

Alternative Marketing Strategies in the Music Industry as a Reaction to the Influence of the Internet

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Úvod

Teoretická část

Zpracujte teoretická a metodologická východiska k problematice alternativních marketingových strategií v hudebního průmyslu jako reakce na vliv internetu.

Stanovte cíle, metodologické postupy a hypotézy práce.

Praktická část

Na základě dostupných dat charakterizujte vybrané marketingové strategie hudebních umělců.

Na základě analýzy navrhněte soubor obecných a konkrétních doporučení pro zvýšení účinnosti marketingu hudebních umělců.

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Gordon, Steve. 2008. Future of the Music Business: How to Succeed with the New Digital Technologies. 2nd. Hal Leonard Corporation.

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ABSTRAKT

Záměrem bakalářské práce je analýza vlivu internetu na hudební průmysl a analýza alternativních marketingových strategií v hudebním průmyslu. Teoretická část popisuje internet jako takový, historii a principy hudebního průmyslu, vliv internetu na marketing a koncept marketingového mixu. Tyto poznatky jsou následně aplikovány na marketingové možnosti a strategie v hudebním průmyslu. Toto slouží jako teoretické východisko pro praktickou část. Praktická část analyzuje jednotlivé marketingové strategie a vliv internetu na hudební průmysl. Strategie jsou hodnoceny podle prodejnosti hudby a různých dalších faktorů. V závěru práce nabízí několik obecných a konkrétních doporučení pro hudebníky ohledně marketingových strategií. Dosažené závěry jsou tyto: internet hudební průmysl v mnoha směrech obohatil; negativní vliv hudebního pirátství je minimální, v některých aspektech dokonce pozitivní; je možné dosáhnout úspěchu jako hudebník a ideálním způsobem je diverzifikace produktové části marketingového mixu

Klíčová slova: internet, hudební pirátství, hudební průmysl, marketing, marketingové strategie,

ABSTRACT

The aim of the thesis is the analysis of the influence of the Internet on the music industry and the analysis of alternative marketing strategies in the music industry. The theoretical part describes the Internet, the history and principles of the music industry, the influence of the Internet on marketing and the concept of marketing mix. It then applies this information to the marketing strategies and possibilities in the music industry in the age of the Internet. This serves as the theoretical foundation for the second part of the thesis. The analytic part analyses the individual marketing strategies and the influence of the Internet and music piracy on the music industry. The strategies are evaluated based on the sales performance of the music and various other aspects. The thesis then provides several instructions for musicians regarding marketing strategies. The conclusions are: the negative effect of music piracy is minimal, in some instances even positive; the Internet has benefited the music industry in numerous ways; it is possible to be a successful musician and the most viable way is through diversifying of the product aspect of the marketing mix.

Keywords: internet, music piracy, music industry, marketing, marketing strategies

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CONTENTS

INTRODUCTION	10
I THEORY	12
1 INTRODUCTION OF THE MUSIC INDUSTRY	13
2 THE INTERNET	14
3 MARKETING IN THE INTERNET AGE	15
3.1 The driving forces of the age of Internet	15
3.2 E-commerce and its advantages.....	16
3.1 E-marketing	16
4 THE MARKETING MIX	18
5 THE INTERNET AND THE MARKETING MIX IN THE MUSIC INDUSTRY	19
5.1 Product / Customer solution	19
5.2 Price / Customer cost.....	20
5.3 Place / Convenience.....	20
5.4 Promotion / Communication	21
5.5 Product / Customer solution regardless of the Internet.....	22
6 THE METHOD OF EVALUATION OF THE SELECTED MARKETING STRATEGIES	23
7 HYPOTHESES OF THE THESIS.....	24
II ANALYSIS	25
8 THE EFFECT OF MUSIC PIRACY	26
8.1 Evaluation of the effect of music piracy	28
9 NINE INCH NAILS.....	30
9.1 The introduction of Nine Inch Nails	30
9.2 The Year Zero Album.....	31
9.2.1 The concept of Year Zero	31
9.2.2 The concept of the Year Zero marketing strategy.....	31
9.2.3 The elements of the marketing strategy	32
9.2.4 Reception, sales figures and the fallout of Year Zero.....	34
9.2.5 Evaluation of the marketing strategy for the Year Zero album	35
9.3 The Y34RZ3R0R3M1X3D Album	37
9.3.1 The concept of Y34RZ3R0R3M1X3D.....	37
9.3.2 The remix.nin.com website	37
9.3.3 Evaluation of the YZR and remix.nin.com marketing strategy.....	38

9.4	The Ghosts I-IV Album	40
9.4.1	The Ghosts I-IV as a product	40
9.4.2	The sales performance of Ghosts I-IV	41
9.4.3	Evaluation of the Ghosts I-IV marketing strategy	42
9.5	The Slip album.....	43
9.5.1	The Slip as a product	43
9.5.2	The sales performance of The Slip	43
9.5.3	Evaluation of the marketing strategy for The Slip.....	44
10	JOSH FREESE	45
10.1	The Since 1972 album	45
10.1.1	Since 1972 as a product	45
10.1.2	The sales performance of Since 1972	46
10.1.3	Evaluation of the marketing strategy for Since 1972	47
11	RADIOHEAD	48
11.1	The In Rainbows Album.....	48
11.1.1	In Rainbows as a product.....	48
11.1.2	The sales performance of In Rainbows.....	48
11.1.3	Evaluation of the In Rainbows marketing strategy.....	49
12	SAUL WILLIAMS	50
12.1	The Inevitable Rise and Liberation of NiggyTardust!	50
12.1.1	NiggyTardust as a product	50
12.1.2	The sales performance of NiggyTardust.....	50
12.1.3	Evaluation of the NiggyTardust marketing strategy	51
13	RECOMMENDATIONS	52
	CONCLUSION	54
	BIBLIOGRAPHY	56

INTRODUCTION

In the last few years I have been influenced by Mike Masnick and the music band Nine Inch Nails and their ideas regarding the Internet and its influence on conventional business models, including those in the music industry. It was through them that I became interested in the topic and decided to utilize and elaborate on some of their ideas in my thesis and put them to a test.

The internet has influenced the music industry in numerous ways, both positive and negative. On the one hand, the Internet provides both artists and fans with opportunities never before possible. These allow lower prices, more convenient ways of acquiring music, easier and more satisfying communication between artists and their fans and the possibility of significantly cheaper and more effective promotion.

On the other hand, the digitalization and connectedness of the Internet age have given rise to the phenomenon of massive music piracy. The truth is that any and all music is available for immediate and free download. However, the claims that illegal sharing of music is killing music sales are very difficult to prove at best and might possibly be completely false. Contrary to the claims of the Recording Industry Association of America and countless media, music piracy might even have a positive effect on the music industry.

A more important result of the influence of the Internet and piracy on the industry is the manifestation of music labels' rigidity and severe reluctance towards new and innovative technologies and ideas, which the age of Internet provides. Their stance against any deviation from the usual ways of business results in countless artists becoming aggravated. The artists often try doing the marketing and business aspect of music themselves and they very often come up with rather unique and innovative marketing solutions, utilizing both the Internet and their independence on a music label.

However, as there seems to be minimal experience in the area of alternative marketing strategies, artists have to resort to trial and error in order to find out what works and what does not. Trent Reznor, founder of the music band Nine Inch Nails managed to sum this up: "Here's a truth: nobody knows what to do right now, me included. The music business model is broken right now." (Reznor 2009)

I believe that the music industry is nowhere near its death, that there are unexplored areas of the music business model with lots of room for innovation and that the Internet can be utilized towards the satisfaction of both artists and fans. It is also possible that both groups might benefit from music piracy and that the phenomenon's malignancy might just

be a demonization by popular media. Several artists share the same opinions as I do. It is through the analysis of their successful and unsuccessful attempts at marketing that we might acquire methods and information about possible marketing strategies which can be utilized in order to achieve the artists' goals in the modern age. At the same time the analysis of music piracy might provide important information about its principles and help us understand ways in which it can be utilized.

I. THEORY

1 INTRODUCTION OF THE MUSIC INDUSTRY

At the very core, music (and music industry) is about artists and their fans and how music makes its way from the first to the latter and. It has been like that for centuries. It was no sooner than with the introduction of the gramophone record that the record and publishing companies were introduced to the music industry. Up until then the only way people could listen to music was at live shows or on a radio and the vinyl record changed that (Kusek n.d.).

Since then, the only way artists could become famous was if their music was played on the radio, TV or if they were featured in a magazine or a newspaper. These were basically the only media popular enough to be considered powerful marketing channels. Their (the media's) main source of income were listeners, viewers and readers. In order to acquire those, the media had to deal with musicians that the most people were interested in. Thus, in order to appear on a radio station, TV or in a newspaper a strong marketing influence was absolutely necessary. Only major music labels were powerful enough to provide it.

Several significant changes have taken place since then. The first major change came with the introduction of the compact disc—CD. The actual change was the complete digitalization of the entire music catalogues music labels had in their possession, thus allowing perfect copying of the recorded music to computers and its following replication (Kusek n.d.) The second change was the introduction of the lossy mp3 format that effectively minimized the amount of disk space music takes on storage devices, thus allowing a quicker and easier transfer of those (Kusek n.d.). The third and most significant change the music industry faced was the mass popularization of the Internet that allowed people to connect with others from across the globe within fractions of time and at minimal costs. This combined with the first two factors opened up the way for music sharing online (Kusek n.d.) An overall treatise of the effects of Internet on marketing and the music industry is provided in Chapters 3 and 5, whereas the effects of music piracy are inspected in Chapter 8.

