HOW CAN ENTREPRENEURIAL MUSICIANS USE ELECTRONIC SOCIAL NETWORKS TO DIFFUSE THEIR MUSIC

Maria Kaya: Qut, Brisbane, Australia
Paul Steffens: Queensland University Of Technology, Brisbane, Australia
Greg Hearn: Qut, Brisbane, Australia
Phil Graham: Qut, Brisbane, Australia

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Contact: Maria Kaya, QUT, School of Management, 1 George St, 4000 Brisbane, Australia, Email: maria.kaya@qut.edu.au

ABSTRACT

The music industry has been transformed by the digital era resulting in enormous fragmentation. This has lead to the emergence of new entrepreneurial opportunities for independent artists. Social online networks like MySpace.com and Facebook have created a range of possibilities for independents artist to build fan bases and market their music. Some argue that social networks are the answer to the future direction of the music landscape, others argue that social online networks are a pure waste of time. Using multiple sources of data, the current paper applies the concept of the individual-opportunity nexus to explore which musicians exploit opportunities provided by online social networks. We develop a schema of musicians based on both their attitudes towards the business of music and their internet usage habits. We also draw on social network theory to identify some critical network characteristics.

INTRODUCTION

"In less than ten years major music labels will no longer exist."

Michael Smelli,
former Global Chief Operating Officer, Sony/BMG
Digital Music Think Thanks
9 May 2009, Brisbane

Musicians live in a chaotic, turbulent environment. Highly interdependent on one another to interpret equivocal information and dedicated to innovation. Making music requires action and initiative. Musicians climb out on a limb and push the edge of uncertainty. They follow where the music leads, sometimes stumbling, but learning from errors to create new musical opportunities. Building on stock phrases and set routines, the essence of making music is taking risks to explore novel, creative paths, inventing responses without a pre-scripted plan (Pendergast 2004).

The explosion in use of online social networks is an important phenomenon that provides a new set of entrepreneurial opportunities. Emerging musicians who are seeking to develop and increase their fan base have been among the first to exploit this new market opportunity. A recent study Carter (2009) reveals that artists who earned the most returns had an online presence on multiple social online sites and services such as MySpace.com, Facebook, YouTube, Last.fm and Twitter and popular music blogs such as The Hype Machine (http://blog.hypem.com/) that has millions of users around the globe. These social network services focus on building online communities of people who share interests and activities and who are interested in exploring the interests and activities of others. They provide a

variety of ways for users to interact, such as bulletin boards, e-mail and instant messaging services. The main types of social networking services are those which contain category divisions (such as former school-year or classmates) means to connect with friends usually with self-description pages, and a recommendation system linked to trust. Music blogs represent a type of website, usually maintained by an individual with regular entries of commentary, descriptions of events, or other material such as graphics or videos that are related to music. Some musicians seem to actively use these web sites to build fan bases and develop alternative types of revenue streams. Yet, little is currently known about discovery or exploitation of these entrepreneurial opportunities.

Shane and Venkataraman's (2000, p. 218) define entrepreneurship as the process by which ''opportunities to create future goods and services are discovered, evaluated, and exploited.'' We focus on Shane and Venkataraman's (2000) notion of the individual-opportunity nexus to investigate which musicians discover and exploit different types of opportunities in this emerging digital landscape. Three features of the individual-opportunity nexus are explored in the paper.

First, an important characteristic of the musician entrepreneur is their overall attitude towards potential opportunities provided by online networks. In particular, their attitude towards various attributes of the opportunity (Douglas & Shepherd 2002) seems to differ between musicians in terms of the importance they place on pure artistic expression, versus engagement with fans, versus earning money through music. Second, we also expect more experienced, active users of social networks to have both a greater knowledge of opportunities and a stronger propensity to exploit them.

Third, a relevant feature of the opportunity to leverage social networks is the network structure (e.g. Burt 1992; Granovetter 1973). This will determine how well artists are connected with their fan bases and other artists all over the world. These relationships with and between fans are expected to differ between genre of music (e.g. rock vs. classical vs. scar vs. death metal).

