the other side of the world. This can be noticed, for example, from the answer of one respondent:

“Infiniteness in availability ergo it is always available. It’s the easiness of moving digital music, being able to transfer to the other side of the world with one click of a button.”

One of the respondents also brought the aspect of digital music as a part of promotion in music business nowadays. He stated:

“Digital music can be anything but I found it to be as a part of promotion in music business nowadays. If you can’t be found on iTunes or on Spotify you do not practically exist.”

6.1.1 Benefits compared to the traditional way of distributing music

Respondents commonly feel that one of the main benefits of digital music distribution compared to the traditional way (non-digital) of distributing music is the absence of the middlemen. In other words, artists are now able to publish their music on their own without the presence of record companies or any other instances. One of the respondents states:

“One benefit is the absence of the middlemen. Formerly it was that the record companies were controlling the distribution channels.”

Other benefits that were repeatedly seen in the answers of the respondents were the direct, fast and effective way of distributing music with digital means. This was stated by one respondent by the following:

“If you think about the music business in a whole and its digitalization then it is the immediate speed of doing things and you can publish it straight away to the masses for listening.”

Also the fact that the costs related to the manufacturing and distributing physical products are now absent in the digital music distribution stood out from the answers of the respondents. One of the respondents commented:

“I can straight away say that it is more cost effective. With small investment you are able to publish and say that you are a publishing artist. Compared to the traditional way of distributing physical product where you have to press compact discs which can costs thousands of euros but with digital publishing these costs are absent.”

6.1.2 Possible pitfalls of digital music distribution for independent bands

Pitfalls regarding to digital music distribution for independent bands are, according to the respondents, that because these new digital distribution methods are easily deployed among independent bands and other bands it has led into an oversupply situation on the markets.

Another clear pitfall regarding digital music distribution is that because of the oversupply situation on the markets it is harder to differentiate oneself from the mass. Respondents were unanimous about the oversupply and about the problem to differentiate oneself from the mass arguments.

These concerted opinions can be easily noticed from the answers of the respondents. One of the respondents stated:

“The negative side is that because of the easiness the supply has increased awfully lot. The increased supply has made it a lot harder to achieve coverage.”

Another respondent stated:

“Because the threshold is much lower it causes that everything gets to go through. There’s a tremendous oversupply and standing out from there is quite challenging.”

Other pitfalls concerning digital distribution, according to the respondents, were that the controlling of the availability and distribution of your music is harder and that the contribution margins were better with physical recordings.

6.2 Characteristics for an independent band

Characteristics for an independent band are described through the do-it-yourself attitude, independency, autonomy, entrepreneurship and through the financial responsibility aspects according to the answers of the respondents. For example, one of the respondents stated the following:

“It is the do-it-yourself attitude where it all depends. You have to do it all by yourself but it comes with independence; you can do what you want. It’s a challenge and it’s an opportunity.”

Another respondent stated:

“The first most important thing is that the artist pays. Economic and artistic autonomy can be linked together they go hand in hand.”

One of the respondents described the characteristics for an independent band in a manner where independent band is a band which is underground, starting its career and trying to stand out. Other respondent added that independent bands have the characteristics of

believing into own actions and that independent bands are enjoying this era of the Internet when publishing of your music is possible without record companies.

Biggest challenges and opportunities in distributing digital music

According to the answers of the respondents, it can be said that the biggest challenges for an independent band in distributing digital music are gaining coverage and differentiating oneself from the mass. One of the respondents state:

“If I think of the challenges the first thing that comes to my mind is how to differentiate among the hundreds of millions of other artists.”

Other respondent comments:

“Challenge is how to get coverage so that it would have economic significance.”

Additional comment on the challenges was from one respondent that the challenge is how to have the marketed package shaped into the correct form so that it would become successful.

Respondents brought up opportunities for independent bands in distributing digital music such as being able to distribute your music independently and being able to reach people around the world. One of the respondents comment on the opportunities:

“Opportunities are that you are able to decide and distribute by yourself, you don’t need any distribution organisation like in the old days.”

Other respondent stated:

“The clearest opportunity is to get your music for millions of people to listen to. This can be done with no remarkable costs and it is a huge opportunity as well as being able to share your music via Internet.”