2 THE INTERNET

The Internet is a public worldwide communication network allowing the connection of any two computers and other devices anywhere on the planet with the help of dedicated servers and routers. Using the Internet, said device can transfer data with unprecedentedly high speed and at low costs regardless of the distance and many other aspects that often affect other means of communication. The Internet itself is decentralized and is not owned by anyone and is therefore resistant to malfunctions or blackouts. (Kotler and Armstrong 2004, 57; Blažková 2005, 13; Business Dictionary)

The first predecessor of the Internet was a military network created in 1968 in the United Kingdom and its sole purpose was the testing of the concept. The British network was soon followed by a similar installation in the United States called ARPANET and it shared its purpose with its counterpart from the other side of the Atlantic Ocean. It was no sooner than around the year 1990 that the first prototype of a World Wide Web server, the idea of hypertext, the first web site and web browser were created in the Swiss nuclear institute CERN (Kodýtek 2006).

There were around one thousand computers connected to the Internet in 1984, but the number began rising steadily and by 1992, the number increased to over one million. The year 1993 was important for the development of the Internet, because of the creation of the WWW standard. The number of computers continued to rise and there were over 360 million people connected to the Internet by 2000 and almost 2 billion people by 2010 (Kodýtek 2006; Internet World Stats – Usage and Population Statistics 2010)

3 MARKETING IN THE INTERNET AGE

The Internet has significantly changed marketing along with all the related tools and strategies and was one of the causes of the creation of what is called *The New Economy* (as opposed to *The Old Economy*) (Kotler, Wong, Saunders and Armstrong 2007, 174).

3.1 The driving forces of the age of Internet

Kotler differentiates four main driving forces behind *the age of the Internet*. The one called *The Internet Explosion* was already described in Chapter 2. It represents the increasing penetration of the Internet and the rising amount of people connected to it (Kotler, Wong, Saunders and Armstrong 2007, 180). *New Forms of Intermediaries* are a result of new businesses started by entrepreneurs in reaction to the huge success of the first purely Internet companies such as eBay or Yahoo! These intermediaries (also called e-tailers) became competition for established brick and mortar businesses and forced them into becoming hybrid companies, conducting business the usual way as well as online (Kotler, Wong, Saunders and Armstrong 2007, 177).

The next category of driving forces consists of *customization* and *customerization*. The first one allows companies to adjust their products based on the requirements of the customers, whereas the latter practically puts the customer in charge of creating a desired product. These were significantly more difficult in the pre-internet era of marketing. The reason for that is that any communication only worked in a single direction—from the seller to the buyer and not vice versa. The companies from the Old Economy thus mainly focused on standardizing their production, products and business operations. They hoped that by combining massive investments into brand propagation with the aforementioned standardization, they would achieve higher sales, profits and savings (Kotler, Wong, Saunders and Armstrong 2007, 180).

On the other hand, the Internet and its ability to transfer massive amounts of information within moments provide companies (as well as many other subjects) with means of learning about their customers, their needs, requirements and ideas about products. As a result, *customization* and *customerization* became one of the driving forces of the internet marketing (Kotler, Wong, Saunders and Armstrong 2007, 180).

The fourth group of forces consists of *digitalization* and *connectivity*. *Digitalization* means the conversion of analogue information (be it text, audio or video) into digital format, resulting in computers being able to process said information. *Connectivity* is one

of the basic principles of the Internet. It represents the possibility of a connection between two or more computers or devices and as such was already described in Chapter 2 (Kotler, Wong, Saunders and Armstrong 2007, 175).

3.2 E-commerce and its advantages

E-commerce can be defined as the buying and selling of products and services with the use of the Internet. The term also encompasses another term, e-marketing, which will be dealt with specifically in a following sub-chapter (Kotler, Wong, Saunders and Armstrong 2007, 182).

Due its format e-commerce provides both the customers and the companies with certain advantages. As far as the buyers are concerned, there is no need for them to be physically present at a shop and they can instead conduct all the buying from the comfort of their home. The selection of products and amount of information available is also significantly bigger—not only as a result of better online catalogues, but also because it is possible to buy products in e-shops based literally anywhere in the world. As opposed to brick and mortar shops, Internet is never closed, is completely interactive and any activity is immediate (Kotler, Wong, Saunders and Armstrong 2007, 182–183).

The Internet provides numerous advantages to the sellers as well. The most important is the possibility to create and nurture relationships with customers, thanks to interactivity, online communication and the resulting feedback. The fact that the Internet is a global medium is probably the second most important aspect as it allows a significant expansion of the company's customer base. Sellers which utilize the Internet also do not have to pay as much money for rents or communication. The Internet also considerably increases company's flexibility, as any data online can be easily and quickly edited, whereas actual advertising materials (and products in some cases) are expensive both to manufacture and to fix in the event of a mishap (Kotler, Wong, Saunders and Armstrong 2007, 183–184).

3.1 E-marketing

E-marketing is the marketing aspect of e-commerce and Kotler divides all the tools provided by the Internet into four categories: *websites*, *e-mail and webcasting*, *internet communities* and *online advertising and propagation* (Kotler, Wong, Saunders and Armstrong 2007, 193).

Websites can be considered the most basic element of e-marketing. They can be divided into two groups, based on their function. A company website is created in order to promote the company's brand by communicating with customers, providing them with any information necessary and functioning as a publicity channel. It is not the purpose of a company website to motivate a customer to buy a product—that is the goal of marketing websites. Regardless of the type of a website, it is essential that they are all attractive and ensure the visitor's return in the future (Kotler, Wong, Saunders and Armstrong 2007, 194–197).

E-mail can be used to communicate with customers in many different ways. The company can send out promotional materials, offers or information about new products. On the other hand, customers ask questions and request specific information. *Webcasting* is an automated process of sending specifically requested information to a customer. It is also very important for a company not to dissatisfy or aggravate a customer by crossing the thin line between a *promotional e-mail* and *spam* (unsolicited electronic messages) (Kotler, Wong, Saunders and Armstrong 2007, 203).

A *web community* is basically a community existing in the virtual space of the Internet. It can manifest on a forum, a website, a web group or any other part of the Internet. It shares many aspects with a real-life community—e.g. the members usually share a similar interest or a goal etc. (Kotler, Wong, Saunders and Armstrong 2007, 201–202).

Online advertising is any kind of advertisement displayed online on websites. It encompasses many individual subcategories, the most important ones of which are *banners*, *microwebs* and *viral marketing*. *Banners* are relatively small spaces on websites dedicated for advertising. *Microwebs* are websites of relatively small size, created and administered by external companies and incorporated into bigger websites. *Viral marketing* is the Internet equivalent of the *Word-of-mouth marketing* and relies on the urge of a person to forward the promotional object (be it an e-mail, video or a text) to other people. To achieve that it obviously utilizes the Internet (Kotler, Wong, Saunders and Armstrong 2007, 198–199).

4 THE MARKETING MIX

At the basic level artists have to come up with a complete marketing strategy. At their disposal exists what is known as the marketing mix. It is a set of strategic marketing tools that allow a company or an entrepreneur (the selling side from now on) use to adjust their products in accordance with the requests of customers from a target market. (Kotler and Armstrong 2004, 105)

The marketing mix represents all activities that the selling side pursues in order to create and stimulate demand for its product. These activities can be divided into four groups known as “4P”:

- a) *Product*—This group encompasses the product, the consecutive services and all their aspects that a selling side offers to customers.
- b) *Price*—This aspect represents the sum of money a customer has to invest in order to acquire the product.
- c) *Place* includes all activities that lead to the product becoming physically available.
- d) *Promotion* comprises of all activities that cause a customer to get information about and want to buy the product. (Kotler and Armstrong 2004, 106)

Another view offers a different perspective. It argues that the “4P” conception only considers the selling side’s viewpoint, not the customer’s one. The whole marketing mix perceived from the consumer’s point of view would be described as “4C”:

- a) *Customer solution*—the product sold provides value to a customer.
- b) *Customer cost*—a customer cares about all the costs that they may have to pay for a product, including those related to using and/or disposing of it.
- c) *Convenience*—a customer wants a product or a service to be easily obtainable.
- d) *Communication*—a customer requires intensive mutual communication about the product should the need for any kind of information arise on their side. (Kotler and Armstrong 2004, 107)

5 THE INTERNET AND THE MARKETING MIX IN THE MUSIC INDUSTRY

This chapter synthesizes the information provided in all the preceding chapters, applies to them to the environment of the music industry and explains the result using the marketing mix.

5.1 Product / Customer solution

The product of music industry is music and that is simply data. Because of *digitalization*, it became possible for music to be stored and “consumed” in digital format. It is no longer necessary to own a physical product in the form of an audio cassette, vinyl, CD or a DVD. Malfunctions such as cassette tape getting stuck in a player or a scratched CD became non-existent with the digital format. Digital music can also be easily backed up. It can physically take a relatively small amount of space (basically as small as the smallest music player).

Should a customer prefer a high-quality recording in a lossless format (e.g. *flac* or *wav*) over a lossy format such as *mp3* or *ogg*, the speed of the Internet connection is so high nowadays that we can easily transfer huge amounts of data in a very short amount of time. Therefore even quality-demanding customers can be satisfied and there are no parts of the market that would be left displeased.

The limitation of the “size” of the product is no longer present. When putting out a music CD, an artist can be limited by the capacity of the medium, having to reduce the number of songs on an album. With digital formats it does not matter whether the intended record is a standard 10-songs-album or an opus magnum equivalent to 4 CDs in reality—there are no restrictions regarding this.

An opposite scenario is also possible—where an artist wished to put out a single song in the past, a special “Single CD” with remixes, b-sides and other material had to be created in order for it to be commercially interesting for the music label. A CD with a single recording and no other additional material would be immediately turned down. The only way a single song could get to a listener was via TV or radio. Nowadays there are no restrictions to this either. An artist can put out a single song on the Internet at no extra cost for him or the music label.

