

Customer experience management in the music industry online communities

Jari Salo¹

Abstract

Online communities provide novel ways to improve current customer experience management (CEM). Academics and managers alike have been focusing on traditional CEM activities such as store layout and personal selling but online communities as a part of CEM is rarely looked into as source of competitive advantage. Current research presents how leading music industry companies in Europe are employing online communities to enhance customer experience. Intended to be of interest to both academics and managers, the research posits that in any online community activities aimed at increasing customer value through CEM and offering concrete customer benefits are valued.

Keywords: Customer experience management, online communities, social media, music industry

1 Introduction

Customer's media consumption has been changing since the advent of the Internet. These novel Internet based technologies or Web 2.0 technologies have had a profound impact on how people behave and consume their time (Shena et al. 2002; Macaulay et al. 2007). Consumers and especially young consumers are looking for new ways to spend their time for example by using tablet computers for reading (Kajalo et al. 2011) and companies are searching for new ways to capture customer attention. Customer experience management (CEM) provides one way

¹ Jari Salo is a Professor of Marketing at the Oulu Business School. He is also Adjunct Professor at the Aalto School of Economics (formerly Helsinki School of Economics, HSE). Salo has over 100 publications and some of those are published by *Industrial Marketing Management*, *Computers in Human Behavior*, *Journal of Business and Industrial Marketing* and *Business Process Management Journal*. He holds several editorial positions and he is also the editor in chief of *Journal of Digital Marketing* (jari.salo@oulu.fi).

to grab their attention. CEM is focused on creating experiences around a product or a service. Schmitt (2003) defines CEM as *"the process of strategically managing a customer's entire experience with a product or a company"* while experience is simply said to be the contact with the product. Besides taking a strategic focus on CEM we can also look into more practical ways or processes to improve CEM performance with different types of online communities. The music industry is fertile ground for this kind of research since it has been keen to adopt new marketing and channels, including online communities (Vaccaro & Cohn 2004) and mobile advertising. Different types of online communities, social web/networking or Web 2.0 applications have mushroomed into hundreds of different ways for consumers to spend their time on social networking (Facebook, MySpace, LinkedIn, Second Life, Habbo Hotel), content sharing (YouTube, Vimeo, Flickr, Slideshare) and gaming (World of War Craft, Sims, Eve online).

Many companies have realised the benefits provided by online communities; however academic studies addressing the topic are still scarce. Still, a significant amount of research has identified how online communities can be used to promote new products (Kim et al. 2005), generate new ideas for product development (Nambisan 2002) and produce positive brand effects (Thompson & Sinha 2008). However, less attention is given specifically to the links between CEM and online communities. It is assumed here, that online communities can increase customer satisfaction, which has in many contexts been identified as having a direct or moderated effect on firm performance (Anderson et al. 1994).

The Internet is one big online community where users can interact with other users in digitised form with text, audio and video. Earlier on newsgroups, chat rooms and different type of bulletin boards were used in text format. Later on, 3D and virtualisation technologies enabled the emergence of the Habbo Hotel and Second Life type of services where customers use avatars (Hemp 2006: Mäntymäki & Salo 2011). Thus, in this research, online community is broadly seen as people interacting with help of technology such as the Internet.

The purpose of this research is to shed light on how online communities can be used as part of CEM and especially how online communities enhance customer experience and sales. Case studies detail how music companies in the European countries are harnessing Facebook, MySpace and YouTube for marketing purposes. This study is structured as follows: firstly CEM and online community literature is introduced. These are then integrated with a preliminary theoretical framework, which is then applied to the case studies. Thirdly, the methodology is presented. Fourthly, the case studies are presented and the results are discussed. The study concludes with a discussion of limitations and future research areas.

2 Customer relationship and experience management

Srivastava et al. (1999) identify Customer Relationship Management (CRM) as one of the key processes for a company. Two other processes that contribute to value creation and shareholder value are Product Development Management (PDM) and Supply Chain Management (SCM). Later, Zablah et al. (2004) identified five schools of thought within CRM) discussion. These different schools are the process, strategy, philosophy, capability and technology viewpoints. It can be argued that each of the five schools of thought is needed to effectively manage customer relationships. In here we adopt the definition provided by Payne and Frow (2004). It states that CRM *"is a holistic approach to managing customer relationships to create shareholder value"*. Therefore it can be argued that this approach takes account of strategy creation, the multiple touch-points view to customer and integration of data as well as assessing the performance of CRM activities.

In recent years there have been arguments put forward in different but overlapping disciplines within marketing on how marketing as a discipline should be approached. Some of the scholars propose a new dominant logic for marketing focusing on services i.e. service dominant logic of marketing (Vargo & Lusch 2004). Another group of researchers propose that customer experiences (Carù & Cova 2007) e.g. brand ex-

perience or online customer engagement experience are what differentiate products based around marketing or service based marketing dominant logics.

It is however, notable that current academic literature and practical management utilising sophisticated CRM software are not fully aware of experiences as the most central influences on the decisions made by customers. Current CRM systems use past data obtained from different customer contact points but these lack forecasting capabilities and even if the best of the breed systems have these capabilities the forecasts are inaccurate (Meyer & Schwager 2007). Of course traditional CRM activities and systems are important to actively manage customer relationships but those should be augmented with sophisticated Customer Experience Management systems (CEM) in which e.g. customer interaction with a website or webshop is dynamically modified to customer preferences based on customer data, profiles, click data, cookie data, location data or other customer indicator data that can be utilised to fine-tune contact with the customer to best yield sales.