One respondent also stated that the opportunity is that it:

“All depends on you whether listeners find you or not.”

6.3 Valuing different digital distribution channels for independent bands

Respondents value social media as high of importance for an independent band in distributing digital music. One of the respondents state:

“It is clear that the social media is in a crucial role nowadays for independent bands. Social media is the channel for independent bands into the reach of millions of people. It is impossible for a band to operate in these days without social media.”

Other respondent states about the same matter:

“An independent band can never gain anything if it hasn’t created any interest in social media so that people are interested in your music and share it to each other. Social media is the place where you either succeed or fail.”

Social media channels such as Facebook, Twitter and Youtube should be actively and effectively used for gaining coverage and for marketing purposes according to the answers of the respondents.

Aggregators are kept as such services which enable the access for independent bands into the biggest online music markets such as iTunes and Spotify. One of the respondents states about the social media features of Spotify where people are for instance able to share their Spotify playlists on Facebook among their friends. Artist web sites are not kept as that high of importance according to the answers of the respondents. One of the respondents states the following:

“Nobody will find into your homepages unless you are not as a topic in social media for people.”

Other digital distribution channels

According to the answers of the respondents, Soundcloud is an additional digital music distribution service that the respondents wanted to point out. Soundcloud is kept as music oriented service that offers independent bands the possibility to share their music with high quality among the users of the service. Characteristics for Soundcloud are that there is the social media factor present where the users of the service are able to comment especially on musical matters. As one of the respondent states:

“I would mention Soundcloud. It’s a social media with big S-letter and it has shown refreshing emphasis on music. Its popularity is based on social interactivity and the possibility to comment on musical things.”

One of the respondents also mentioned MySpace as a service which resembles artist web sites because bands are able to create their homepages into MySpace.

6.4 Biggest challenges in utilizing digital distribution channels

According to the answers of the respondents, the biggest challenges for independent bands in utilizing these digital distribution channels are gaining coverage, differentiating oneself and keeping up with the changes of these services. As one of the respondent states:

“Gaining coverage is the trickiest thing today. If it formerly was convincing some record company so that it would take care of marketing than nowadays you have to do it all by yourself.”

Other respondent comments about this matter:

“The rapid changing of the Internet and its forums how to keep up with those changes and keeping your music in the right place at the right time. And the challenge of differentiating comes to my mind with this question how to differentiate from the millions of others artists.”

Also the aspect of bringing money on to the table to gain fast and broad coverage is stated by one of the respondents. One of the challenges, according to one respondent, is that how you build your digital footprint, where to publish and how to handle the publishing schedules. There was also discussion with the respondents that how an independent band is able to cope with against big players like record companies.

6.4.1 Benefits when utilizing these digital distribution channels

Benefits for independent bands when utilizing these digital distribution channels are the cost effectiveness and reach ability. One of the respondents states:

“The benefit is definitely that it is so easy and it doesn’t cost that much even if it does cost anything.”

Other respondent agrees on:

“Cost effectiveness of how bands can get their music for people to listen to. Other benefits surround the first mentioned somehow they ensemble around easiness, cheapness and quickness.”

Other benefits that could be noticed from the answers of the respondents were the possible effective connection with social media and being able to design the digital distribution on your own. One of the respondents states about the matter:

“Also the avalanche effect in social media when the word starts to move and then many of these distribution channels and social media channels kind of support each other.”

Other comment is related to the independency aspect:

“It kind of is a benefit that you can design your thing how you best see it although it’s challenging. If you don’t know how to do it then it kind of turns against you.”

6.4.2 Knowledge requirements

According to the answers of the respondents, knowledge requirements for utilizing these digital distribution channels are the understanding of social media, understanding of the whole picture, technology skills and marketing skills. One of the respondent states the following:

“It demands good information technology skills and skills of reading social media. With this I mean that you should be aware of the trends. What is hot right now?”

Other respondent agrees and adds:

“You should be aware of digital recording formats and then you should have the understanding of the social media in general. Marketing skills also are emphasized here the ones who will understand them will gain coverage.”

One respondent also mentions that:

“We all have the same tool set but others use the tool set extremely well and succeed in what all others are also trying.”