A band *website*, forum or any other form of a *community* can also be included in the category of *product* and it is clear, that their creation was impossible in the era before the

Internet. Communities related to artists existed in the form of real-life gatherings of people or they had to resort to correspondence. Using either website or a community and utilizing the *connectivity* of the Internet, artists can also easily gather information about what the fans' requirements and wishes are or what they are willing to pay for. Artists can therefore exercise a certain form of *customization*. All of this allows the artist to create such a product that perfectly suits the needs and requirements of a customer.

5.2 Price / Customer cost

The introduction of digital formats brought down the expenses of mass manufacturing a music medium. It is no longer necessary to create a physical copy of a CD or a DVD in order to get music to consumers. The creation and transport of a single CD include mainly (among many other things) pressing the disc itself, the package, the booklet and distribution to designated selling places. Most of these were also done by external companies that desire to create profit itself and raise the costs even higher.

On the other hand a single download (even of a relatively high amount of data) costs a fraction of this. The music (along with a digital version of the package and booklet) only has to be uploaded to the website once. Should a problem arise with the music medium, for example a faulty pressing that causes the CD to malfunction, the digital download can be simply re-uploaded, whereas the physical version would be completely useless and in need of replacement. This would create significant additional costs.

All of this contributes to the possibility of a lower price of the final product while still maintaining the same profit. Lower price also leads to an increase in demand resulting in higher sales (McGraw 2010). Also if a CD gets scratched or broken the customer has to buy a new one, whereas a deleted digital recording can be easily restored from a backup, therefore lowering the potential customer cost.

5.3 Place / Convenience

A physical version of a music disc has to be present at a selling site in order to be bought. In order to get there it has to be transported and stored there and both of these activities are usually provided by external companies and at additional costs.

The above-mentioned facts create possible obstructions. E.g.: the artist is limited in the amount of places that they can get their product to (both for financial reasons and because there simply are not music shops in every city or town). Also they often have little to no

control over the eventual way the product will end up being sold. For example if there is a bonus disc, retailers can decide to sell the bonus disc alone for extra price (this has not been an unusual practice in the past). This creates unwanted inconveniences for both the customer and the artist.

On the other hand the main advantage of a digital version is that it is available everywhere where there is an internet connection. Additionally, should an artist decide to sell their music through their own website (or an intermediary, such as *Amazon.com*), they are in full control of the form of the product.

Similar facts can be applied to merchandise and promotional items, such as t-shirts, baseball caps, posters or lithographs. Using the Internet the artists can gain total control over these items, while customers can be sure that the merchandise being sold at the designated website is of genuine quality and not a forgery.

5.4 Promotion / Communication

The Internet has mostly influenced the ways and possibilities of music promotion. The massive rise of social media provides artists with means never before possible. Firstly, there are websites that allow an artist to upload their music and use that as free promotion—the most known ones being MySpace and YouTube. The first is facing a decline in the number of users, while the latter is going through the opposite. Nowadays YouTube allows the uploading of material in full high definition resolution and does not have any limits on the amount of data uploaded. MySpace and YouTube are not the only web services of their kind. There are many others providing the exact same thing. Some specialize in a specific country (Stream.cz and Bandzone.cz being the Czech equivalents of YouTube and MySpace respectively). What they all have in common is that they are free for both artists and users.

To promote an artist before the Internet became as widely used as it is today meant to get played on radio, TV or mentioned in a magazine. To achieve that, the marketing capabilities of a music label were almost always required. Nowadays, artists can promote themselves a lot more easily and quickly.

Aside from these there are also two main social sites whose purpose is to connect with other people just for the sake of connection—Facebook and Twitter. These can be used to communicate with the fans/customers directly and it can work both ways—artists can inform

their fans about anything they think is important or worthy of sharing and fans can ask and inform themselves about anything they wish.

When comparing with the marketing tools that were available ten years ago, the only way to get in touch with an artist was to write them a letter, get a letter published in a music magazine and hope said artist will read it or be lucky and meet them sometime around their live show (provided they actually did those).

The best tools the Internet provides the artists with are their own websites and discussion boards. These can combine the best aspects of all the social media mentioned above. Artists can utilize them to sell their music, sell tickets to their live shows, upload and share music, videos and every possible piece of data that could be somehow beneficial (wallpapers, promotional videos, ringtones, etc.) and to interact with fans.

5.5 Product / Customer solution regardless of the Internet

The *product* aspect of the marketing mix in the music industry can also be alternated much more innovatively even without the aid of the Internet. The reason for that is that the variety of forms of music products, which have been introduced throughout history, is rather low. The most common form has always been a medium (a vinyl, audiotape or a CD) with music, the package and a booklet with lyrics. Any special or deluxe editions have always been both rather rare and very far from being innovative—the usual bonus content usually consisted only of a few bonus songs and rarely anything else. It is obvious that this aspect of the marketing mix can be significantly diversified.

6 THE METHOD OF EVALUATION OF THE SELECTED MARKETING STRATEGIES

Every selected marketing strategy is described and inspected. It is also viewed in relation to the new means that the Internet provides. Sales figures are considered where available. Should these be unavailable, other means, such as chart rankings, are utilized in order to evaluate the success.

However, there are certain complications that may arise when evaluating the success or failure of a given marketing strategy in the music industry. One must consider that no two strategies can be treated the same. Firstly there is the matter of different target markets (i.e. fans) of different artists. Some groups have a relatively bigger following than others and therefore almost automatically sell more records and have a better starting position. Secondly there are many aspects to evaluate—the number of sold records is not the only criterion worth of consideration. Some may value the fact, that their music has reached a certain amount of people or that it has gained attention of people in general and are not necessarily concerned about the sales numbers.

Also what can one person consider a failure, another can view as success. Therefore it is sometimes useful to take into consideration the statements of the artists involved and at least partially base the evaluation on those as well. For these reasons, if there are any specific facts available about a given strategy, aside from the sales figures, they are also taken into consideration before evaluation.

7 HYPOTHESES OF THE THESIS

The Internet provides both fans and artists with opportunities never before possible. Music can be distributed at very low prices and to any location in the world. Artists are provided with means to promote themselves and attract fans at minimal costs and without the need and/or restriction of a big music label. Getting in touch with fans and creating communities has also never been easier as the social media are on the rise and the number of people using them is steadily increasing. These facts lead me to hypothesize, that it is possible to utilize the Internet in ways beneficial to both artists and fans, including but not limited to an increase in sales or an artist's fan base.

As for the phenomenon of the music piracy, I believe that the negative effect it has on the music industry is possibly erroneous and it might not have any significant negative impact on the sales figures. No matter what the effect of piracy is, the *product* part of the marketing mix can be diversified and alternated in many new ways, which have not been thought of in the past (or at least have not been widely incorporated into the usual marketing strategies). I therefore hypothesize, that this along with the facts stated in the first paragraph of the chapter can lead to increased sales or at least increased gross margins for the artists.

In accordance with the above-mentioned statements I set the following hypotheses for the practical part of this thesis:

- The Internet can be utilized for the sake of both artists' and fans' satisfaction
- The actual effects of music piracy on the music industry are not significantly negative.
- There are ways to be a successful musician despite the free availability of music on the Internet and the most viable way is through diversifying the product aspect of the marketing mix.

II. ANALYSIS

8 THE EFFECT OF MUSIC PIRACY

The actual effect music piracy has on the music industry is rather difficult to evaluate or quantify, as there are several aspects in effect and each of them modifies the music sales differently. The most obvious one is the fact, that once a person has downloaded music from the Internet, they might not have any reason to purchase a legal version of the product. It is important to note, that this is not necessarily a universal fact. However, any decrease in sales figures might also be a result of a lower economical power of a market, influence of a substituting form of entertainment or a number of other reasons. It is also entirely possible, that a person finds reasons to buy a legal copy of music *after* they have downloaded and listened to it.

To make matters even more complicated, some authors argue that it is essentially impossible to arrive at any sort of conclusion. The reasons for this are that the very mechanisms used for statistical evaluation of sales figures do not work correctly and any statistics produced using them are inevitably misleading (Ziemann 2007). Thus using the two main sources of music statistics—Nielsen SoundScan and RIAA—is completely pointless and everyone is forced to rely on rather general music piracy statements from the media or the RIAA itself.

Despite the above-mentioned facts, there are countless studies available, but their results vary greatly. Some of them prove that piracy has lead directly to a decrease in music sales figures (Peitz and Waelbroeck 2004) whereas others claim that there is no effect whatsoever (Oberholzer and Strumpf 2004). The website of the RIAA itself states that from 2004 to 2010 “. . . digital music theft has been a major factor behind the overall global market decline of around 31 percent” (RIAA - Recording Industry Association of America). It also claims that there has been a significant drop in music sales in the decade following Napster’s (a program designed specifically for peer-to-peer file sharing) emergence in 1999 (RIAA - Recording Industry Association of America). The variety of the conclusions of these studies leads one to believe, that there is no perfectly true analysis of the actual impact of piracy on music sales.

Park provides information of at least some credibility by stating that there are not nearly as many people downloading music and that the losses presented by the RIAA are a mere exaggeration accompanied by a PR campaign, which effectively convinced journalists that the presented data is true (2009, 88). The journalists then went on to spread the information to the general public, making the exact assessment of the situation significantly

more difficult (Park 2009, 66). He also states, that according to a research around 71 percent of young people (aged 15–34) who download music also buy it legally (Park 2009, 88–89). Both Park and Ziemann also add an interesting note: music sales have in fact begun to decline *after* the RIAA forced Napster to shut down in 2002 (Park 2009, 66; Ziemann 2002). This might possibly correspond with the experience of a musician called Corey Smith, who decided to take free music down from his website at one point. The immediate consequence of this was that his iTunes sales *decreased* (Lefsetz 2008).