The reminder of this paper is organised as follows: first we discuss the shift of the music industry from having a few powerful major music labels to a fragmented music industry including independent music labels that allows many entrepreneurial opportunities for independent artists. Following this, we discuss the importance of the importance of social networks for the diffusion of music by using social contagion and social network theory. We then introduce our research questions, followed by our methods. The last sections of the paper present our core findings and conclusion.

MUSIC INDUSTRY TRANSITION AS AN OPPORTUNITY FOR ENTREPRENEURS

Reduced Power of Major Music Labels

The major music labels – the so called Big Four - Warner Music Group, EMI, Sony BMG Music Entertainment and Universal Music Group have been responsible for promoting and producing a myriad of stars such as Elvis, Beatles, Rolling Stones, Michael Jackson and Madonna over the last five decades. . Within the music industry, recording artists have been reliant upon record labels to broaden their audience, market their albums, and be both promoted and heard on radio, television, with publicists that assist performers in positive media reports to market their merchandise, and make it available via stores and other media outlets. This concentration of the industry was driven by the economics of making and distributing music – production, marketing and distribution costs were all very high. These parts of the value chain were concentrated in large firms who had sufficient financial backing. Hence, any serious musician needed to be "signed" to expand beyond a cottage industry size.

In the 1990s, the technological shift to digital music production and distribution and the growth of the internet have resulted in a substantial fragmentation of the industry. Digital technologies have reduced production costs, and the internet has enabled low costs marketing and distribution options. Consequently, new entrepreneurial opportunities have emerged for independent (of major label) musicians.

The internet has had an undeniable impact on the market for and marketing of recorded music. High profile success stories and music industry commentators have contributed to a general consensus that

the online space offers valuable new opportunities to recruit and engage fans. The big question for many in the industry, particularly not yet established artists and labels, is how to use this space most effectively to promote and profit from their work. In the late 1990s the independent labels (also known as indie labels) came to life. In contrast to the big major labels, indie labels are small companies that specialize in 'low-volume' sales or one particular genre of music. The philosophy of indie labels is more to support the artistic side of bands rather than making big business out of them. In return they do not have access to the financial resources and the huge network of the major labels.

The Explosion of Digital Music through Online Media

The industry structure is under enormous threat with the emergence of a new era of digital music. Recent years have seen a dramatic shift in industry power with the emergence of technology change. The technique of Web 2.0 is a trend in WWW technology, and it marks the new generation of web-based communities such as social networking sites, wikis and blogs, which aim to facilitate creativity, collaboration, and sharing among users. Web2.0 boosts the development of social networking services, which build online social networks for communities of people who share interests and activities. MySpace.com and other social networking sites are connecting artists with fans and creating online music communities independent of music labels. Facebook, Flickr and YouTube are some other notable social networking websites (Cheng, Dale & Liu 2008).

Added to this is the explosion of music consumption in digital formats, including Napster and other file sharing sites, iTunes and other online stores, iPod and the MP3 revolution. Consequently, CD sales have fallen by 40% since their peak levels in the mid 90ies. Digital platforms now account for around 20% of recorded music sales up from 11% in 2006 and zero in 2003 (IFPI Digital Music Report 2009). The music industry is more advanced in terms of digital revenues than any other creative or entertainment industry (except games). Its digital share is more than twice that of newspapers (7%), films (35) or books (2%).

All these industry changes present new possibilities for artists to promote their music independently of the major music labels. These technological innovations created new business opportunities for entrepreneurs. This research project is concerned with the role of social networks in this new music industry landscape.

THE IMPORTANCE OF SOCIAL NETWORKS FOR THE DIFFUSION OF MUSIC

How do online social networks influence the diffusion of music? A social network is the pattern of friendship, advice, communication or support which exists among the members of a social system. Social networks, their characteristics and structure are crucial for determining the spread of new ideas, products or innovations (Burt & Minor 1983; Knoke & Kuklinski 1982; Scott 1991; Wellman 1988). The emerging popularity of online social networks has created a new landscape for social networks to operate. They are particularly relevant for music given both the prevalence of digital distribution and sharing of music, and the degree to which music is instrumental to the social fabric of society.