The marketing aspect is also emphasized on one of the answers by the respondents:

“One thing is that how you as a band are able to promote the release by being innovative in Facebook or in Instagram and so on.”

6.4.3 Support needed in order to setup digital distribution channels

The support that is needed in order to setup these digital distribution channels for an independent band is outside of the technical assistance but instead is in the area of promoting and marketing. According to the respondents, independent bands already have the adequate know-how when it comes to the technical matters of setting up these digital distribution channels. Respondents state that independent bands need help more in promoting and marketing activities. For example, one of the respondents states:

“Technical competence starts to be in everyone’s reach nowadays so the problem is getting the coverage on the markets so it’s about marketing skills.”

Other respondent comments:

“Support is mostly needed when you start to do some bigger pictures which relate to releasing process like the social media coverage campaigns and releasing record promoting tours.”

One of the respondent states additionally about the challenges in making your product interesting and the means according to that:

“Technical support is not needed but support is needed in a whole when it comes to making your product interesting and with which means. This would mean investing money into the becoming as a professional artist.”

One of the respondents state about the easy access of these services and that if you own the rights to your songs you are able to release your songs for the whole to listen within few minutes.

6.4.4 Instances which are providing these distribution services

Respondents state that the instances which are providing these distribution services are aggregators. One of the respondents state:

“Aggregators so that bands can upload their music straight to these services in order to get their music into digital distribution.”

On the other hand, one of the respondents states that there are no instances that are needed:

“I don’t see if there are any instances that are needed. Bands have the straight access at anywhere today. The idea really is that no record companies or any other instances are needed in between. Instead these services are directly in use of the users’ ergo independent band or any other band gets straight access to the distribution channel in question.”

One of the respondents is bringing up the emerged new markets for promoting offices. He describes that these digital services are offered in such manner that they do not require any face to face meetings. These promoting offices then take care of the digital music search engine optimisation for example. Bands are able to purchase the whole promoting activities through these promotion offices for a certain amount of time at once.

6.4.5 Reaching the audience through digital music distribution channels

Independent bands are able to reach their audience through, for example, creating interesting cool videos with good ideas into Youtube. One of the respondents mentions an example of this:

“Ok Go named band has created interesting cool videos with good ideas into Youtube that apparently are their marketing strategy as well. Another example is ‘five persons and one guitar’ from Youtube. This is an example how simply and with simple way you might create viral videos.”

Respondents also bring up the importance of being active in the social media and being active outside of these digital distribution channels by, for example, playing live gigs. One respondent comment on this:

“The key factor especially for independent bands and alternative bands is that if the band is really good playing live then people gets excited about the band. And then the word-of-mouth starts to spread out in the social media as well.”

Other respondent agrees on:

“It’s only a small part of the bands’ operations so in order to achieve listening and people who will buy your album or song it demands playing live and being active in the social media and everything like that. Grapevine can now be found from Facebook and from Twitter. Spotify now itself is a grapevine when it lists the most played and popular artists in there.”

6.4.6 Gaining business benefits

Respondents state that there is the possibility to gain business benefits through such online services as Spotify but there are also other means such as Youtube (as tool), own technical innovations, gigs, royalties and merchandise. One respondent states:

“Of course Spotify from every Spotify listening time there is a small amount that is accounted to the artist and everyone who will add the artist to his or her Spotify playing list will also be accounted as a small amount for the artist. So if the song is played on Spotify it already creates incomes for the artist.”

Other respondent comments:

“Practically anyone are able to get their music into Spotify or anywhere else but when the repeat amount of listening starts to be ten thousand or hundred thousand and more in Finland then even at that point your basic incomes are not structured from there.”

One respondent add that if you are able to gain success for instance in Youtube it generates other business opportunities alongside. One respondent states the following:

“For instance in Youtube if you have 500 000 listening times it itself doesn’t bring anything to the band. But what it will bring is the interest from certain instances that will in some way start to generate good things to the band in question. Is it then money, gigs, reputation or coverage? That will then again bring business benefits of course at some point. I think that the statistics from these distribution channels are some kind of indicators today that they will tell for some instances that this thing which is going on is tough and it will start to gain interest from there on and investors alongside.”