The Internet and the supposed music piracy also had another, completely different effect on the music industry or, to be more specific, on the music labels and the RIAA. Since the emergence of the phenomenon of file-sharing, there have been countless instances documenting them both acting as greedy, illogical companies dead set against any innovations. To demonstrate, that these claims are not a blunt exaggeration, it will be best to present several specific cases, in which the labels and the RIAA have demonstrated their real motives.

Arguably the most well-known examples are legal prosecutions of people sharing music. While the motivations for these are at least debatable, many other aspects of the litigations could easily be described as absurd. Park states, that the RIAA has probably submitted thousands of subpoenas and sued thousands of people for illegal music-sharing since the year 2003. In some cases, the defendants were accused of sharing a total of only five songs (Park 2009, 85). RIAA has also at times demanded ridiculous damages to be paid as compensation by people illegally sharing music. During a certain lawsuit it was at one point ruled, that the accused person is to pay a total of \$1.92 million worth of damages for sharing twenty-four songs. The case is still ongoing, but the lowest damages demanded were still extremely high - \$222,000 (Masnick, 2010a).

The RIAA and the music labels have also engaged in another activity with bizarre consequences—lobbying. RIAA alone has spent over \$90 million from 2000 to 2009 lobbying for bills increasing the music labels' control over their intellectual property (Gain 2011). The consequences of these endeavours are very often absurd. For example, a young pop singer Justin Bieber was blocked from uploading his own music video to Youtube because of a problem with copyright (Masnick 2010d). In another instance, a music reviewer's blog was suspended after posting a copyrighted song. The irony is that the song was sent by a representative of Warner Music Group label with the purpose of making it available online and getting attention for the artist. Despite that, the blogger was later sent

cease-and-desist order for his website (Masnick 2009a). These are just examples and there are numerous other instances of utterly ridiculous behavior of the music labels and the RIAA with regards to copyright infringement (Masnick 2009c; Masnick 2010c).

Regarding the claim that the companies behave illogically and that their stance towards innovations is a negative one, I present an example, which is repeated later on in the *Year Zero* chapter of the thesis: When conducting campaign for his new album, Trent Reznor decided to distribute several songs among the fans using USB flash drives hidden in bathroom stalls on concerts. The plan was that the fans would upload the songs online, share them and consequently generate buzz and free promotion for the album and the artist. The plan worked, but the sites distributing the songs soon received e-mails from the RIAA, demanding that the songs be taken down from the websites (Yoskowitz 2007). Reznor also had to keep the entire promotional strategy a secret from his music label as he had some duly justified doubts about its influence and he feared that they would ruin the campaign by trying to overly monetize it (Rose 2007, 2; Rose 2007, 8). As a result, Reznor (along with many others) decided not to extend his contract to Universal Music Group and instead became an independent artist (Buskirk 2007d).

There are numerous more examples for each category of behaviour – legal cases, copyright enforcement, illogical business choices etc. and they are each an extremely abundant topic which would provide enough information for several an additional theses.

8.1 Evaluation of the effect of music piracy

The presented information provides several conclusions. The first one is that the actual effect of music piracy on sales figures is very difficult to ascertain and many of the presented studies regarding this topic might be incorrect. It is also important to note, that despite a popular opinion, some facts even point to the possibility of piracy having a positive effect on music sales.

A more conclusive effect of the music piracy is the one it has had on music labels and the RIAA and consequently their relationships with artists. The presented examples clearly demonstrate, that both the RIAA and major music labels are driven by lust for immediate profits, that they often do not care about the intentions and plans of the artists themselves and that their actions often contradict each other and result in bizarre scenarios, which are hurtful to them as well as to the artists. In the light of these findings, it practically seems that the alternative marketing strategies analyzed further in the thesis are not a result of

music piracy, but rather of malignant actions of the music labels. As a result, it is somewhat logical, that artists often decide to become independent of any major music label. Depending on the outcome of the above-mentioned marketing strategies, it might be stated, that music piracy actually had a positive effect on the music industry and was one of the reasons for innovation and progress.

9 NINE INCH NAILS

Being considered pioneers of the music industry in terms of marketing strategies, Nine Inch Nails deserve a thorough and broad examination of their approach, as it includes an extensive range of innovative and often courageous ideas.

9.1 The introduction of Nine Inch Nails

Nine Inch Nails (also referred to as NIN) is the moniker used by songwriter and producer Trent Reznor. Incorporating elements of postpunk, hard rock, electronica and industrial, Nine Inch Nails albums are conceived and performed largely by Reznor with the occasional producer or musician assisting him in the process (Grierson 2009).

Somewhat ironically, many consider the act to be the most popular industrial group even though the influence of said genre varies greatly among individual albums and songs. What can be stated for sure is that Nine Inch Nails brought many aspects of industrial music to mainstream and fused them with methods traditional in popular music, such as melodies, verse-chorus structures and strong vocals (Huey 2008, under “Nine Inch Nails were the most popular”).

NIN’s first album—*Pretty Hate Machine*—was released in 1989 under TVT Records and went on to sell over a million copies. However, when TVT tried to take control of the creative direction of the follow-up, Reznor got enraged and the whole thing led to a court battle. This was his first major negative experience with music labels. Reznor eventually signed up with Interscope Records, which allowed him to set up his own label—*Nothing Records* (Huey 2008).

In 1992 Nine Inch Nails released the EP *Broken*, before crafting the second-full length album—*The Downward Spiral*—in 1994. The album debuted at number two on the U.S. Billboard 200 chart and went on to become multi-platinum. The next record—*The Fragile*—released after a five-year hiatus debuted at number one with massive first-week sales (280,000 copies). *With Teeth*, one of the last albums released under a music label also debuted at number one, selling 272,000 copies (Huey 2008; *Aceshowbiz.com* 2005).

This goes to explain the popularity of the band and the devotion of its fans. These things have been achieved under major labels and this fact should be taken into consideration when examining the marketing strategies of the band.

9.2 The Year Zero Album

Year Zero is the sixth studio release by Nine Inch Nails and their penultimate one released under a music label. It is a concept record consisting of 16 tracks and incorporating elements of industrial rock, glitch-tronica and ambient music. It was released in April 2007 and received generally favourable critic reviews, with an average metascore of 76/100 on the Metacritic website (Metacritic n.d.d).

9.2.1 The concept of Year Zero

The story of the album is set in a dystopian future of the year 2022. Trent Reznor himself had this to say about the story background:

This record began as an experiment with noise on a laptop in a bus on tour somewhere. That sound led to a daydream about the end of the world. That daydream stuck with me and over time revealed itself to be much more . . . What's it about? Well, it takes place about fifteen years in the future. Things are not good. If you imagine a world where greed and power continue to run their likely course, you'll have an idea of the backdrop. The world has reached the breaking point - politically, spiritually and ecologically. Written from various perspectives of people in this world, "year zero" examines various viewpoints set against an impending moment of truth. (Amazon n.d.a, under "Editorial Reviews")

To be more specific, the world Reznor and his collaborators have created is one of totalitarian government oppression and constant fear of terrorism. Civil liberties are continuously being taken away from citizens, monitoring chips are being introduced and everybody is drugged into compliance under a false pretence of their immune systems being strengthened. Moral corruption among people in power is on the rise as well as guerilla-like tendencies among the public and acts of partisanship are not unheard of (Petrunčík 2007, under "Takže o co jde?").

9.2.2 The concept of the Year Zero marketing strategy

Reznor was next faced with the problem of how to convey the whole message and concept he came up with as that could not be achieved using the music alone. He has first considered utilizing the liner notes in the booklet of the album or creating a website and thus conveying the message explicitly (Rose 2007, 1).

He contacted an American company called 42 Entertainment and together they came up with the idea of creating an ARG–Alternate Reality Game. An artificial "world" would be created and fans would be able to interact with it in various ways (the specifics will be

dealt with further in the text) and this way they would gather information and learn about the concept of the Year Zero album (Rose 2007, 2).

Even though Reznor himself has said that he wanted the focus of the project to stay on the music and none of it was ever considered marketing, the fact is that the resulting effect was much that of a marketing campaign. The project can be ergo treated and examined as one (Rose 2007, 2).

One interesting point to add is that the music label (Interscope Records) had no control over or direct involvement in the ARG. Reznor himself explicitly stated his reasons for that in an interview for the Wired magazine: “. . . I didn't tell the record company about it. Because the very first thing any record company would do would be: alright, how are we going to tie this in with K-Rock, giveaways. And how do we get them to buy ringtones . . . ?” (Rose 2007, 2)

9.2.3 The elements of the marketing strategy

The individual elements of the ARG will be described in this chapter. The amount of types of marketing elements used in this campaign was very high. For that reason, a more brief description was chosen over a chronological naming of every single appearance throughout the entire ARG.

9.2.3.1 *Phone numbers and fictional websites*

The main element of the ARG were websites and web-forums. Along with those, several phone numbers were created and most of them contained a pre-recorded message. These were all supposed to provide the fans with information about the dystopian world of Year Zero. Each of them is somehow connected to the dystopian future and helps to understand certain aspects of it or characters from it. They were all created in a way as if written by someone from the dystopian future, be it a member of the resistance or a government representative. The websites and web-forums all also share a similar distorted design. As of April 2011, there seem to be more than two dozen ARG-related websites and phone numbers discovered by the fans (Petrunčík 2007).