Social Contagion

Like any new innovation, new music, be it new artists or specific tracks, diffuse or spread out through the population of adopters. It has long been established that word-of-mouth communication is crucial for the diffusion and adoption of innovations (Rogers 1962; 2003). Since the seminal study of Coleman, Katz and Menzel (1966), the impact of social contagion on adoption and diffusion has been widely studied. Social contagion has been conceptualised, first by Burt (1987) and later extended by Van den Bulte and Lilien (2001), as four distinct causal mechanisms: information transfer (i.e., word-of-mouth), normative pressure (Coleman, Katz & Menzel 1966), competitive concern (Burt 1987), and network effects (Katz & Shapiro 1994).

Word of mouth, or simple information spread about an innovation amongst individuals, is crucial for the spread of music. Individuals may become aware of the existence of the innovation through word of mouth from previous adopters (Katz & Lazarsfeld 1955). They may also update their beliefs about the costs and benefits of adopting the innovation after discussing it with previous adopters or after

witnessing the outcomes of adoption (e.g., increased status). Observing others also leads to vicarious learning (Bandura 1986). This is very common for music. Fans tell their friends and acquaintances about new music they like, and in fact often enjoy listening to music together.

Normative pressure is the influence that occurs when actors experience dissonance and hence discomfort when peers whose approval they value have adopted an innovation, but they have not (e.g., Coleman, Katz & Menzel 1966; Davis, Bagozzi & Warshaw 1989; DiMaggio & Powell 1983). This degree of influence depends on the level of socialisation between the two individuals (Burt 1987). This influence is also particularly important for music. An Individual's music preferences are influenced by what their friends like and dislike as music is a highly socially consumed product (Selfhouta et al. 2009). Social Identity Theory (Tajfel 1978) suggests that individuals may gain a social identity from the music-based groups to which they belong and will therefore adopt similar music preferences to those of the individuals in their group in an attempt to foster self-esteem and feelings of belonging (Tarrant, North & Hargreaves 2001). The similarity-attraction hypothesis (e.g., Byrne 1971) and the assortative mating perspective (Luo & Klohnen 2005) suggest that individuals are most attracted to other people who have similar attitudes, values, and behaviours, and personality characteristics.

Social contagion may also be driven by the *competitive concern* emerges from competition between individuals. This is a concern that one's rivals who have adopted the innovation might be able to gain a competitive edge unless one adopts as well (e.g., Burt 1987; Hannan & McDowell 1987). This becomes particularly true for those who have similar roles in some ways – for example, two music enthusiasts vying to gain the reputation as an expert in a narrow genre of music. In this case, individuals may mimic the behaviour of others where they perceive advantage in performing the role. People tend to imitate the music taste of those peers they like and respect. Competitive concerns are relevant in the context of music if exhibiting a preference for a particular artist or song is perceived as "cool" within the individual's peer network.

Finally, network effects occur when the benefit or utility of adopting a product increases when more people have already adopted (Katz & Shapiro 1994). This is particularly common for communication technologies, such as a fax machine, which had little value until many others also used fax machines. There may also be an indirect effect operating through the increased supply of complementary products, as with the utility of DVD players increasing with the availability of DVDs to hire, or through the increased supply of supporting infrastructure, such as video rental stores (Delacroix & Rao 1994). For music, direct benefits associated with popular artists are the availability of shared music, and also the ability for higher levels of fan to fan engagement. What makes social networks so valuable for music is the fact that users share their music interests with each other.

Network Structure

Social network theory is concerned with the structural pattern of the connections between individuals in the network and the impact this has on social contagion. For example, Granovetter (1973; 1982) argued that weak ties (people loosely connected to others in the network) were necessary for diffusion to occur across subgroups within a system. He found that more numerous weak ties can be important in seeking information and innovation. Cliques have a tendency to have more homogeneous opinions as well as share many common traits. This homophilic tendency is the reason for the members of the cliques to be attracted to each other in the first place. However, being similar, each member of the clique would also know more or less what the other members knew. To find new information or insights, members of the clique will have to look beyond the clique to its other friends and acquaintances.