On the other hand, one respondent states that the actual money comes from gigs, royalties and merchandise. Also one respondent brings up the possibility of gaining incomes even through utilizing your own technical skills:

“If you have the technical know-how you have almost indefinite possibilities.”

One respondent compares gaining business benefits into being an entrepreneur where you make such calculations like how much to invest and what are the possibilities of generating incomes.

6.5 Digital music distribution channels compared to the traditional way

Digital music distribution channels are more effective than the traditional way of distributing music according to the respondents because through digital distribution you are able to gain wider audiences than before with low cost structure and fast. Physical warehouses are no longer needed and the costs related to manufacturing physical products and distributing them is absent. For example, one of the respondent states:

“The possibilities to gain wider audiences than before are much better than they used to be. In the past you had to deliver your physical products into certain record stores.”

Another respondent agrees on:

“I think that it is the rapidity and spontaneous of these new services. In some way these new channels can be much more cost effective. This is because the pressing costs of physical products are not present and in some cases this can be a critical benefit. The direct benefit with these new distribution channels is also that they can be in practise from economic aspect free.”

This is supported by other respondent:

“Zeitgeist is that we have the Internet where people are and they are there at some forum hundred thousand millions of people and we get it there in a cost effective way and digitally the music. We don’t need to send any physical recordings into any warehouses and wait that people will walk from their home sofas into the record shop and gets the recording from there. The rapidity how fast you are able to publish your stuff with a single mouse click so that you don’t have to start thinking about pressing schedules or any other bigger heavier structures.”

Additionally one respondent brings up the aspect that digital music distribution channels are more effective because of the digital format itself:

“They are more effective mainly because you are found in a digital format behind the link so that the word about you will spread faster than it used to. That is how the effectiveness is found so that you are able to gain fast climbs if you succeed to be at the right place at the right time.”

6.5.1 Business viewpoint: traditional distribution vs. digital channels

According to the respondents, the business viewpoint when comparing the traditional distribution channels versus digital ones is that through digital distribution channels you have the possibility that your song will become an instant hit and that these digital distribution channels are more cost effective. For example, one respondent states:

“There is basically the possibility that the song you uploaded will become a sudden hit and everybody starts to listen to it and suddenly you have risen from the basement into the world map.”

Other respondent states about the cost efficiency of digital distribution channels:

“What comes firstly to my mind is the cost efficiency. You are affordably able to publish recordings and in to some extent also able to maximize profits as well. When it comes to independent bands it is affordable and if band succeeds in record sales then it is clearly a profitable situation where the profits are on the positive side.”

Also it was noticed from the answer of one respondent that the profits are not as good as they used to be with traditional way of distributing music. And additionally from the answer of one respondent that now when the record company is absent it creates an opportunity and a challenge for independent bands:

“How do I price so that I will gain sales? And through that way gain benefits for oneself also. Where to find the customers that are willing to pay? There are possibilities like gaining the funding to your recording through the Internet.”

6.5.2 The fan base of an independent band

When it comes to considering the fan base of an independent band through these digital music distribution channels the respondents emphasize the importance of the social media.

Respondents' experience that connecting with people in the social media, making them interact with the band and that people start to share your music is highly important. For example, one respondent states about the music behaviour:

“They are going through ethers and different distribution channels and by doing that they are able to find new music from there. The problem is how to make some certain person go to these channels and seek for that certain band this is again connected with the social media.”

Other respondent brings up a bit different angle:

“Sort of you are easier able to reach the fan through these channels. Listeners will find you because your music starts to move over the Internet by itself. It isn't enough that you share your music in your Facebook pages or in Twitter but the new listeners must be somehow sharing your music.”

6.5.3 Overall performance of an independent band

Overall performance of an independent band utilizing these digital distribution channels diversified the answers between the respondents. One respondent stated that the possibilities are indefinite because there are no longer such instances between as record companies. Thereby productive or artistic restrictions are no longer existent in that manner. Challenge has moved into the questions that how to gain coverage and with what price.