9.2.3.2 *USB flash drives*

During February European concerts, several USB flash drives were found in bathroom stalls of the respective venues. When examined using a computer, it was discovered, that they each contain a song from the Year Zero album itself (the album was not to be released

for another two months) and some other data, related to the ARG (more on that in one of the following sub-chapters). There was a total of four USB flash drives found in bathroom stalls, each containing a different song from the album and one containing a video-clip (the song is called Survivalism) as well (Petrunčík 2007).

However, because fans had to share the songs amongst themselves using their own websites and torrents, with the official website of the band not participating, a bizarre event took place—the Recording Industry Association of America started sending out emails to the owners of the websites distributing the songs, demanding that the songs be removed from the pages. This happened despite the fact that this element of the ARG was signed off by the label itself, not to mention that Reznor himself came up with the idea (Yoskowitz 2007).

9.2.3.3 *The live Open Source Resistance event*

In April 2007, two months after the beginning of the ARG, the band held a special event. Most of the information and characters from the game were already known, the album had just been released and Reznor wanted to “wrap it up and make it feel like this phase of it has a conclusion, to give people a sense of accomplishment.” (Rose 2007, 8)

Selected people participating in the ARG first received an e-mail with directives about when and where to be in order to be given more clues. When these people arrived at the given place, they were (among promotional items like stickers and buttons) given cell-phones through which they were later instructed some more (Montgomery 2007).

The culmination of the event began as they all gathered at a given place. They were first asked to sign an agreement stating that they may be recorded and transported to an undisclosed location. Once this part was over, they were all loaded up onto a coach bus and actually driven to an abandoned old warehouse, filled with the characters from the ARG (cynicmuse 2007; requiemadream 2007).

After a speech from the leader of the resistance, Nine Inch Nails—the band itself—began what seemed to be a concert. However, five songs into the playlist, the show was cut short by a S.W.A.T. team (which resembled another one from the music video, which was leaked via a USB flash drive). After that the resistance members pushed the fans outside of the building, back to the bus and drove them back to their cars. A few days later, video footage of the evening was made available via one of the websites of the ARG (cynicmuse 2007; requiemadream 2007; Open Source Resistance 2007).

9.2.3.4 *Miscellaneous elements of the ARG*

Every element of the ARG was closely connected with other ones and the whole game was kept consistent this way. A word from a recording, flier or a mural could be used as a password on a website, a profile of a user of a web forum included information for a different website etc. The range of the types of the connecting elements was very large and some of them were rather innovative and somewhat courageous as well (Petrunčík 2007).

The first elements used were not really venturesome in any way and fans did not really have to show any considerable effort in deciphering them—t-shirts sold at concert venues and USB flash drives. The t-shirts had either several letters or numbers highlighted and when those were put together they spelled out a web address or a phone number. Along with songs and videos, the USB flash drives also included information on other websites, mostly stored in the ID3 tags (Petrunčík 2007, under “začalo to tričkem”).

Reznor then decided to test whether the fans could handle something more difficult. Firstly, the numbers of the time counter in the Survivalism video clip were randomly replaced with letters and when those were put together they spelled out a website address. Secondly, there was a hidden set of numbers in a single frame of a promo video. This set led to another website. The fans have managed to decipher both of these riddles and as a result, Reznor went even further in the difficulty and variety of the ARG. The most bizarre techniques used include Morse code information in pre-recorded phone messages or glitches in songs that reveal information when ran through a spectrograph program. An example of an artistically well-crafted idea was the use of a special ink on the CD, which changes color as the CD gets warm in the CD player, revealing additional ARG-related information (Petrunčík 2007).

9.2.4 **Reception, sales figures and the fallout of Year Zero**

The reception and popularity of the alternate reality game itself rather contrasts with the sales figures of the album. The ARG has received positive reviews and it was covered by newspapers which were from all around the world (Bernola, McLaughlin and Yoshida 2009). Some sources state, that the actual number of people participating in the ARG was well over 3 million (Bernola, McLaughlin and Yoshida 2009; 42 Entertainment 2007). Interscope Records' chairman Jimmy Iovine even offered to buy 42 Entertainment company itself (Rose 2007, 9).

However, the album has sold 187,000 copies in the US in its first week and debuted at number two position on the Billboard album charts (Gallo 2007). These figures are considerably worse than those of the two preceding albums, which both sold over 270,000 copies and debuted at number one position in their first weeks (Huey 2008; Aceshowbiz.com 2005). The album was not even certified gold in the United States, which means it has not sold more than 500,000 copies. Previous albums were certified gold or multi-platinum (Huey 2008).

It is interesting to note, that the price of the record was higher in some markets—to be specific it was about 50 percent more expensive in Australia when compared to other records. When Reznor confronted a label representative about this issue, he was told, that the band has a core audience, which is willing to pay more for anything the band puts out and the response of the label is to increase the prices (Johnson 2007). Reznor was disgruntled by this and even told his fans to “*Steal it. Steal away. Steal, steal and steal some more and give it to all your friends and keep on stealing. Because one way or another, these mother f—ers will get it through their head that they’re ripping people off and that’s not right.*” (Buskirk 2007e) The loyalty of Reznor’s core audience is well documented by the fact that the album peaked at number 5 position in Australia, even outperforming the preceding album in this manner (Australian-charts.com 2007).

A rather bizarre effect the ARG had on the fan base was that when new images were continually uploaded to Nine Inch Nails’ official website in 2010, numerous fans thought that it could be another game. They began thoroughly scrutinizing every aspect of the pictures and came up with several theories as to what the pictures mean and created several hundreds of posts in the band’s web forum within a few days. Even though it was eventually revealed, that the images were not related to an ARG, but instead to Reznor’s new music project—How To Destroy Angels—the effect the Year Zero project had on the fan base was evident (Nine Inch Nails 2010).

9.2.5 Evaluation of the marketing strategy for the Year Zero album

When viewed from the perspective of the marketing mix, the marketing strategy included an alternative take on a single aspect of it—promotion/communication, while the product and place parts remained relatively unchanged and the price even went up in some markets. The alternate reality game generated a significant amount of attention and coverage by the media all around the world and the number of people participating was considerable. While

it is highly probable that the marketing strategy caused many people to be introduced to the music band and that it thus created new potential customers, the album has not performed as well as its predecessors. The decrease in sales figures could possibly be attributed to the overall decrease of music sales figures as noted in Chapter 8, but any such conclusion is highly speculative.

It is possible to argue that even less people would have bought the record if the marketing campaign had not been created and that it positively influenced the sales of the album to a certain degree, but it cannot really be considered a huge success or a miraculous solution to the problems of the music industry. Also, the idea of creating an ARG for every music record is completely unviable. However, some of the elements used in the Year Zero one, such as the USB flash drives, a mini-concert and hidden clues, one can be very well utilized in any other promotional campaign to the satisfaction fans and at minimal cost (it might be necessary to consider outside influences, which could thwart the artist's promotional efforts, as was the case with RIAA and the USB flash drives during the Year Zero ARG).

9.3 The Y34RZ3R0R3M1X3D Album

Y34RZ3R0R3M1X3D is a remix album of the original Year Zero record and Nine Inch Nails' last one released under a music label. It consists of 14 tracks and, much like its unremixed counterpart, incorporates elements of industrial rock and ambient and also drum and bass and trip hop. It was released in November 2007 and received generally favourable reviews, with an average score of 67 on the Cloudspeakers website (Cloudspeakers.com n.d.).

9.3.1 The concept of Y34RZ3R0R3M1X3D

With Y34RZ3R0R3M1X3D (from now on referred to as YZR), Nine Inch Nails continued with their tradition of releasing a remix album of a regular one. On these, Reznor usually includes the works of his collaborators or famous artists from the music industry. With YZR, Reznor decided for an unconventional approach and uploaded the multitracks (the master recording files) of a few of the original Year Zero songs to the remix.nin.com Web site (more on that in the following subchapter), making them available to whomever was interested in them for any purpose. Reznor even liked one of the fan's remixes so much, that he included it on the remix album itself.

The interesting thing about the album was not its chart performance (Billboard.com web site states, that it peaked at number 77 position on the album charts, similarly to previous remix albums), but the physical product itself. YZR consisted of a regular CD with the remixed songs accompanied by a DVD with multitracks of all the songs from Year Zero (as opposed to only a few available on the website). As a result, anyone with a computer could remix the Year Zero songs in any way they liked. The master files were provided in a variety of forms ranging from professional individual samples to generic wave files of individual instruments.

9.3.2 The remix.nin.com website

Along with releasing the remix album, Reznor launched a new website—remix.nin.com—designed specifically as an aggregator of the music created by the fans and a convenient way of providing the fans with multitrack files. Reznor later used the site to release songs from previous remix albums, previously unreleased tracks and to host content related to his new projects (How To Destroy Angels and The Social Network soundtrack).

The site itself is fully interactive—apart from allowing users to upload their remixes and download the master files, they can also create their own playlists, rate and comment individual songs, share them via hyperlinks and download every song available (as 320kbps (kilobits per second, the bitrate of audio files, determines the quality of the sound) mp3 files, lossless formats are not available). As of April 2011, there are over 20,000 songs available at the website and the most popular ones each have tens of thousands of listens. It is also interesting, that not all of the highest rated and most popular songs were provided by Reznor but created by the community instead.

However, the start of the website was not without problems. Due to the fact that once in possession of the master files, anyone can easily assemble the complete song themselves, Universal Music Group (UMG) was afraid of people abusing the opportunity they were given. At that time, UMG was also in a lawsuit with Youtube and MySpace, which both were distributing unauthorized content. Universal was worried that if anyone uploaded a remix with an unauthorized content, the company would be doing the same thing Youtube and MySpace do. These issues were resolved by shifting the responsibilities of hosting the website to Reznor and by the users having to sign a user license, saying that will avoid using any authorized material (Stereogum 2007).