According to Meyer and Schwager (2007) CEM is in many ways different from CRM. CEM focuses on knowledge of what a customer thinks about the company rather than capturing information about what a company knows about its customer. CEM requires data collection at customer points (search engine data, click data, shopping history) rather than waiting for a customer record to be formed.

There are several competing definitions for CEM but one of the early ones is provided by Schmitt (2003). Even though Holbrook (2007) criticized Schmitt for being more of a consultant than an academic, his view is adopted here. According to Schmitt (2003) "*CEM is the process of strategically managing a customer's entire experience with a product or a company*". In addition, Schmitt (2003) defines customer experience as "*a customer contact with the product or company*". Therefore, CEM can be seen as one issue that is part of successful CRM activities.

Managerial attention in CEM on a practical level focuses on ways to improve value and adding experiences whereas on an operational level it is about managing overlapping CEM actions whilst on a strategic level

it is about improving overall CEM strategy to gain competitive advantage. The theoretical roots of CEM starts from the work of Pine II and Gilmore (1998) and Thompson et al. (1989) focusing on the abstraction of individual consumer experience. Our study to broaden these ideas was inspired by ongoing research on online consumer behaviour research (Agarwal & Karahanna 2000: Gentile et al. 2007: Teo et al. 1999). A number of studies after Thompson et al. (1989) examined CEM in different contexts (Winer 2001: Cruz et al. 2010 for bank industry). Some authors like Payne and Frow (2004) addressed the issue from a management perspective and especially on how to manage multiple channels. Recent studies examined how information technology (IT) can be used for CEM activities (Novak et al. 2000: Nambisan 2009). Research in IT facilitated CEM focused on website design and role of IT in services (Novak et al. 2000). It should be noted that already by 1999 Jeff Bezos founder of Amazon.com was arguing that providing a compelling customer experience is more important online than offline (Bezos 1999). Still, limited attention is given to CEM in music business and even less researched are the newer Internet technologies applications. Figure 1 details the constituting factors of customer experience according to Pine II and Gilmore (1998).

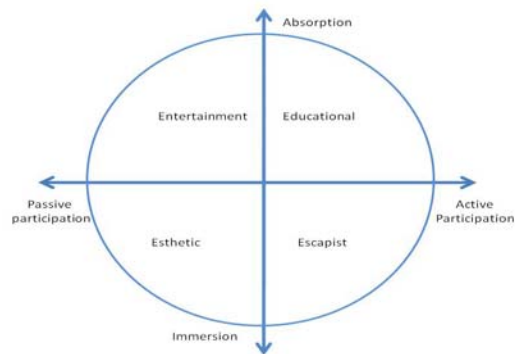


Figure 1: Realms of Customer Experience (Pine II & Gilmore 1998)

Basically, customers can participate in experience creation in two ways namely active and passive participation. In active participation, a customer is part of the created experience. This is exemplified in a theatrical production when the audience is asked after each episode what is going to happen next and the audience can influence how the plot develops. At the passive end of the continuum the stage play follows a predetermined path planned by the creative director of the play. Another dimension that can be used to characterize experience is connection with the experience. Two extremes of the connection are absorptive connection and immersive connection. For example, when customers are watching a film and the connection with the film becomes absorption of that immersion. Basically, whilst we are able to realise what is happening, we are not actively engaged with the experience. At the immersive end of the continuum we can more easily engage with and relate to the experience. Pine II and Gilmore (1998) presented the ideas of customer experience and later on these were developed to underpin CEM activities and strategies. These are then used as a foundation and synthesized with discussions within online communities.

3 Online communities and customer experience management

Online communities centre on individuals and organizations which want to share information and interact with each other. Internet technologies such as social media (first introduced as Web 2.0) enable the interaction between consumers using or not using avatars (Hemp, 2006). Many of these online communities focus on user-generated content (UGC), which is the key for successful interaction between users (Gangadharbatla 2008). Consumers can post comments on other consumers' profiles, pictures, videos and even music the others have produced. Today, consumers do not limit their participation in online communities just to the traditional PC or laptop connections since many of the popular online communities can now be accessed using mobile devices (such as tablet computers, smart phones) and gaming consoles. Online com-

munities studied in this research are Facebook, MySpace and YouTube mainly because music industry companies all over the globe use these for marketing purposes, on a trial basis – in campaigns and as part of their social media marketing strategies.

There is plenty of literature on how to categorise different types of online communities (Armstrong & Hagel 1995: Maclaran & Catteral 2002: Porter 2004: Dholakia et al. 2004). According to Porter (2004) communities can be created by different organisations or by consumers. Maclaran and Catteral (2002) point out that companies create online communities to communicate with their consumers and communities created by consumers are usually independent from companies. Online communities promoted and initiated by consumers can have a range of impacts on companies and the products communities are discussing (Maclaran & Catteral 2002). Negative word of mouth communication can easily escalate into a vicious circle that is hard to break while positive word of mouth is hard to achieve (Hennig-Thurau et al. 2004). Still it is noted that there is some evidence that digital word of mouth creates sales (Pöyry et al. 2012).