On the other hand, the other respondent states that these digital distribution channels have not changed anything when comparing to the traditional way of distributing music. Digital distribution is a massive tool which enables the reach ability to billions of people and because of this you are also lost in there as an independent band. If the economic side and the publicity is put aside then respondent experiences that this new model of distributing music has made it possible for acquiring immediate influences from others.

Other respondent states that we are living the golden age of independent bands and alternative bands. Respondent adds that there are a lot of opportunities and success stories among bands:

“There are hits and singles which are released and which have gained millions of listening times and millions of listeners. So it feels like these digital distribution channels are new essential means in a way that bands are able to success.”

Respondent experiences that especially independent bands and alternative bands have taken over these new digital distribution channels even in a manner that they go hand in hand. Respondent describes that many Independent bands have shown significant innovativeness and know-how of being able to utilize all of these opportunities.

One respondent experiences that if overall success is defined as something that you become globally big then there is the social network that connects all the people. Respondent states accordingly:

“If you approach this overall success matter this way then it is possible that it could grow bigger than ever because you have the whole world in your reach. This makes it possible for even margin music to have demand.”

6.6 Summary of the results: characteristics of digital distribution channels for independent bands

Bettencourt (2010) states service concept as a crucial part of a service strategy. Service strategy shows the level where a company is aiming with its services. Service strategy should be set with customer focus and the strategy should not meet with the competitors' offerings. From service concept can be seen the service description and how it answers to the customers' demands. Through service concept it should be visible what the service brings to the customers in a way that it fulfils their needs. In addition the service concept should define in which ways the service delivery system is creating value for the customer and the company. (Bettencourt 2010, 224-225.)

Name:	
Digital distribution channels for an independent band	
Description:	
<ul style="list-style-type: none"> -Digital distribution concept for independent bands to utilize in their digital music distribution -Clarifying the 'jungle' of different digital distribution channels for independent bands -Pointing out the challenges and opportunities for independent bands in utilizing these digital distribution channels -Advices for independent bands to reach their audiences through these channels -Gaining business benefits through the channels presented -Pin pointing the characteristics for independent bands <p><i>Target customers</i> are the listeners and fans of independent music</p>	
Features:	Feature justifications:
Offerings:	
-A clear path for independent bands in distributing digital music	-Unique digital distribution concept for independent bands
-High emphasis on reaching the listeners and fans	-Concept based on the answers of music professionals
-Pointing out the possible revenue sources	-Author also a long time musician
-Tools for coping with the challenges and noticing the opportunities	
-Categorizing different digital distribution channels	
Key design dimensions:	
-Careful planning with focus on customer (listeners and fans)	-Various facts & aspects from different kind of music professionals
-Bringing out valuable advices for independent bands	
Key service system characteristics:	
-Illustrating the most popular and essential distribution channels	-Author's experience from the digital distribution channels as value added
-Acknowledging the latest trends stated by music professionals	
Concept visual:	
-Digital distribution channels for an independent band (Figure 5)	

Figure 4: Summary: Characteristics of digital distribution channels for an independent band

Author created the digital distribution model for an independent band (Figure 4) based on the answers received from the music professionals. This model defines the description, features and justifications. This model was created for independent bands to clarify different digital distribution channels that there are available. Furthermore, there is a high emphasis on customer focus in the model which means, in other words, that this model is created for reaching the listeners and fans of an independent band through these channels. This model also offers tools and advices for independent bands confronting the various challenges that relate to utilizing these distribution channels.