9.3.3 Evaluation of the YZR and remix.nin.com marketing strategy

From the perspective of the marketing mix, the marketing strategy for the album itself incorporated an alternative approach only to the product part of the mix, while the price, place and promotion aspects remained relatively usual. The idea of providing fans with multitracks alone is very viable marketing-wise, because it does not require any additional effort from the artist as the added content has already been created. On the other hand, when including the master files, the need of an additional optical medium for the purpose of storing the bonus content results in increased costs. Also, some customers may not be interested in the multitracks and may end up being discouraged from buying as a result of the increased price. There was no other way of obtaining the bonus content beyond the bonus DVD in the specific case of YZR—the remix website only offers multitracks of a selected few songs.

Marketing-wise, the remix website is an even more viable idea and Reznor came up with alternative takes on most of the elements of the marketing mix. The product itself can generate benefits with the only cost being a server (or servers, depending on demand) and

its maintenance. Once the master files have been made available, there is no effort or financial involvement required from the artist or basically anyone else. While it is true, that anyone can mix the complete songs, once in possession of the multitrack files, it is also important to note, that the songs are most probably available online anyway and if a person knows how to mix the songs together, they can probably just as easily download them straight from other internet sources.

The price/cost aspects are practically non-existent—a fan/customer only pays for the internet connection. The place/convenience aspects are equally as customer-friendly, because the only requirement, which has to be met in order to acquire the product is an internet connection. The promotion/communication part of the mix is also interesting, as the site practically generates promotion on its own—the more remixes there are, the higher chance there is, that a person will encounter the artist's music, become interested in the artist himself/herself and will later turn into a customer.

Again, as was the case with the Year Zero campaign, it might be necessary to consider outside influences, which could thwart the artist's promotional efforts. This is especially true for artists, who are signed to a music label, as that usually means that the label is in possession of all master files and the free distribution of them might prove difficult.

9.4 The Ghosts I-IV Album

The Ghosts I-IV (also referred to as Ghosts) is the seventh studio release by Nine Inch Nails and their first one released as a free agent. It is divided into four parts, each containing nine tracks, which are all very rich in genres, incorporating ambient, dark ambient, industrial, rock and many others. It was released in March 2008 and received generally favourable reviews, with an average metascore of 69/100 on the Metacritic website (Metacritic n.d.a).

9.4.1 The Ghosts I-IV as a product

With Ghosts, Nine Inch Nails were, for the first time ever, not constricted by rules of any music label and Reznor could thus release a record exactly the way he always wanted to (Johnson 2007). He therefore decided to completely omit any promotional endeavour and simply posted a notice saying “2 weeks” on the Nine Inch Nails website (Last.fm 2009). Instead, Reznor heavily focused on the product itself and decided to release Ghosts in a total of five formats (as indicated on the Nine Inch Nails – Ghosts I-IV web site).

The first format—a *free download*—is not really a full product, but rather a preview. However, it is listed on the website as one of the options for purchase and will therefore be treated as such. It consists of the first part of the album (nine tracks) in 320kbps mp3 format and completely DRM-free, a 40-page PDF booklet and a digital extras pack. The whole package is distributed using torrents (as indicated on The Pirate Bay web site) and was initially uploaded to The Pirate Bay and spread throughout the Internet from there on. As stated above—the whole package is available for free and a customer only has to provide a functional e-mail address (Nine Inch Nails 2008a).

The next format – *\$5 Download* – was very similar to the free download. For the price of five American dollars a buyer would receive an e-mail with a link to a file archive. The archive would contain the whole album (thirty-six tracks) and the same additional materials included with the free download. The music was available in a number of music formats, ranging from the lossy mp3 format to the high-resolution FLAC format. This could be considered the cheapest form of the full product (Nine Inch Nails 2008b). The same product, but without any of the extras, was and is available for purchase at the Amazon website (Amazon n.d.a).

For the price of ten American dollars, a buyer would receive the usual physical version of a music record – *2xCD Set*. The discs would be encased in a six panel digipak and include a 16 page booklet. A digital download of the same properties as the *\$5 Download* was included in the price and was available for immediate download upon purchasing (Nine Inch Nails 2008c).

The fourth format of Ghosts I-IV is the first really unusual one – *Deluxe Edition*. The price of this was seventy-five American dollars and the package consisted of two embossed, fabric-bound, hardcover books. The first book contained the same 2 CDs as the previous package along with a data DVD with multitracks for all of the thirty-six tracks and two hidden bonus tracks and a Blu-ray Disc with high-resolution stereo mixes of the record, accompanied by an exclusive slide show playing with the music. The second book contained 48 pages of photographs by a famous photographer and by the art director of the band. Upon purchasing this package, the buyer would also receive an immediate e-mail with download links to the album in many formats ranging from the mp3 format to FLAC lossless format, accompanied by the same extras as with the previous forms (Nine Inch Nails 2008d).

The true gem among all these formats was the *Limited Edition*. A total of 2,500 pieces were priced at three hundred American dollars each. In Addition to the *Deluxe Edition*, the package included several things: A four-LP set of the record on 180 gram vinyl in a fabric slip case and an additional fabric-bound book with two exclusive Giclee art prints of imagery from Ghosts I-IV. Each of the 2,500 editions is numbered in personally signed by Trent Reznor himself. For some reasons, the amount of purchases per customer was limited to one. As was the case with the other editions, upon purchase, the buyer would receive links to an immediate download of the record (Nine Inch Nails 2008e).

9.4.2 The sales performance of Ghosts I-IV

The most interesting part of the performance of Ghosts was not the chart performance performance (Billboard.com web site states, that it peaked at number 14 position on the album charts), but the financial success the record has generated. Within a week of the release, there was a total of 781,917 transactions grossing a total of \$1,619,420. The rather expensive *Limited Edition* was sold out within thirty hours from the release (Heath 2009; Kot 2008). By the end of the year, the net gross generated by the record was somewhere between three and four million dollars (Heath 2009, under “Reznor also decided”). The

number of downloads was so intense in the beginning, that the music band was forced to acquire additional servers in order to withstand the demand (leviathant 2008). Ghosts were the best-selling music download of the year 2008 on Amazon (Amazon n.d.a) and the 4th most played album of 2008 on the Last.fm website (Last.fm 2009). The fact that Nine Inch Nails is now an independent music band also means, that their income from music sales is approximately five-times higher than when they were still signed to a music label (Heath 2009, under “You might think”).

9.4.3 Evaluation of the Ghosts I-IV marketing strategy

The marketing strategy used for the Ghosts record is a shining example of the possibilities hidden within the *product*, *price* and *place* aspects of the marketing mix in the Internet age. While basically *omitting* any *promotional* endeavour, Reznor instead heavily focused on what his fans desire. The strategy basically used basic *market segmentation* – those buyers who only wished to purchase the music were offered the very cheap digital download and people only interested in giving the music a try were offered the free download via torrent sites. On the other hand, hardcore fans were given the opportunity to spend significantly more money on the bonus value of Deluxe and Limited Editions. The speed with which the \$300 package was sold out is almost shocking. While there are no numbers available for the Deluxe Edition, in the light of the performance of the most expensive edition, it can be easily argued, that there was a significant number of buyers of the \$75 package. The average customer was also acknowledged and was offered the relatively cheap 2xCD Set. As a result, all parts of the customer spectrum were satisfied. In conclusion: as far as music is concerned, *people are willing to pay for bonus value* and even though a significant part of the music is available legally for free, they still buy it.

9.5 The Slip album

The Slip is the eighth studio release by Nine Inch Nails and their second one released as a free agent. It consists of ten tracks and incorporates dark ambient, industrial rock and a few other genres. It was released in May 2008 and received generally favourable reviews, with an average metascore of 78/100 on the Metacritic website (Metacritic n.d.c).

9.5.1 The Slip as a product

With The Slip, Reznor decided for a similar promotional approach – two weeks before the release he sent one of the songs from the record to a few radio stations and posted a simple notice saying “2 weeks!” on the band’s website (Nine Inch Nails Release Surprise Single to Radio, Announcement in “2 Weeks!” 2008). However, what followed was another unusual set of events.

According to the information listed on the Nine Inch Nails: The Slip web site, 2 weeks after the first song was released, the complete album was made available as a free download. Similarly to the Ghosts release, the record could be downloaded in a variety of formats ranging from the lossy mp3 to the high-resolution FLAC format. A person only had to provide their e-mail address. The Slip is also supposed to remain free for download indefinitely. The download included a digital extras pack with wallpapers, graphics and other files.

As indicated on the the slip limited edition CD/DVD and deluxe vinyl web site, a physical edition was released along with the free download. The release was limited to a total of 250,000 copies and each one was individually numbered. It included a CD with the music, a DVD with video clips of the band rehearsing the songs from the record for the upcoming tour, an exclusive sticker pack and a 24-page booklet. As can be seen on the Youtube web site, all of the videos included on the DVD were also made available for free viewing in a high definition format.

9.5.2 The sales performance of The Slip

The E! Online web site states that The Slip debuted at number thirteen position on the album charts in the US and has sold twenty-nine thousand copies during the first week. Frere-Jones states, that sixteen months after the release a total of ninety-eight thousand copies has been sold (2009, 2). During the first two months since the release there has been a total of 1,400,000 people who have downloaded the album for free (Reznor 2008). As of

March 2009, the number went up to 1,800,000. That is also the number of e-mail the music band now possesses and can utilize for any marketing purpose they deem appropriate (Heath 2009, under “Really all the thought”). For example in the summer of 2008 the author has been sent information about the upcoming world tour—concert locations and dates, price tickets and options for ticket ordering.