Music that has a narrow audience base – particularly niche genres – is likely to have strong, tightly connected cliques of fans. In fact, online social networks provide and encourage forums for individuals with this kind of strong common interests. Theses cliques are likely to be made up of enthusiastic, proactive and strongly connected group of core fans (of particular artists or style of music). Conversely, more mainstream music genres are more likely to have a much more diffuse, less strongly clique-based network of fans. We are interested to explore the impact different network structures have on the opportunities to exploit online social networks for the diffusion of music.

A related argument, the structural hole theory, posits that it is the absence of direct links (or structural holes) between members of a social network which offers an opportunity for an actor to provide

informational benefits (Burt 1995). To Burt, emphasis should be placed on opportunities for entrepreneurs to exploit the structure holes between dense pockets of relationships in the network. Those that can correctly position themselves to "bridge" the structural hole gain an advantage. These brokers seek out partners with whom they can form unique or non-redundant relationships that bring new information and the possibility to negotiating between each group. Through these new and unique relationships entrepreneurs transform network structure (Walker, Kogut & Shan 1997).

It is in the interests of musicians to bridge the structural holes in the network structure of current and potential fans, so as to facilitate both the building of their fan base and reputation and the spread of their music. They have the option to act in this brokering role themselves by proactively managing social network pages and sites. Alternatively, enthusiastic third parties may act to connect disparate groups of fans through their own dedicated web sites. Some may seek commercial rewards, while others only seek to develop their own reputations with other fans.

Although these two theories argue for the information benefits of casual linkages, and diversity within a social network, others acknowledge that a balanced network which consists of a mix of strong and weak ties is perhaps more important overall.

RESEARCH QUESTIONS

Our research questions focus on the application of Shane and Venkataraman's (2000) framework to understand how entrepreneurial opportunities created by social online networks are discovered and exploited by musicians.

It is clear from evidence from the music industry that the digital age of music has delivered many new opportunities to musicians, and in particular that musicians are using social online media to connect with fans and other artists. We are interested in understanding this emerging phenomenon from an individual-opportunity nexus perspective. In this context, one particular characteristic of the individual that appears crucial is their experience with using social networks (and to a lesser extent internet activity in general). Moreover, the genre of music appears to be an essential characteristic of the nature of the opportunity. More niche artists and genres appear to have a smaller, but more enthusiastic and dedicated fan base. Conversely, mainstream artists and genres have a larger, but more diffuse and uncommitted fan base.

This leads us to the following research questions:

RQ1: *Does the extent to which musicians discover and exploit new market opportunities provided by social online networks, and the types of opportunities they pursue, vary by their depth and breadth of experience in using social online networks?*
   RQ1a: Does this tend to vary by type of artist and genre of music?

RQ2: *Does the extent to which musicians discover and exploit new market opportunities provided by social online networks, and the types of opportunities they pursue, vary by their attitude of the musician to the business side of music?*
   RQ2a: Does this tend to vary by type of artist and genre of music?

RQ3: *Does the extent to which musicians discover and exploit new market opportunities provided by social online networks, and the types of opportunities they pursue, vary by network structure of the artist's fan base?*
   RQ3a: Does this tend to vary by type of artist and genre of music?

METHODS

Our current paper might be best described as theory elaboration, in that it elaborates links not previously addressed in the literature (Gilbert 2005; Lee 1999). We adopt an interpretivist stance to generate theoretical insights from a range of data types. Using multiple data sources also allows us to triangulate (Yin 2003) and develop more confidence in our interpretations. We use this approach to develop specific research propositions and hypotheses in relation to the above research questions.

Data Sources

To inform these research questions, we collected data from multiple sources – a series of four focus groups called industry Think Tanks, a series of 21 interviews with musicians, agents and music industry managers and executives, a series of relevant forum discussions at two music industry conferences and secondary data.

Think Thanks

We held four industry Digital Music Think Tanks that we organised in cooperation with the Music Council of Australia. Industry leaders from all parts of the value chain were invited to participate in the think tanks. Each think tank was a day-long event with the aim of capturing perspectives and best practice examples from participants including independent artists of different stages of their careers and demographics, practitioners and researchers. We found it valuable to include topics related to online social networks.

The purpose of the think thanks was to understand different industry perspectives on the most pressing issues in the digital music sector; identify areas where there are knowledge gaps, opportunities for co-operative action and industry-partnered research.