DISTRIBUTION CHANNELS FOR AN INDEPENDENT BAND

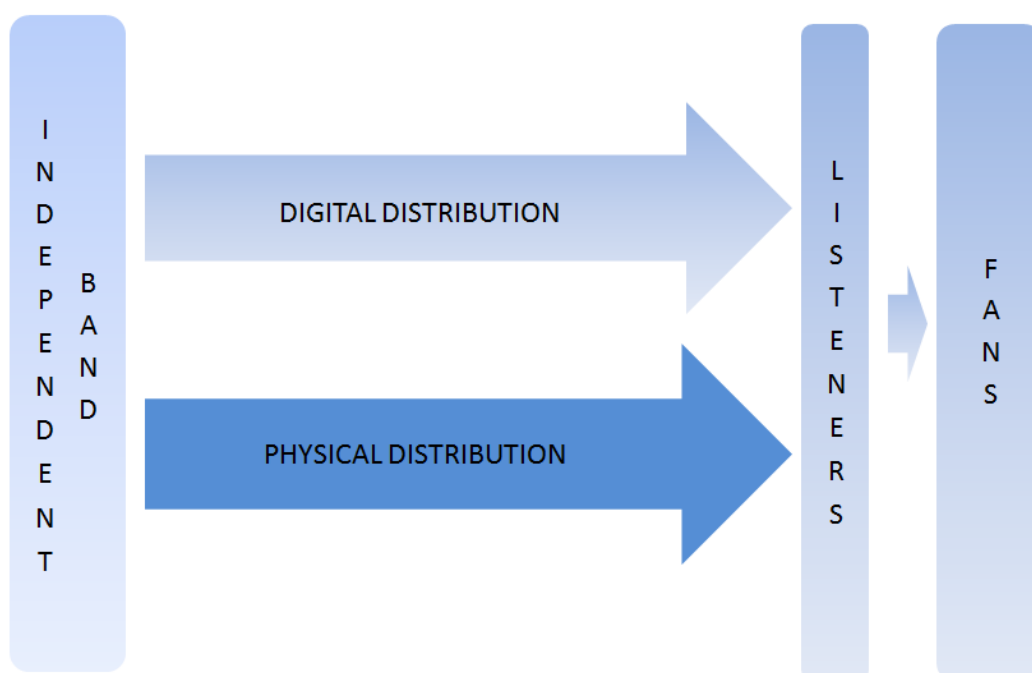


Figure 5: Distribution channels for an independent band model A

As seen from the answers of the theme interviews distributing plays an important role for independent bands as it plays for any other band as well. Author is describing the distributing model for an independent band model A (Figure 5) based on the answers received from the theme interviews. This thesis was focusing on presenting the different available digital distribution channels for independent bands and on utilizing them. Based on the answers of the respondents it can be said that digital distribution channels are one part of an independent band's marketing strategy.