9.5.3 Evaluation of the marketing strategy for The Slip

The marketing strategy for The Slip provides a very important finding—a significant amount of *people still buys music even though it is available legally for free*. This supports some of the claims stated in Chapter 8. These facts could possibly be a result of the bonus material included in the package, but it must be noted, that since the videos are also freely available, the only truly exclusive incentive is the booklet and the exclusive sticker pack. However, the value of the bonus DVD disc is still considerable and has very probably contributed to the sales figures. It can be also implied that fans do reward their favourite musicians by actually purchasing music and that the number of people, who prefer the physical form of music is still significant.

From the perspective of the marketing mix, the strategy for the album itself incorporated an alternative approach to most of the aspects. One of the versions of the *product* included bonus value, the *price* of the download was free and by utilizing the Internet it could be downloaded from anywhere in the world, thus alternating the *place* aspect of the marketing mix. *Promotion* aspect was the only one which can be considered not-alternative as it was practically minimal. All these findings are also in accordance with the findings related to the Ghosts I-IV marketing strategy: as far as music is concerned, *some people are willing to pay for bonus value*.

10 JOSH FREESE

According to the TotalDrumsets.com web site, Josh Freese is mainly a drummer for hire. He has drummed for numerous music bands and musicians and appears on over three hundred recordings. The most famous acts he has been in include DEVO, A Perfect Circle, Guns N'Roses, Lost Prophets, Sting or Nine Inch Nails. He is included in this thesis because his marketing strategy for one of his records is one of the most bizarre ones ever conducted in the music industry.

10.1 The Since 1972 album

Since 1972 is Freese's fourth solo record and it was released in 2009 (Carr 2011). It consists of eleven tracks mostly incorporating rock, rock and roll and punk rock genres. Ironically, it is almost impossible to find any reviews of the album, because practically all of the articles focus on the marketing strategy instead of the musical qualities of the record.

10.1.1 Since 1972 as a product

When deciding on the way to release the Since 1972 record, Freese has taken into consideration the poor sales performance of his previous record. By that time it was only selling a copy a week (Carr 2011, under "I was working on Since 1972"). Influenced by the marketing strategies of Trent Reznor, whom Freese has been playing for some time earlier, he and his manager then came up with the idea of a multi-tiered pricing scheme (Carr 2011). It would range all the way from a cheap digital download to an extremely expensive special package (Freese 2009). The drummer also hoped that this sort of a marketing stunt would get him the attention of the media and result in higher sales (Wallace 2009).

The cheapest options were available for \$7 and \$15 dollars and represented a digital download and a CD/DVD double disc set (Freese 2009, under "\$7"; under "\$15"). These were rather ordinary and usual. The first interesting package was priced at \$50 and apart from a physical copy of the record, it also included a t-shirt and a five minute "thank you phone call", from Freese personally (Freese 2009, under "\$50").

The bizarreness of the editions increased with the prices. For \$250 the buyer would get the same things as in the \$50 package accompanied by a signed drum head and drumsticks and a lunch at PF Changs or The Cheesecake Factory (American restaurant chains) (Freese 2009, under "\$250"). *Additional* \$250 would get the buyer a session in a sensory deprivation tank and a dinner (Freese 2009, under "\$500"), while for *a thousand dollars*

the drummer would wash the fan's car, or do their laundry and they would cut each other's hair after a dinner (Freese 2009, under "\$1000"). A physical copy of the record, t-shirt and a signed drum head, drumstick and a cymbal were all included in these editions as well.

For *two thousand and five hundred dollars* the buyer would get a drum lesson, or a foot massage. They would get a chance to pick any 1 member of the music band Vandals, or DEVO and go to a wax museum in Los Angeles. In addition to that, the fan would also get a signed snare drum and the chance to take any 3 items from Freese's closet (Freese 2009, under "\$2,500"). The *\$5,000* package included the drummer writing a song about and co-directing a video for said song with the buyer, a private Disneyland tour and a member of the Pearl Jam music band would write them a letter about the *Since 1972* album (Freese 2009, under "\$5,000").

The two most expensive packages—*\$20,000* and *\$75,000*—offered numerous things, including a session of miniature golfing, a tour of Long Beach, a cruise on the *Mary Queen* ship, going on tour with Freese, the chance to take any of his drumsets or consuming hallucinogenic mushrooms with him and a musical friend of his. For *twenty thousand dollars*, the drummer would write and record two songs about the buyer, while for *seventy-five thousand* he would write and record a whole EP and join the buyer's music band, *or* be their personal assistant for a month (Freese 2009, under "\$20,000", under "\$75,000").

The complete list would be much longer and for that reason only the most interesting parts of the individual packages are described. All of the packages except for the three cheapest ones were limited in numbers of availability. For example, the two most expensive ones were limited to a single buyer, the *\$5,000* and *\$2,500* packages were limited to 3 and 5 buyers respectively (Freese 2009).

10.1.2 The sales performance of *Since 1972*

The outcome of this marketing strategy surprised even Freese himself. His initial motivation behind the pricing scheme was to get attention and consequently sell more copies of the album itself. He was not really expecting anyone to buy the more expensive packages. To his surprise, the strategy was a success (Wallace 2009; Joy 2011). The record and the drummer got significant media attention, even to a point when it was actually shifting the focus from the record itself to the marketing strategy (Wallace 2009).

The biggest success was the amount of editions sold. While there are no numbers about the three cheapest editions, the 25 pieces of the *\$250* package sold out within a day

from the release (Carr 2011). According to the Josh Freese web site, he has sold several \$500, 5 pieces of the \$1,000 and 4 of the \$2,500 packages. Only the most expensive edition remains available as of May, 2011, all the others are sold out (Freese 2009). Simple calculations show, that the drummer's income from the record was at least *fifty-eight thousand dollars*.

In the spring of 2011, Freese began working on a follow-up EP called *My New Friends*. The record will be based on the songs offered in some of the more expensive packages. He has chosen a similar marketing strategy with a few variations and media are again rewarding him with their attention (Joy 2011).

10.1.3 Evaluation of the marketing strategy for Since 1972

From the perspective of the marketing mix, the strategy for the Since 1972 album included an alternative take on the *product* (a robust range of varieties) and *price* (a robust range of prices) aspects of it. The other aspects were executed in a rather ordinary fashion and there were not any *promotional* efforts coming from Freese himself. When we also consider, that Freese's previous record had performed poorly in terms of sales performance and that he released this album independently from any music label, the sales figures are rather astounding. The result of the marketing strategy for Since 1972 clearly supports the claims from the two previous chapters—*people are willing to pay for additional value*. In this case it even demonstrates that temperance is not inevitably a necessary thing when considering a marketing strategy in the music industry, and provided an artist has a large enough fan base, they can decide for a rather bold and eccentric marketing plan.

11 RADIOHEAD

Radiohead is a five-member music band formed in 1988. Erlewine states, that their alternative rock music can be characterized by their typical “three-guitars attack” and songs filled with stories of alienation and angst (2011). Radiohead are widely regarded as (and possibly indeed are) the first commercially successful music band to choose an alternative marketing strategy for one of their albums in the age of the Internet. They are included in this thesis for that reason.

11.1 The In Rainbows Album

In Rainbows is the seventh studio release by Radiohead and their first one released as a free agent. It consists of ten tracks and incorporates alternative rock and art rock genres. It was released in October 2007 and received generally favourable reviews, with an average metacore of 88/100 on the Metacritic website (Metacritic n.d.b).

11.1.1 In Rainbows as a product

In the autumn of 2007 the band released information that the In Rainbows album had been completed and will be released within a matter of days (Erlewine 2011). The record was made available in two formats: the first one was a digital download where the buyers were given the option to pay any amount they deemed appropriate including downloading the album for free. The music was distributed as a rather low definition 160kbps mp3 file without any additional content (Buskirk 2007c; Heath 2007). According to the Dead Air Space web site, the download was no longer available after December 10, 2007.

According to the Radiohead At Ease News, the second format was a physical edition of the record, accompanied by a vinyl, an extra CD with bonus songs, a lyrics booklet and a set of physical and digital photos. This edition was available for £40 (~\$80) and the amount of copies was limited to an unknown number. A digital download was included in the price (Heath 2009).

11.1.2 The sales performance of In Rainbows

The sales figures for the digital download, which had been significantly more covered by the media, are ironically almost impossible to acquire. Estimates of the net gross vary greatly and range from somewhere around \$2.4 million dollars to \$10 million dollars (Buskirk 2007b). All of these figures are, however, only mere estimates and can be only used tentatively. There had also been around five hundred thousand downloads using

torrent sites within a week from the release of the album (Buskirk 2007b). The band themselves along with their management had also stated several times, that the download is not “the *real* version” (Heath 2009) and they have thus implied that the download is an inferior version of the product.

Regarding the limited physical edition, official earnings have not been made public, but the band has stated that the total number of initial orders for was around *seventy thousand* (Heath 2009). It can be estimated, that at the price of £40, the earnings were slightly below £3 million at worst.

11.1.3 Evaluation of the In Rainbows marketing strategy

It is somewhat ironical, that the part of the marketing strategy, which is more interesting and important, is the one with minimum coverage by media—the limited physical edition. The reason being the difficulty of evaluation of the digital download. That is mainly because there are no accurate sales figures to evaluate, but also because the low resolution download cannot be considered a full version of the product. Even the band themselves possibly felt that way. It is impossible to evaluate the sales of something that is inferior by usual standards and to consequently declare the results of said evaluation to be credible.