 The think thanks were structured according to the music value chain. For *Think Tank 1* we invited managers, venues and agents. It captured practices and principles that artists, managers, and venues are employing in the online environment. Throughout the day, a number of knowledge gaps where identified and the group identified a number of areas where new policies and infrastructures are needed to make the Australian sector could be more competitive in global music markets. For *Think Tank 2* we brought together industry leaders from labels and publishers. It focused on innovation. The main question was what kind of strategies and approaches are these groups trying that are working out for people and what's clearly failing. *Think Tank 3* included internet service providers (ISPs), distributors, promoters and retailers of music. It revealed that music businesses are uncertain about the future directions the Australian music industry will take. This uncertainty stems from the challenges online music sharing has presented, but also vast shifts in the cultural function of music and the accessibility of music production technologies that have allowed more people to create and distribute music themselves online. In *Think Tank 4* we analysed the information and ideas from the first three think tanks and searched for ways forward. At this last think tank the Music Council, iCi (Institute of Creative Industries and Innovation), and selected participants also developed an action plan to increase Australia's performance in the digital music sector.

Interviews

We conducted 21 semi structured interviews to get some insights into the importance of social online networks. For this reason we interviewed four different groups. Entrepreneurial musicians - musicians who are not signed with a label; music managers and agents who are responsible for the assisting artists and other executives and practitioners who have been involved in the music business in various corporate roles.

From the musicians, agents and managers we mainly wanted to find out more about their usage habits of social online network and how they judge its impact on their career. We also wanted to know which communication channels they employ and the characteristics of the fan interactions for different genres of music they can observe. We were particularly interested whether they consider that social online networks are a successful way to monetize music and to understand if they see the future business model at a pure digital level.

From the other practitioners we wanted to know what their opinion is about social network as an opportunity for unsigned band to promote their music. We were particularly interested in their point of view regarding the possibilities of monetising music via the internet. For this purpose we selected leading industry practitioners. Michael Smellie is the former Global COO for the major music label Sony BMG, previous Asia Pacific head of BMG, managing director of Polygram and of rooArt in Australia. With a career in the music business spanning over 25 years and across five continents, Michael has a very experienced and broad view on the today's global music business. He is still actively involved in the music industry as founder of an online ticketing service, possy.com. We also interviewed Jakomi Matthews, editor of The Music Void, one of the most visited music blogs in the

UK. He is a digital music and media leader with an executive career at some of the UK's most successful and innovative music-mobile-media initiatives and has access to an impeccable network of the world's industry leaders and innovators. We interviewed Nick Love from MySpace.com, the most used social network site for musicians and their fans. This site is also used by labels as an additional tool to seek for new talents. Nick is Business Development Director for Fox Interactive Media, Australia, New Zealand and Southeast Asia and responsible for all marketing activities worldwide MySpace.com. A final practitioner interview was conducted with David Carter from Queensland Conservatorium, Griffith University who is a former industry manager and researcher with a focus on digital music and social online networks. He has recently conducted some closely related research in cooperation with Musicadium. This is a worldwide digital distribution company that helps independent artists and record labels to distribute, market and promote their music on iTunes. David has studied the web presence and sales data for 100 Australian artists to identify what's working in the online marketplace and what's not.

Industry Forums

Another source we used to gain data was to attend selected panel sessions of the two largest music industry conferences: AMBC, the AustraliaAsian Music Business Conference and Big Sound. The panel sessions were lead by leading practitioners and/or researchers of a particular topic with invited guests from the industry. Both conferences were highly useful for gaining new information about the role of social networks for the music industry. The speakers and attendees of the conference included leading music industry executives, managers of relevant social online networks, blogs and other websites, and many musicians of different genres.