DIGITAL DISTRIBUTION CHANNELS FOR AN INDEPENDENT BAND

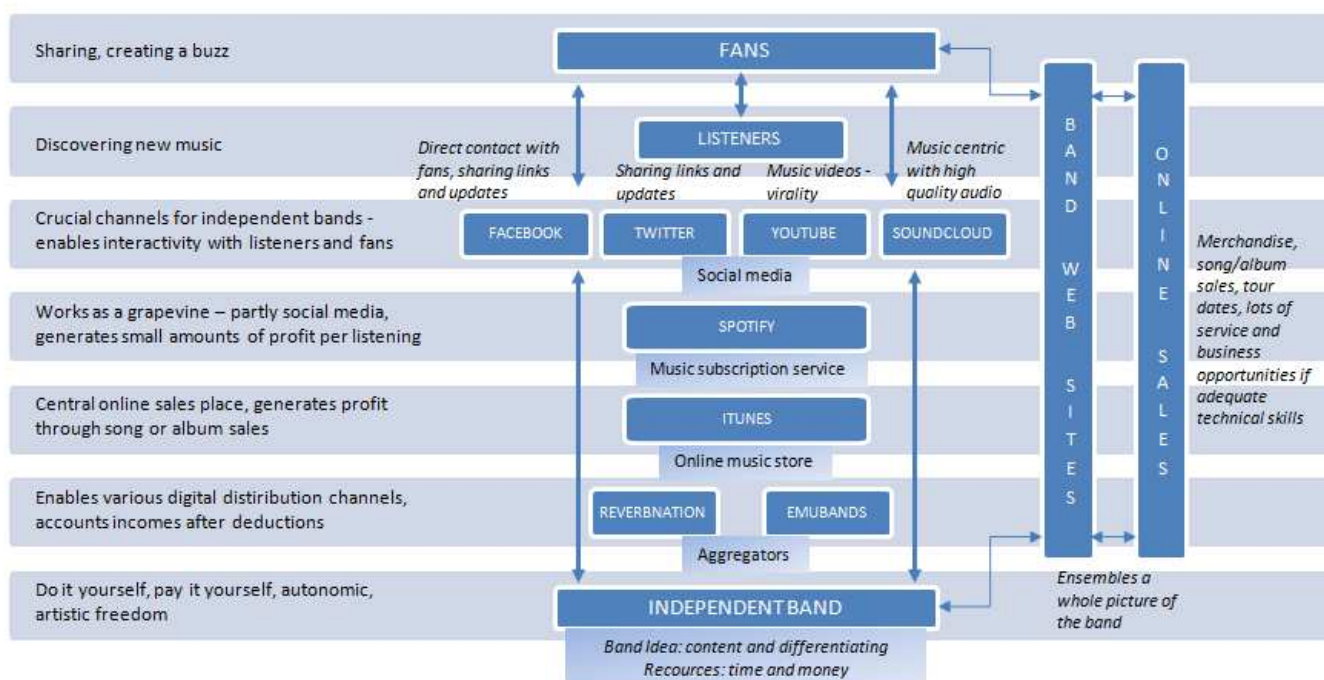


Figure 6: Digital distribution channels for an independent band model B

Different distribution channels available for independent bands are described by the author based on the answers received from the respondents in digital distribution channels for an independent band model B (Figure 6). These different digital distribution channels for an independent band (Figure 6) comply mostly with the different digital distribution channels and business models that were presented in the theory part of this thesis.

Different digital distribution channels and different business models that are available for independent bands are the following:

- aggregators (ReverbNation, Emubands)
- online music stores (iTunes)
- music subscription services (Spotify)
- social media (Facebook, Twitter, Youtube, Souncloud)
- band web sites (do it yourself)

What was surprising from the author's opinion in the results of this research was that how high of importance the digital distribution strategy is for an independent band's overall strategy. The role of the aggregators cannot be underestimated because they enable the access to the most popular and biggest distribution channels for independent bands. Although it can be noticed from the answers of the respondents that the traditional distribution channels are effective, still today digital distribution channels are faster and more effective.

These digital distribution channels offer an easy and low cost access for independent bands and for any other entrepreneur as well. It was repeatedly shown in the answers of the respondents that this has clearly led to a situation of oversupply. The author thinks that these repetitive comments about the oversupply correlate with the greater need and importance of marketing and promotion. It was also easily put together from the answers of the respondents that the oversupply situation in these distribution channels has made the differentiating as one of the biggest challenges for independent bands and for other bands also. Respondents saw the biggest challenges and opportunities as the opposite side of the coin. On the other hand, these digital distribution channels enable an independent band to be in reach of the whole world but then again because of the easy access and low cost structure there is a clear oversupply situation on the markets which highlights the importance of marketing processes and differentiating features of a band or an artist.

Marketing and promoting acquires money just like before and it might be even more needed because these digital distribution channels appear to be of low cost but proceeding from one level to another within these distribution channels often demand investments. This can be noticed, for instance, from one of the answers from the respondents:

“Getting into Spotify's starting page it demands either money or winning the main prize in some competition.”

The more there are middlemen between the artist and fans the more money is needed for proceeding from one level to another.

Possible money streams for independent bands in the digital distribution channels come from music online stores through song or album sales. The challenge with music online stores is how to make your listeners find your music and purchase it. Possible revenue comes from music subscription services calculated from the listening amounts of your songs. Music subscription services might bring greater revenues through big listening volumes and after a longer period of time. These money streams are handled via aggregators and they account the incomes for independent band after own deductions and deductions made by the middlemen. An independent band is also able to generate profits by selling through own web sites.

Although own web sites were valued as not high of importance as a marketing or distribution channel. These finding also comply with the facts presented in theory section of this thesis.

It can be concluded that even though an independent band is able with low costs to distribute their music in these digital channels it may often demand even large investments to gain success and coverage. Respondent continues:

“Big coverage comes through record companies and others.”

This means that when it comes to gaining quick and vast coverage often the more money is needed and then in the picture comes record companies, investors and other players with big money. Record companies have the so called marketing machineries which independent bands do not have. This has also created a new business area where small promotion offices sell their services for independent bands.

One of the respondents state about this matter by the following:

“This is handled as digital service with no face-to-face meetings at all and they take care of for instance of the band’s search engine optimisation.”