Besides looking into who establishes the online community Armstrong and Hagel (1995) conceptualise communities based around the issues dealt with in the community. Four types of communities were identified. These were communities of interest, fantasy, relationships and transactions. Dholakia et al. (2004) categorise communities as a continuum between network based communities and sub-group based communities. In the former one common interest of many people will provide the reason for belonging to a community and in the latter some individuals have high density of relationships. Common to all of these studies is the fact that consumers have the feeling of connectedness, along with possibilities to interact and thus the group identity is formed.

It is suggested here that the effort required by the consumer (i.e. the amount and quality of work i.e. costs) to participate online communities also influences categorisation of social webs. For some online communities a consumer can take considerable time to prepare their profile and other content posted to the service whilst in other services

only a little is required to participate within the community. Facebook has over 900 million users in early 2012 partly because it is so easy to join, up-date and is rather user-friendly. These issues should also be taken into consideration when discussing online communities and especially marketing to these communities. In addition to the effort the social interaction intensity or customer participation (as in Pine II & Gilmore 1998) also varies between communities since in some communities interaction is essential for the community to survive while in others social interaction can be rather passive. Online communities have created digital environments beyond the imagination of the seminal CEM researchers. Online communities enhance offline CEM actions but most importantly online communities enable whole new ways to create new radically different customer experiences. Figure 2 provides a model of online communities and the potential for customer experience management activities. The conceptual framework is developed from Pine II and Gilmore (1998) as well as from online community discussion.

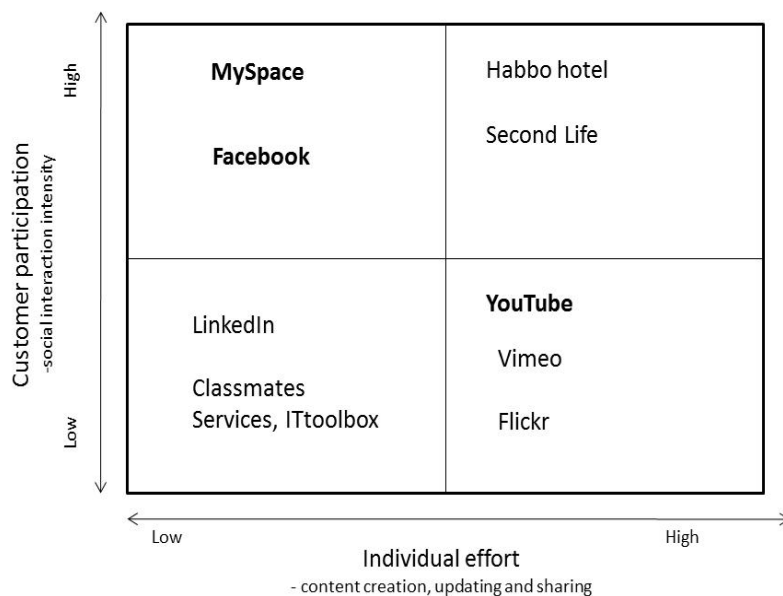


Figure 2: Online community taxonomy for CEM

Figure 2 presents in the X-axis the individual effort required to participate in an online community that varies on a continuum from low to high. The Y-axis presents the degree of customer participation that varies on a continuum from low to high. Figure 2 can be used to delineate CEM efforts according to the characteristics of the online community.

4 Methodology

In situations where the phenomenon studied in a real-life context is novel and the researcher has little or no control over the events, a case study is the most appropriate method (Yin 1989). Case studies are also used when novel topics need to be researched and understood holistically. According to Bonoma (1985) a case study is applicable to situations in which researchers require a deeper understanding, a solid contextual sense, and provocation toward theory building. Experience management in online community presents such a unique situation. A multiple case study method using four cases was employed (Yin 1989). Many authors (Eisenhardt 1989) suggest that case selection is a decision of utmost importance for case based research. It is difficult to say, how many and which cases should be selected and as Romano (1989) advises, in the end this selection is decided by the researcher. Four cases were selected from the European music industry based on the fact that the focus of interest was clearly observable (use of online communities for marketing) and sound data was available along with access (Marshall & Rossman 1989).

The case study is defined here as one company's way of using online community for CEM activities. A case study is composed of all the relevant material gained from the company e.g. interviews, internal memos and meetings. Four case studies are employed in this study providing the potential for cross-case analysis to show similarities and differences and in order to form a more holistic model to explain online communities and CEM interrelationships (Yin 1989). The chosen multiple case study approach undoubtedly influences the general applicability of the study's results (Eisenhardt 1989). However, a rich description of the phenome-

non is the aim here and empirical generalisations can be suggested as further research avenues. The empirical part of this study employed various kinds of data to get rich and detailed primary data on the phenomenon under investigation. The semi-structured interviews form the main data source (Arksey & Knight 1999). The persons to be interviewed were knowledgeable about online community marketing in music industry and some of them conducted such activities almost every day. Data analysis was conducted accordingly (Miles & Huberman 1984). Data table 1 is provided below.

Company	Position of the interviewee	Type of contact	Date, and duration of interview
Sony	Digital director	E-mail correspondence (2008a) and telephone interview (2008b,2010)	April 10, 2008, April 8, 2008, May 21, 2010
Independent record company	Producer	Interview	March 4, 2008, 1 h November 9 2009
European record company	Marketing manager and apprentice in the Finnish office	Group interview	March 5, 2008, 2 h
Affiliate of an European record company	General Manager	Telephone interview	March 11, 2008, 1,5 h
Software company (specializing music industry)	Chief Executive Officer	Interview	October 23, 2009, 1h

Table 1: Interview data: this table illustrates the companies and persons interviewed for this study. Also type of contact and duration of the interview is presented.