Forum discussions included: Beyond Downloading – The True Futures of Music; The Saving Grace for Artists & Managers (how to succeed independent of major labels); New Revenue Streams; How to Rise Above the Chatter and the Chaff – being heard in online media; Secret Agents and Revolutionary Recordings Recommendations – online music recommendations; Got Live If You Want It– Capturing Audiences & Monetising Them for Life; Music Narrowcasting, Broadcasting and Streaming Media; Be My Friend, Share My Music – Using Consumers As Evangelists; Social Media + Internet Marketing = Success; Blogging, Twittering & Online Publishing: Time Wasting or Tastemaking?; Record Labels: The Model of the Past or the Future; Monetising through Social Online Networks; Smoke & Mirrors: What Tricks Should You Use to Get Your Music Selling – Online and Off?; Entrepreneurialism in the Music Industry; Music & the Internet: Models For Prosperity; Managing the Artist / Fan Relationship.

We also organised a workshop with Nancy Baym as keynote speaker. She is one of the leading researchers in the field of online community, fandom, and the intersections between on- and off-line social life. A range of musicians and researchers attended the workshop. The aim of this workshop was to find out about music audiences who use social networks and fandom and how this phenomenon creates opportunities for emerging musicians.

Secondary data and industry reports

We used several industry reports and reports published by the Music Council of Australia. These sources of data constituted a valuable source of data and offered a way to cross-check in the interviews and to control for retrospective bias. Examples we used: A summary report emerging from a Think Tank series recently held in the UK by the University of Westminster, IFPI Digital Music Report 2009 that gives an overview with data from the international recording industry peak body and the Music Forum Magazine that provided us with some interesting insights of the digital music future.

Analysis

Each source of data was analysed to identify themes that related to our research questions. We engaged a cyclic procedure oscillating between data and theory, enfolding relevant theoretical concepts to inform our interpretations of the data, and searching for further theory that fit with new themes that emerged from the data. The multiple sources of evidence allowed triangulation to gain an increased confidence in our interpretations.

FINDINGS

Currently, we are in the process of systematically analysing the data. Some preliminary themes have emerged:

What all musicians have in common is the fact that they love making music and get paid for it – at least enough to support them so they can keep on making music. They all share a love for writing great songs and performing them live. They want to be able to sustain themselves to continue doing that. They love to get the reaction that they get from someone who really identifies with something they have written. The focus is trying to make a small difference to the world. However, we could identify major differences in the way that musicians asses the role of music labels, usage of technology, fame, targeted audiences and fan engagement. These impact their valuation of social networks, the time spent on the internet, and if and how they use these tools to interact with fans.

Some musicians argue that the internet opened new and remarkable opportunities for their career. Others are not convinced about the usage of the web to assist their ambitions. They feel it is hard to get noticed in the online space amongst all the other thousands of bands competing against each other. Moreover, the online environment requires a level of technical and professional expertise, which can be a barrier for some musicians. Maintaining a good web profile is very labour intensive, many independent musicians or managers are spending hours online daily.

Categorizing Musicians as Digital Entrepreneurs

Two characteristics of musicians appeared instrumental for determining the way they approach online entrepreneurial opportunities. The first is their overall orientation towards the business side of music in general. Some feel that the music industry is too commercialized. They tend to be antagonistic towards large music labels who they regard as more interested in making money than in the artistic merits of music and the integrity of the musicians. They feel the music industry exploits musicians and see the labels as enemies of their creativity and artistic expression. We label this group of musicians as *artistic purists*. Conversely, others are positively disposed towards the commercial pursuits of music. They consider it perfectly legitimate for artists who "make it big" to reap the financial rewards, and recognise that the business machine that facilitates this success will extract its own commercial rewards. They seek commercial success for themselves, and are willing to make some degree of artistic compromises to get there. We label this group of musicians as *Business Pragmatists*.

The second characteristic that emerges as important for a musician's stance towards online entrepreneurial opportunities is their overall level of experience and attitude towards online activity. Some, who we label as *Net Savvy*, spend a lot of time online. They are active users of a wide range of online platforms, and in particular have substantial experience with social networking sites. They are interested in the internet and enjoy using and experimenting with new tools. In contrast, others are a little sceptical of the internet. Although they use it, they do so somewhat reluctantly and are not heavy users. They often have a poor internet presence. We label these musicians *Technology Averse*.

Accordingly, we identified these four types of musicians (see Figure 1): (a) Old School Artists, (b) Major Label Seekers (c) Independence Seekers (d) Digital Era Enthusiasts.