As stated above, the important part of this marketing strategy was the limited physical edition. From the perspective of the marketing mix, the package incorporated an alternative take on the *product* (bonus material) and *price* (£40) aspect of it. There was a minimum of direct *promotional* efforts from the band itself and the availability or *place* aspect was executed in a usual manner. As was the case with *Ghosts I-IV*, *The Slip* and *Since 1972*, the sales figures again support the claim, that *people are willing to pay for bonus value*. Despite the music being available for free (albeit in an inferior format), the sales figures have been relatively satisfactory and the earnings can be considered very high.

12 SAUL WILLIAMS

Saul Williams began his artistic career as a poet, screenwriter and an actor. His first music album was released in 2001 to a critical acclaim (Birchmeier 2008). The artist is included in this thesis because together with Radiohead and their album *In Rainbows*, he was one of the first artists trying an alternative marketing strategy for his music record. His approach towards the release for the album might provide information about the early alternative releases which were significantly more of a trial and error nature.

12.1 The Inevitable Rise and Liberation of NiggyTardust!

The *Inevitable Rise and Liberation of NiggyTardust!* (from now on referred to as *NiggyTardust*) is the fifth studio release by Saul Williams. It consists of fifteen tracks and incorporates hip hop, electronica and industrial rock genres. It was released in 2007 (Birchmeier 2008) and received favourable reviews. For example Nate Patrin, a reviewer for the respected music web site Pitchfork, gave the album a score of 7.3/10 (Patrin 2007).

12.1.1 NiggyTardust as a product

Williams worked on the record with Trent Reznor, frontman of the music band Nine Inch Nails. It was the latter's idea to try an alternative approach to the usual marketing model (Birchmeier 2008; Buskirk 2007). Similarly to the *In Rainbows* pricing options, with *NiggyTardust* customers were given the option to either pay \$5 and download the music in a variety of low and high quality formats, or choose a free download of 192kbps mp3 files. According to the BrooklynVegan web site there were no expenses on any marketing-related activity.

12.1.2 The sales performance of NiggyTardust

According to the BrooklynVegan web site, there had been over 150,000 thousand downloads and twenty-eight thousand of those were paid for. In comparison, Williams' previous record has sold over thirty-three thousand copies since its release in 2004. The number of downloads went up to two hundred thousand through July 2008 and performed satisfactorily in brick and mortar stores, according to Williams' own words (Wortham 2008). As indicated on the BrooklynVegan web site, Reznor has also said that the music has reached a wider audience than ever before and he considers that to be a good thing.

12.1.3 Evaluation of the NiggyTardust marketing strategy

The marketing strategy used for the release of NiggyTardust was one of the first alternative ones and appears significantly less innovative when compared to the other strategies inspected throughout the thesis. From the perspective of the marketing mix, it incorporates an alternative take on the *price* aspect (either \$0 or a relatively low amount of \$5) and the *place* aspect (available anywhere in the world). The *product* and *promotion* aspects remained standard.

The most important thing to note is that, despite the music being legally available for free, people were still willing to pay for it. This supports some of the claims regarding music piracy in Chapter 8. However, the fact that the free download was of a relatively inferior quality, should be taken into consideration. The high quality paid version could be considered an incentive for purchase. It is also true that thanks to the free availability, the music has reached a wider audience, which might generate new customers in the future. However, in conclusion, while in a way somewhat innovative and interesting, the strategy is incomparably less efficient and fruitful when compared to those used for most of the other albums inspected throughout the thesis.

13 RECOMMENDATIONS

The analytic part has clearly indicated a number of key recommendations for future strategies in the music industry. These are described in this chapter:

Artist should diversify the product and price aspects of the marketing mix, in combination with a version of market segmentation—The lower segments of the market should be offered an inexpensive download and a simple physical version of the record without any significant additional value. Regarding the download, the Internet has significantly decreased the costs of distribution of data and it can be thus offered at a significantly lower price than the physical record. It might be viable to completely omit the basic physical version for the sake of decreasing expenses. The reason being, that when compared to a digital download and any special editions, a basic physical version might very possibly be the least profitable one. However, such a decision potentially leaves a segment of the market unattended. It is therefore necessary to accurately estimate the artist's fan base and adjust the product options accordingly.

The higher segments of market should be offered at least one more expensive special edition of the record, as it has been repeatedly confirmed throughout the thesis that buyers of music are willing to pay for additional value. The examples of such value have repeatedly included: digital and physical versions of artwork related to the record and a bonus discs with additional music, videos, multitracks or a high-resolution audio mix. However, this list is far from being complete, which leads to the second key recommendation:

Artists should be creative, innovative and courageous with regards to marketing ideas—Despite the idea sounding rather like a cliché, the rigid approach of major music labels clearly shows that creativity, innovation and courage are not a common phenomenon in regards to marketing strategies in the music industry. The strategy for Josh Freese's Since 1972 album very well shows that the additional value can be almost anything at almost any price and that the range of possibilities is enormous. As has already been stated above, the artists only need to correctly estimate their fan base and adjust the offered additional value accordingly. A chance to visit a ballet performance offered by a heavy metal band will probably end up unnoticed.

Artists should not fear music piracy, but rather accept it, take charge and offer a free download of their music themselves—It has been demonstrated several times throughout the thesis, that people do buy music even when it is available legally for free. Also, the

negative effects of music piracy are very likely minimal and any effort to suppress piracy only generates additional costs and is ultimately futile and useless. On the other hand, the free availability of music increases the chances of increasing the fan base and creating new potential customers. This way the artist can be certain about the quality of their music in circulation on the Internet. Only releasing a portion of an album (this does not mean a track or two) should be sufficient and making a whole record available for free is not necessary.

These were the key recommendations for a marketing strategy in the music industry. Additional ideas, which can be used for supportive reasons, have been described in the thesis as well:

Artists should create a personal web site and utilize social networks—The Internet provides inexpensive ways of promoting artists and their music and allowing them to make contact with their fan base. Creating a web site can be very inexpensive nowadays and fans usually appreciate any effort the artists make to get in touch with them. The usage of services of YouTube, Facebook or any other social network is completely free of charge and can be used similarly as a personal web site: making contact with the fans or distributing music.

Artists should create a web site specifically for remixes and make at least some multitracks available as a free download—While the availability of multitracks is targeted at the hard-core part of the fan base, it creates minimal additional costs and makes the creation of remixes significantly easier. A remix increases the chances of a person noticing the artist and their music and becoming a customer. A web site designed in a way that fans can upload, download and listen to remixes amplifies these effects.

CONCLUSION

The influence of the Internet on the music industry is significant, but the perception of it is heavily distorted. The negative effects attract significant attention, while the positive ones get hardly any attention at all. Music piracy is heavily blamed for a decline in music sales, but little attention is paid to the new marketing strategies independent artists have created and their success.

The thesis analyzes the alternative marketing strategies deployed by independent artists and the effect of the Internet and music piracy on the music industry. By studying the individual marketing strategies, we can get a better understanding of what elements lead to positive results and should be utilized regularly as well as what elements lead to neutral or negative results and should thus be avoided. By analyzing the effect of music piracy we can gather important information about its principles and consequently determine whether it is possible to utilize it towards the satisfaction of both artists and fans, or whether to expect a negative effect, which we cannot influence.

The theoretical part describes the Internet as a phenomenon, the way it influenced marketing, the basic history of the music industry, the concept of marketing mix and how all of this applies to the theoretical marketing possibilities and strategies in the music industry. Based on these theoretical premises I have established two hypotheses.

The analytic part of the thesis has demonstrated several instances of a beneficial use of the Internet. The examples included using the Internet as a distribution channel, creating a web site designated for remixes of the artist's music, spreading and promoting music using social networks or letting the fans do that themselves, utilizing the Internet for a large promotional scheme, for the distribution of bonus material such as multitracks or creating a web-based community. All of these examples have in common, that they were very cheap, they significantly reduced the prices of the products involved and that they were effectively utilized in order to create an efficient promotional effect. Thus, my first hypothesis—*The Internet can be utilized for the sake of both artists' and fans' satisfaction*—has been confirmed.

The analytic part has revealed several findings related to the second hypothesis. It became clear, that the negative effect of music piracy is very difficult to prove at best. Several of the strategies included making the music available as a free legal download. Despite that, people have bought the paid versions of the music as well. These findings

lead me to the conclusion, that it is very likely that the actual negative influence of music piracy is minimal or even non-existent.

The only clear effect the music piracy had on the music industry is the manifestation of the rigidities of the major music labels and their negative stance towards innovation. The result of their behaviour were laws with often bizarre and ridiculous consequences and the aggravation of several artists who have decided to become independent agents as a result. It was some these artists who have created the successful alternative marketing strategies analyzed in the thesis. Therefore, it could be said, that the one of the effects of the music piracy on the music industry is in fact positive. Thus, my second hypothesis—*The actual effects of music piracy on the music industry are not significantly negative*—has been confirmed.

Regarding the third hypothesis, the first finding was that almost all the marketing strategies were successful and profitable for the artists. Even the strategy for Saul Williams' NiggyTardust album cannot be deemed a completely unsuccessful one, as the artist's music has reached a wider audience than ever before and a significant amount of people have paid for the record, despite it being legally available for free.

The analytic part has also clearly shown that the marketing strategies which focused on the *product* and *price* aspect of the marketing mix were the most successful ones. It has also been repeatedly confirmed throughout the thesis that *people are willing to pay for bonus value*, as far as music is concerned. All these findings together *confirm* my third hypothesis—*There are ways to be a successful musician despite the free availability of music on the Internet and the most viable way is through diversifying the product aspect of the marketing mix in the music industry*.

While the thesis has clearly demonstrated ways in which to be a successful musician *once* one already has a fan base, another crucial topic still remains rather unexplored and under-analysed—that is the question of how to gather a fan base strong enough to support the artist and their music. While the Internet clearly provides numerous useful tools, which can help artists in achieving such goals, any thorough research is still to be done in this field.

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