Although other respondents working in the company being studied could have offered additional viewpoints on the phenomenon under investigation, it was decided that key informants who had been actively involved in CEM and online marketing efforts should be interviewed. Kumar et al. (1993) suggest that when using multiple informants the

authors increased both the reliability and the validity of the research. However, using more informants from each case study company could have furthered argumentation and clearly could have increased reliability and validity even further. Data collection has been continued but here only those interviews conducted in 2008-2010 are presented to confine analysis into a more precise period. Furthermore the more up-to-date data has been provided in confidence to the research team. In addition to interviews, documents, minutes of meetings, industry reports and company visits were employed to triangulate the respondents' answers (Yin 1989). Data triangulation, one form of triangulation, increases the validity and reliability of the research as contradicting information can be evaluated (Eisenhardt 1989). Apart from Sony, the identities of the respondents and the companies are not revealed for reasons of confidentiality. Next, four case studies from European countries are presented and cross-case analysis conducted.

5 Customer experience management in online communities

5.1 Background - distribution, pricing and advertising changes in the music industry ecosystem

The Internet has re-engineered the business, manufacturing, and marketing logics of many industries especially movie, game and music industry (Elberse 2008). More specifically, the Internet has had an effect on the creation and distribution of music (Bhatia et al. 2003). This effect is manifested through three changes in the industry. Firstly music is increasingly created with computers. This is manifested in emergence of different types of music genres that are centred on digital music. Secondly, and more importantly, music is increasingly distributed in a digital format which is more cost effective than the traditional format, as the dominant production costs of information goods are fixed rather than variable (Shapiro & Varian 1999). To elaborate on this, the music industry supply chain has been very static – consisting of three intermediaries

between the creator of the music and the consumer: the record company, the distributor and the retailer (Huang 2005; Bockstedt et al. 2006). There are numerous independent record labels in the industry competing with the large conglomerates Sony with Sony Music Entertainment, Access Industries with Warner Music Group and Vivendi with Universal Music Group/EMI. Each of these intermediaries between the artist and consumer naturally adds costs and takes a profit, ultimately leading to higher product prices. The Internet has eliminated the need for physical distribution and the retailing of products to some extent, thus decreasing barriers to entry. In this sense the current music industry is much more flexible and dynamic and this has made way for new companies and facilitated the establishment of new business opportunities like Apple iTunes and companies like Spotify. Besides established artists young artists are marketing their music using services like MySpace, virtual worlds and online community live shows. Thirdly, the consumption of music is changing. Consumers listen to music online via YouTube, share it with friends through Facebook and video clips. They consume music while commuting or just for fun. These changes have made it difficult for music companies to appeal to, in particular, the younger consumers. Therefore, the music industry has started to make use of digital marketing especially online community marketing practices to address this change of logic and consumer behavior. Next the four cases are presented in alphabetical order.

5.2 Case Study Affiliate

Affiliate focuses on a customer segment that is a bit older than those presented in later cases. In Finland the Affiliate of a European record company produces mainly Finnish pop music for adults. Therefore, for the Affiliate, online communities and social web is not that important a marketing channel due to the difficulties they have reaching their audience via the Internet even though online communities are increasingly attracting more mature users. Nevertheless, the interviewee recognized the importance of digital marketing and identified a number of communities for the marketing of their artists. The company is now planning to

initiate online community based artist marketing trials and campaigns. As the interviewee puts it *"The need for the sense of community will not end suddenly, so different communities and social networks will retain their significance in the future. It might not be MySpace or Facebook but some other services instead."* Due to reasons of confidentiality specific online communities used by the company cannot be revealed here however, these are similar to say The Beatles community that can be found on Myspace <http://www.myspace.com/thebeatles>.

5.3 Case Study Indie

The Indie employs online community opportunities widely for their artist marketing. As the artists presented by the company are mainly pop/rock/metal music artists, MySpace and YouTube are the most important communities for marketing efforts. 'Indie' is a small independent music company, which was established in 2005 in Finland, and so, from the beginning the Internet has been an important marketing channel. Most of the company's artists have established a profile in MySpace where users can listen to the band's songs. Furthermore, Additional information about the band is provided in the profile. Tour dates and other material e.g. ringtones and wallpapers are also offered for fans and those who have just accidentally found their profile. On YouTube an artist's Music videos and Concert performances are shown. One of the company's artists gained huge success on YouTube in Finland as users spread the word intensively about the artist's catchy music video and it fast became one of the most viewed Finnish videos on YouTube in 2007. This also led to increased record sales for that particular artist. In future the company has plans to use Habbo hotel in marketing their artists targeted at younger music fans. Habbo hotel attracts circa 200 million users of which 11 million are active Habbo hotel customers (Mäntymäki & Salo 2011). The interviewee highlighted that *"Almost all our artists are present on MySpace. It is almost like an obligation to be there nowadays. There the word spreads effectively via word of mouth. For music videos and concert performances YouTube is an absolute must."* Due to reasons of confidentiality links to specific YouTube videos cannot be provided

here however, videos by Indie are similar to e.g. Basshunters videos and songs such as Boten Anna that caused huge popularity in 2006. This video can be found on YouTube <http://www.youtube.com/watch?v=RYQUsp-jxDQ&feature=related>.