Figure 1: Schema of Music Entrepreneurs

	Technology Averse	**Net savvy**
Artistic Purists	*Old School Artists*	*Independence Seekers*
Business Pragmatists	*Major Label Seekers*	*Digital Era Enthusiasts*

Old School Artists

They are passionate musicians who will "not sell their souls to business" and resist online activities. They see any kind of label as enemies of their work. And they perceive online activities as a waste of time and prefer to have the real, close contact to their fans by offering live gigs. Typically these artists belong to an older generation who grew up with LPs. They have basic knowledge about how to use the internet but are not highly familiar with the technological of internet usage. Most of them also refuse to allow free tracks as downloads on websites. They believe that free downloads are a rip-off of intellectual property that belongs clearly to the musicians. They do not actively seek for fame or the big money. Their credo is: make your music available everywhere for purchase, but generate the interest through traditional means and maintain your work as a rare economy. They believe that success of most bands is largely due to getting local radio airplay. When it is played, people go to iTunes and buy it online. These musicians estimate that 80% of the purchases are made through iTunes.

Major Label Seekers

This group is looking to make money from their music, and regard the traditional pathway of getting signed by a label as the way to get there. In this context online activities are seen as an opportunity of creating a certain critical mass, say 1,000 downloads of a certain track per day. This is used to demonstrate music labels the potential future success of the band. One lead singer gave an example of its experiences for developing quite a large following through tapping into online communities around the globe. She mentioned that she spent more time engaging her fans, than developing her music. When she correctly chose a community, they would rally around the artist because of their common interest in the music. She got to the point where they were having 10,000 downloads a day and kids in Sweden, for example, would put up posters and post pictures on the website. These musicians desire a huge audience and want to be promoted to the maximum possible extent such as TV clip, radio broadcast etc.

Independence Seekers

These artists' primary interest is music, but who acknowledge the role online activity plays in the modern music industry. They want to be a band that can tour around the world and continue making the music they want to make and desire to be a part of a revolution that looks back to some of the wonderful music and sounds created over the past few decades. Several bands emphasised to us that they actively use some forms of social media but would be happy if they could delegate this task to a friend who is willing to take care of the all online activities of the band or hire a manager if affordable. They prefer to collaborate with an independent label which is supportive but does not interfere with the creative part of their music. For some it is a way to remain independent of major record labels and maintain their artistic freedom. For others, it is a way to build their fan base to a level that can sustain their existence as musicians. None-the-less, they often see online as a distraction from making music. They wish there was government support in the form of providing money for setting up the necessary infrastructure, e.g. money for hiring people who manage the administrative part of their career as a centralised institution for all musicians in Australia.

Digital Era Enthusiasts

They revel in the business side of music and actively utilize on-line engagement with fans. This group likes to communicate with their fan online and offline and have full control over their interaction with their fans. They are convinced that they have to have an intensive web presence on multiple sites and blogs in addition to live touring as a necessity for their success. Particular importance was placed on personalised online communication. It need to be authentic and cannot be outsourced to anyone outside the band members. They argue that using social online networks enables them to be more independent in their creativity as they are not too much focused on selling records. They emphasise the need to build focused online communities to engage strongly with fans. They place an importance on building personal relationships with the fan base, saying that music at its essence is about fans and people listening to music. They believe that most active fans are on Blogs, MySpace.com and young fans who want that personal interaction. Their credo is to maximise their visibility in the online space through a strategic approach across multiple websites, using aggregators. The aggregators would be the social media websites or commercial aggregates. Another way of increasing your exposure is by cross linking to similar artists, resources, similar types of music or within music communities.

Genre and Network Structure

Once viewed as passive consumers, fans today are not just active, they are organised. Fans use the internet to form communities and networks, to produce their own artistic materials, to publicize what catches their fancies, to form personal alliances and friendships, to petition producers, and even to raise money for charities. They influence media producers in unprecedented ways, challenging old hierarchies.

We also observed that network structures appear to vary by genre of music. A critical influence in the ability to effectively exploit on-line networks is the presence of "super fans" or "evangelists". These fans very actively promote either a specific artist or a narrow genre of music online. Such "super fans" tend to exist only in very niche, non-mainstream music genres. A small subset of fans become highly active and engage in production of their own content and events, becoming centres of fan activity in their own right. As such, they become important knowledge brokers that act to fill structural holes (Burt 1992).