On the other hand, independent band might be able to gain even great coverage and success if it succeeds in creating a buzz of itself in the social media and by doing that get the listeners and fans of the band to start sharing their music, links and updates. This may be possible if a band succeeds to for instance create a viral video or videos. Like the band called ‘Ok Go’ managed to do with their music videos of great originality and by that way of great viral features. Respondent states:

“I think that the statistics from these distribution channels are some kind of indicators today that they will tell for some instances that this thing which is going on is tough and it will start to gain interest from there on and investors alongside.”

Some means for succeeding in these digital channels come outside from the virtual world as respondent states:

“The key factor especially for independent bands and alternative bands is that if the band is really good playing live then people gets excited about the band. And then the word-of-mouth starts to spread out in the social media as well.”

7 Conclusions

This thesis has brought great new ideas for the author as being a member of an independent band and how to cope with all the different digital distribution channels that exist. Someone might be talking about a digital distribution 'jungle' out there. The author has gained valuable information from the music professionals interviewed during the creation of process of this thesis. As shown in the results of this study there are actually many factors that have influence on how an independent band is able to choose the right channels and utilize them effectively.

The purpose of this thesis was to present the available digital distribution channels for independent bands. The other aim was to generate a digital distribution model for independent bands. These goals are covered by illustrating the empirical results in the form of two different models. These models were conducted by the author from the answers that were received from the theme interviews.

Author hopes that the digital distribution model for independent bands which was created would be helpful to other independent bands as well. Author decided to examine this subject in his thesis because he was confused among all the different digital distribution channels that there are and had no clear picture of them as a whole.

As a conclusion it can be said that the digital distribution of music for independent bands is in a very close relation to the social media nowadays. One of the comments from the music professional confirms this by saying:

"You can ask that are there any digital distribution channels nowadays which doesn't have the social media aspect automatically in it?"

It is very important for independent bands that they continue creating good music which then can be shared among the listeners and fans of the band. Although achieving this goal demands hard work also outside of the digital world. With the help of digital distribution channels you have the whole world in your reach but it is a hard task to reach your listeners among the millions of other independent music entrepreneurs. This thesis and the digital distribution model for independent bands presented in it will hopefully give some tools and advices for independent bands in achieving this goal.

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Attachments

Attachment 1: Theme interview form 71

Attachment 1: Theme interview form

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University of Applied Sciences

Subject: Providing an overview of the available digital music distribution channels for independent bands.

The aspect for this interview is your point of view as a music business professional representative.

This is a subject framework for this interview. Subjects and possible questions to be considered beforehand for this theme interview are the following.

Your opinion and understanding of digital music, independent bands and digital music distribution channels for independent bands:

1.1 What are the characteristics for digital music?

1.2) what are the benefits compared to the traditional (non-digital) way of distributing music?

1.3) what are the possible pitfalls?

2.1 What are the characteristics for an independent band?

2.2) what are the biggest challenges/opportunities for an independent band in distributing digital music?

3.1 How would you value these different digital distribution channels for independent bands?

aggregators (ReverbNation, EmuBands), social media (Facebook, Twitter, Youtube), online music subscription services (Spotify), online music store (iTunes), band web site (Do It Yourself)

3.2) If not listed above, mention other digital distribution channels and value them also

4.1 What are the biggest challenges for independent bands when it comes to utilizing these digital distribution channels?

4.2 what are the benefits for independent bands when utilizing these digital distribution channels?

4.3) what kind of knowledge is required for utilizing these digital distribution channels?

4.4) what kind of support is needed in order to setup these digital distribution channels for an independent band?

4.5) which are the instances that can provide these distribution services?

4.6) how independent bands are able to reach their audience by utilizing these digital music distribution channels?

4.7) how to gain business benefits? (music stores, music subscription, do it yourself)

5.1 Comparing the traditional way of distributing music and digital music distribution for independent bands, in what manner do you think that the new digital music distribution channels are more effective compared to the traditional way (for example record stores vs. online record stores etc.)?

5.2) think of the above presented, when considering business side?

5.3) ...when considering fan base?

5.4)...when considering overall success of an independent band?