5.4 Case Study: Europe

Europe is a Scandinavian music company. Their artists represent mainly pop/rock/metal music genres. They also use online communities for their artist marketing and have experience of using MySpace, YouTube and the Finnish community IRC-Gallery and Aapeli virtual game world. Therefore, a profile on MySpace is created for artists and also in IRC-Gallery as it is popular in Finland. As with most of the big music industry actors, music videos are included on YouTube. Profiles and uploading of videos to YouTube represent the most important marketing efforts in relation to social web. More specifically, the use of MySpace, IRC-Gallery and YouTube for business purposes is similar to those described in our Indie case. Music companies are looking into social media metrics such as how big audience is attracted by an artist, how many fans have recommended or commented the artist or if they have clicked to their fan pages such as on MySpace. The representatives of the company pointed out that MySpace is useful for networking and internationalisation activities. Still, in their opinion, there was little sense of community as there was little discussion between the users. However, it was pointed out that the amount of discussion and interaction depends on the community, and it was one of the issues that should be promoted in each community, as Facebook does. In the future this music company plans to further expand social web related marketing activities by exploiting the possibilities of Facebook and Last.fm in their artist marketing. Our interviewee noted that discussion boards in different music focused communities or in the artist homepages, are communities in which users share their opinions, photos from concerts or information about the artist with each other, and those could be harnessed for marketing. Due to reasons of confidentiality specific discussion boards cannot be provided here however, discussion board or online community such as

galleria.net/ is specific for Finnish audience. IRC-galleria has about 500,000 users with mean age of 23 years. There is for example a sub-community for Metallica band with 13,274 members (<http://irc-galleria.net/community/200258-metallica>) if a company targets their marketing to heavy metal fans.

5.5 Case Study: Sony

Sony is a multi-national company and its Strategic Business Units (SBU) own numerous record labels worldwide. International artists represented by the company include, among others, Beyoncé, Britney Spears, Kelly Clarkson, Bruce Springsteen and the Foo Fighters. In addition to traditional media (radio, television and print) Sony considers the Internet to be an important channel for music marketing. Often the marketing campaign or promotion of an artist or concert tour is first initiated via the Web and subsequently followed up using other media. This is the opposite of the traditional approach. The interviewee from Sony identified the advantages of digital marketing as including the ability for speedy communication and the ability to quickly update material and communicate with customers that are hard to reach. Other more difficult to evaluate benefits identified in employing online communication were interactivity, cost efficiency and the sense of communality. However, the fragmentation of media and changes in communication behavior of customers has contributed to the exponential increase in the volume of communication consumers are exposed to. This means attracting consumers' attention is a recognised challenge in the music industry.

As usage of online communities for business purposes is a relatively new phenomenon, Sony Corp. has not yet drawn up an overall digital marketing strategy. Due to the rivalry between record labels, the company is reluctant to reveal its precise future strategies. From the marketing point of view however, it is essential to engage with consumers involved in the social communities, i.e. one must understand how a particular community works. According to Sony, important online communities include Facebook (<http://www.facebook.com/SonyMusicFinland>), MySpace artist Hanna Pakarinen see

<http://www.myspace.com/hannapakarinen>) and the Finnish IRC-gallery, the Tune.fi website, artist websites (see e.g. <http://www.hannapakarinen.fi/>) and last but not least YouTube (http://www.youtube.com/artist/Hanna_Pakarinen?feature=watch_video_title). Sony's digital team makes artist specific decisions on which mediums to use for each occasion. The plan is to provide interesting content aimed at different target groups. The interviewee highlighted that through digital marketing Sony aims to bring added value to consumers, making available tools for enhancing communication between the company and its customers, alongside providing a means of self-expression for the consumers.

Advance listening of albums through MySpace have been used for marketing purposes since the early 2008. Usually, for a period of one week consumers are given the opportunity of listening to albums free of charge before the official release date. Sony also plans to introduce a concept called Secret shows, which is already live in the MySpace US. The idea is to promote secret events and sell tickets to them on MySpace. According to the informant, the identity of performers is kept a secret till the actual event takes place – the goal being to match performers to consumers' high expectations. In addition to these marketing actions Sony, along with other major record companies, has negotiated for a service called MySpace Music in which consumers would be able to stream music free of charge. The service would include a music store from where consumers could buy downloads for their personal computers and PDA devices. The intention is to sell music files in MP3 format compatible with most music players. As tracks sold through iTunes are only compatible with Apple's iPod devices, MySpace Music might prove to be a prominent competitor for iTunes, as well as other legitimate music distribution services.

In 2008 and early 2009 the popularity of Facebook sky rocketed in many countries and Sony's marketing efforts in Facebook were still in the test phase. The company has created 'Become a fan' pages for its artists and searched for means to increase the number of members involved in these communities. Facebook offers the potential to carry out

carefully designed ad campaigns, since advertising can be targeted according to users' age, sex and interest areas. For example, if users' favorite music is reported in their profiles or they are members in some fan communities, an advertiser can use this information when designing a targeted ad campaign. However, Sony has not initiated massive campaigns to market to the fan communities it founded. Instead, the company has monitored how the number of members develops without making a big financial investment. The interviewee pointed out that they have faith in word-of-mouth marketing taking place between consumers.