In addition, for these niche genres, fans bases seem to be structured into cliques of highly connected, dense network structure. We frequently observed that artists with more niche genres tend to have a smaller but more enthusiastic fan base. The fans are more closely connected with each other and more actively communicate about music through social networks sites. Fans have many easy ways to promote bands across the online spaces they visit. They list them as favourites on their social network site profiles, add them as friends on MySpace.com, put them on embeddable playlists, use widgets to stream their music on their websites and profiles, recommend them to others, and more (Baym & Burnett 2008). The internet makes it easier for fans of a certain band to get to know other people who like that particular band, discuss it, and find relevant bands to listen to. So it helps fans to build relationships with each other around a certain band which indirectly means the artist is building relationship with its fans. In the absence of brokers, like super fans, to fill structural holes between cliques of fans, the frequencies of weak ties (Granovetter 1973) becomes important. Social network sites facilitate the creation of these weak ties.

CONCLUSION

The role of record labels is changing because the barriers of making and distributing music have been removed. The ability to build focused communities comes at relatively little cost of the artist, but this needs to be in areas where the music is relevant to that community. If this is the case, the community will promote your music for you. This gives artists the ability to capture a critical mass, which in the past, wouldn't have been available to them. There is a change from mass media to a fragmented media. The brands are now being built by audiences. Moreover, we see the emergence of "super fans" who are able to promote artists in credible ways.

We sought to elaborate theory to better understand how musicians recognise and exploit entrepreneurial opportunities provided by social online networks. Based on the interviews and forums we conducted with musicians and industry practitioners we could identify the importance of social networks for entrepreneurial musicians in this way: Internet platforms are useful to gain global attention and to build a fan base. Once a certain critical mass is created on the web this gives musicians the opportunity to either demonstrate their popularity and increase their chances of being signed by a label or alternatively creating and monetising fan bases independently that is big enough to make a living.

We have two key findings that contribute to theory development. First, we identified four different types of entrepreneurial artists who differ in their degree of openness towards technology, their interest for the internet as a communication platform and tool with fans, assessment of music labels and their understanding of making money with the music business. The identified music entrepreneurs are:

  a) Old School Artists,
  b) Independence Seekers,
  c) Major Label Seekers,
  d) Digital Era Enthusiasts.

These different groups judge the role and impact that social online networks have on their career differently.

Our second core finding is that two key features of the network structure tend to vary between niche genres of music and more popular genres:

a) Niche genres are more likely to have "super fans" or "evangelistic fans" that actively promote a specific type of music (hence group of artists) or an individual artist.
b) Niche genres have more concentrated "cliques" of fans who have dense, highly connected network structure and actively engage with each other about their music interests.

Naturally, we acknowledge that these findings are preliminary in nature. This paper is posited as a theory elaboration research. Hence it is important that the ideas presented here be confirmed and/or further elaborated with future research. The findings about types of artists can be explored through survey research, employing a technique like cluster analysis to identify grouping of artists that emerge. The network structure findings can be investigated using network analysis techniques based on data provided by social networking sites.

We can derive some first, preliminary implications from our research (provided future research confirms their validity). First, niche genre music artist are in a better position to leverage their income through social online networks. Second, the four types of artists need to reflect on their behaviour concerning social networks to understand how they can best utilize these sites for their artistic and business purposes. There is no "one size fits all" type of solution.

Music managers should promote their artists online as well as offline to maximize the possible outcome of success. Live touring still remains crucial to build a credible fan base. But online activities should not be neglected as they are supportive in building fan bases globally. When promoting artists in their online activities managers have to be cautious in not overdoing it but leaving the lead to the artist as the main driver in the communication process with the fan base.

Super fans or so called evangelists represent the very active fans who are able to support and promote artists. They should be cultivated and leveraged as much as possible. It is highly useful to use social networks to attract super fans and to let them work for their heroes. Social networks work more effectively for niche genres – both because those super fans are more likely to be active in these genres and strong cliques of highly active and enthusiastic fans tend to exist.

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