Besides, the official marketing campaigns and plans employees at Sony also use their personal networks to carry out viral marketing actions. One of these marketing actions is to use Facebook to transmit messages about interesting artists to their friends and business partners. Often times these messages include links to artists' MySpace website and videos uploaded on YouTube. The informant noted; "*Sony regards viral marketing as an easy and cost efficient way to market artists in online communities.*"

6 Results

The aim of this research is to cast extra light on how online communities can be used as part of CEM and especially how online communities enhance customer experiences. The use of Case studies and the literature review were employed to gain further knowledge on this topic. In brief, the music companies in Europe and all over the globe are systematically evaluating the potential for digital marketing especially to online communities for making their business more lucrative for their shareholders and their artists. Table 2 draws together the case companies' ways of using online communities to enhance customer experience.

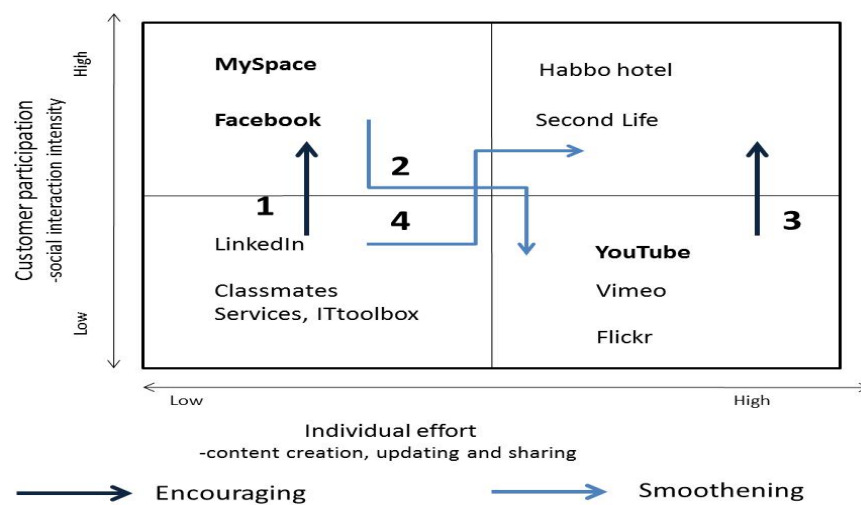
The companies need to balance the costs and benefits of digital marketing. In addition, having a straightforward digital marketing strategy is of utmost importance to those planning to engage in online community marketing activities more heavily. The common element underlying-

ing all the marketing efforts is that integrated and interactive marketing communications are offered to customers; meaning that digital channels are complementing, and in some areas substituting for, traditional channels in a way that creates added value for the consumer. It seems that those music industry companies whose customers habitually use the online communities like Facebook, MySpace and the YouTube can gain a significant advantage by employing digital marketing in CEM. Nevertheless caution is needed as some companies like Affiliate gain little by using online communities as CEM vehicle. Various ways of deploying digital marketing or online communities were identified in this study. Figure 3 integrates the foregoing discussion onto a framework that is applicable to both managers and online community marketers.

Online community marketing actions	Sony	Indie	Europe	Affiliate	Online community metrics
<i>Asking to join a community</i>	X	X	X		Ratio of invitations and number of new members
<i>Advertising new songs and albums</i>	X	X	X		Amount of clicks to specific landing website
<i>Promoting concerts</i>	X	X	X	X	Amount of tickets sold e.g. with campaign code
<i>Advertising fan merchandise</i>	X	X	X		Amount of sales attributable to specific ad
<i>Up loading videos to e.g. YouTube</i>	X	X	X	X	Brand awareness and equity
<i>Asking to tell friends</i>	X				Number of invitations and amount of new fans
<i>Advance listenings</i>	X				Number of downloads

Table 2: CEM activities conducted by the music industry companies in the online communities and their effectiveness

As a result of the case studies and developing the theoretical framework we can identify two strategies that are suitable for customer experience management with the help of online communities. These are labeled here encouraging (black arrows one and three) and smoothening (blue arrows two and four).



more active community participant and who attempts to be socialise with kindred spirits from their online community. This leads a customer to focus on connecting and keeping up with these connections in the online community. Customer participation from a managerial point of view thus increases the possibilities for providing meaningful and engaging online content that ultimately can be targeted for sales when such as when tickets for concerts are sold to special interest clients first.

Smoothing strategies illustrates how CEM can be used to migrate customers from the low and high customer participation classes and from low individual effort to an expanded individual effort. Companies can use CEM to make the individual effort more rewarding by providing higher status within the community. For example, LinkedIn offers those with full personal profile or paid account more options and interaction possibilities. Some online communities like Twitter and Dell Ideastorm show how many times user has posted or commented on some ideas. By making interactions more visible users are more actively participating. The interesting question from a managerial and theoretical point is why smoothing is important? The reason is that if customers are more involved as in creating content, participating in discussions or commenting on recent gigs they are less likely to be attracted by competing brands of other bands. Thus, smoothing could be an attribute for a strong brand relationship.

7 Conclusions and implications

In the music industry online communities such as Facebook and MySpace are widely used for activating consumers and increasing brand exposure. Content sharing communities such as YouTube, Vimeo and Flickr are also effectively employed to distribute content and build communities around artists. The purpose of this study was to shed light on how online communities can be used as part of CEM and more specifically how online communities enhance customer experience and eventually sales.

Based on a review of the literature, a taxonomy of online community services was synthesized and presented in Figure 2, while the degree of customer participation and required individual effort were the main differentiators in the analysis. Four case studies illustrated the diversity in customer experience activities with the help of online communities. It was evident music industry companies are using online communities for CEM in a meaningful way to attract an audience for their artist and to sell more songs, fan merchandise and concerts than ever before through the Internet. They also actively engage customers in online interactions and measure the resulting sales and effectiveness of different social media campaigns. These are depicted in Table 2. It should be noted that the results cannot be applied without qualification to other contexts. Future research is still needed to continue the categorisation work started. It goes without saying that in its current form the categorisation provided is fairly general and some of the applications can be placed to different cells based on what feature is looked upon. Moreover, we still know only a little of how consumers perceive digital marketing efforts (e.g. online community advertising) and to what degree those are acceptable in different contexts. Most importantly relatively little is known about the effectiveness of digital marketing efforts and online communities combining offline and online elements. Future studies using exploratory designs, case studies and surveys are needed to strengthen our understanding of just how suitable online communities are for business purposes.

8 References

- Agarwal, R. & Karahanna, E. (2000) "Time flies when you're having fun: cognitive absorption and beliefs about information technology usage", *MIS Quarterly*, vol. 24, no. 4, pp. 665-694.
- Anderson, E., Fornell, C. & Lehmann, D. (1994) "Customer Satisfaction, Market share and profitability: Findings from Sweden", *Journal of Marketing*, vol. 58 (July), pp. 53-66.
- Arksey, H. & Knight, P. (1999), *Interviewing for Social Scientists*, Sage publications, London.
- Armstrong, A. & Hagel J. III (1995) "Real profits from virtual communities", *The McKinsey Quarterly*, vol. 3, no. 3, pp.127-141.

- Bezos, J. (1999) "Setting the Standard with Jeff Bezos", Internet Summit 99, Dana Point, 20 July, CA. USA.
- Bonoma, T. (1985) "Case research in marketing: Opportunities, problems and a process", *Journal of Marketing Research*, vol. 22, no. 2, pp. 199–208.
- Bhatia, K.G. Gay, R., & Honey, W.R. (2003) "Windows into the future: How lessons from Hollywood will shape the music industry", *Journal of Interactive Marketing*, vol. 17, no. 2, pp. 70-80.
- Bockstedt, J.C. Kaufmann, R.J. & Riggins, F.J. (2006) "The move to artist-led on-line music distribution: A Theory-based assessment and prospects for structural changes in the digital music market", *International Journal of Electronic Commerce*, vol. 10, no. 3, pp. 7-38.
- Cruz, P., Salo, J. Muñoz-Gallego, P. & Laukkanen, T. (2010) "Heavy users of e-banking and Customer Experience Management: evidences on intrinsic motivation", *International Journal of Electronic Business*, vol. 8, no. 2, pp. 187-209.
- Dholakia, U.M. Bagozzi, R.P. & Pearo, L.K. (2004) "A social influence model of consumer participation in network- and small-group-based virtual communities", *International Journal of Research in Marketing*, vol. 21, no. 3, pp. 241–263.
- Eisenhardt, K. M. (1989) "Building Theories from Case Study Research", *Academy of Management Review*, vol. 14, no. 4, pp. 532-550.
- Elberse, A. (2008) "Should you invest in long tail?", *Harvard Business Review*, vol. 86, no. 7/8, pp. 88-96.
- Gangadharbatla, H. (2008) "Facebook Me: Collective Self-Esteem, Need to Belong, and Internet Self-Efficacy as Predictors of the iGeneration's Attitudes toward Social Networking Sites", *Journal of Interactive Advertising*, vol. 8, no. 2, pp. 1-14.
- Gentile, C., Spillera, N. & Noci, G. (2007) "How to Sustain the Customer Experience: An Overview of Experience Components that Co-create Value With the Customer", *European Management Journal*, vol. 25, no. 5, pp. 395–410.
- Hemp, P. (2006) "Avatar-Based marketing", *Harvard Business Review*, vol. 84, no. 6, pp. 48-56.
- Hennig-Thurau, T., Gwinner, K., Walsh, G. & Gremler, D. (2004) "Electronic word-of-mouth via consumer-opinion platforms: What motivates consumers to articulate themselves on the Internet?", *Journal of Interactive Marketing*, vol. 18, no. 1, pp. 38-52.
- Holbrook, M.B. (2007) "The consumption experience – something new, something old, something borrowed, something sold: part 3", *Journal of Macromarketing*, vol. 27, no. 2, pp. 173-183.
- Huang, C-Y. (2005) "File sharing as a form of music consumption", *International Journal of Electronic Commerce*, vol. 9, no. 4, pp. 37-55.
- Kajalo, S., Leminen, S., Mäntymäki, M. & Salo, J. (2011) "Consumer Acceptance of E-reading devices: An Empirical Analysis", *Proceedings of the Business and Information conference*, Bangkok, Thailand.

- Kima, W.G, Leeb, C. & Hiemstrac, S.J. (2005) "Effects of an online virtual community on customer loyalty and travel product purchases", *Tourism Management*, vol. 25, no. 2, pp. 343-355.
- Kumar, N., Stern, L.W. & Anderson, J.C. (1993) "Conducting Interorganizational Research Using Key Informants", *Academy of Management Journal*, vol. 36, no. 6, pp. 1633-1651.
- Macaulay, L.A., Keeling, K., McGoldrick, P. Dafoulas, G. Kalaitzakis, E. & Keeling, D. (2007) "Co-evolving E-tail and On-Line Communities: Conceptual Framework", *International Journal of Electronic Commerce*, vol. 11, no. 4, pp. 53–77.
- Maclaran, P. & Catterall, M. (2002) "Researching the social web: Marketing information from virtual communities", *Marketing Intelligence & Planning*, vol. 20, no. 6, pp. 319-326.
- Marshall, C. & Rossman, G.B. (1989), *Designing Qualitative Research*, Sage publications, London, UK.
- Meyer, C. & Schwager, A. (2007) "Understanding Customer Experience", *Harvard Business Review*, vol. 85 (February), pp. 1-13.
- Miles, M.B. & Huberman, A.M. (1984), *Qualitative data analysis: A source book of new methods*, Sage publications, Newbury Park, CA.
- Mäntymäki, M. & Salo, J. (2011) "Teenagers in social virtual worlds: Continuous use and purchasing behavior in Habbo Hotel", *Computers in Human Behavior*, vol. 27, no. 6, pp. 2088-2097.
- Nambisan, S. (2002) "Designing Virtual Customer Environments for New Product Development: Toward a Theory", *The Academy of Management Review*, vol. 27, no. 3, pp. 392-413.
- Nambisan, P. (2009) "Conceptualizing customers'online community experience (OCE): an experimental study", *International Journal of Internet Marketing and Advertising*, vol. 5, no. 4, pp. 309-328
- Novak, T., Hoffman, D. & Yung, Y. (2000) "Measuring the Customer Experience in Online Environments. A Structural Modelling Approach", *Marketing Science*, vol. 19, no. 1, pp. 22-42.
- Payne, A. & Frow, P. (2005) "A Strategic Framework for Customer Relationship Management", *Journal of Marketing*, vol. 69, no.4, pp. 167-176.
- Pine, B.J. II & Gilmore, J. (1998) "Welcome to the Experience Economy", *Harvard Business Review*, vol. 76, no. 4, pp. 97-105.
- Porter, C.E. (2004) "A typology of virtual communities: A multi-disciplinary foundation for future research", *Journal of Computer-Mediated Communication*, vol. 10, no. 1, pp. 1–10.
- Pöyry, E., Parvinen, P., Salo, J. & Blakaj, H. (2012) "Hedonic and Utilitarian Search for Electronic Word-of-Mouth", *Proceedings of the 45th Hawaii International Conference on System Science*, Maui, Hawaii.
- Romano, C. (1989) "Research Strategies for Small Business: a Case Study", *International Small Business Journal*, vol. 7, no. 4, pp. 35-43.

- Shapiro, C. & Varian, H.R. (1999), *Information Rules a strategic guide to network economy*, Harvard Business School Press, Boston, USA.
- Shena, X. Radakrishnanb, T. and Georganasa, N.D. (2002) "v COM: Electronic commerce in a collaborative virtual world", *Electronic Commerce Research and Applications*, vol. 1, no. 3-4, pp. 281–300.
- Schmitt, B. (2003), *Customer experience management: A revolutionary approach to connecting with your customers*, John Wiley & Sons, NJ.
- Srivastava R.K., Shervani T.A., & Fahey, L. (1999) "Marketing, Business Processes and Shareholder Value: An Organizationally Embedded View of Marketing Activities and the Discipline of Marketing", *Journal of Marketing*, vol. 63 (special issue), pp. 168-179.
- Teo, T., Lim, V. & Raj, R. (1999) "Intrinsic and extrinsic motivation in Internet usage", *Omega*, vol. 27, no. 1, pp. 25-37.
- Thompson, C.J., Locanber, W.B. & Pollio, H.R. (1989) "Putting Consumer experience back into consumer research: the philosophy and method of existential-phenomenology". *Journal of Consumer Research*, vol. 16, no. 2, pp. 133-146.
- Thompson, S.A. & Sinha, R.K (2008) "Brand Communities and New Product Adoption: The Influence and Limits of Oppositional Loyalty", *Journal of Marketing*, vol. 72 (November), pp. 65–80.
- Vaccaro, V.L. & Cohn, D.Y. (2004) "The Evolution of Business Models and Marketing Strategies in the Music Industry", *The International Journal on Media Management*, vol. 6, no. 1-2, pp. 46–58.
- Winer, R.S. (2001) "A framework for customer relationship management", *California Management Review*, vol. 43, no. 4, pp. 89-105
- Yin, R.K. (1989), *Case Study Research: Design and Methods*, Sage publications, Newbury Park, California.
- Zablah, A., Bellenger, D. & Johnston, W.J. (2004) "An evaluation of divergent perspectives on customer relationship management: Towards a common understanding of an emerging phenomenon", *Industrial Marketing Management*, vol. 33, no. 2, pp. 475-489.

Acknowledgement

The support of Emil Aaltonen Foundation is greatly appreciated. Previous version of the research was presented at the 2011 annual Bled econference. The author would like to thank the participants of the conference and two anonymous reviewers. The author would also like to thank the CEO of Intercircum Kai Härkönen for helpful comments and Mikko Lankinen for data collection. And last but not least the author also wishes to thank the case companies participating in the study.