Success Factors for Online Music Marketing – eTransformation: From the four P's to the four C's[1]

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Abstract

Online music sales are a very difficult business in which to make a profit. The major record companies must compete with the ever-present peer-to-peer networks and face the fact that their expensively produced music can also be obtained freely (if illegally) over the Net by their young and very technically capable customers. Finding a way of making it attractive to sell music downloads is not an easy task. But it may well be that marketing – and more particularly eMarketing – can help in this endeavour. In this paper we review the principle of the marketing mix – what Meffert describes as defining the marketing instruments used to achieve the organisation's marketing goals. We consider the implications of the "traditional" four P's (product, price, place and promotion) and the changes which the Internet has brought to these, and then look at the newer concept of the four C's (customer solution, customer cost, convenience and communication) which are intended to be used in an online environment. We test the theory that legal online music offerings should consider the four C's in their marketing activities and identify a set of key success factors for a successful Internet offer in online music. The paper takes a multiple case approach, comparing the marketing stance of two highly successful online firms (Amazon and eBay) with that of two major online music retailers (Popfile.de and tiscali.co.uk) and find that the music retailers have yet to apply the four C's to their marketing and selling activities.

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1. INTRODUCTION

Since the commercialisation of the Internet and the creation of the World Wide Web in the early 1990s, the Internet has steadily become an ever more important source of information, entertainment and communication for millions around the globe. The Web supports and enables many on-line commercial activities; and a wide variety of both physical and information-based products (such as books, air tickets, software, or hotel reservations) are sold in ever-increasing numbers over the Web, because the business models and marketing activities of their vendors successfully target the appropriate audiences. Despite the apparently limitless potential which the Internet offers to sellers, however, some products do not sell as well in the E-marketspace as one would expect. One such product is online music. As a purely information-based product, purchased primarily by younger people, theory would suggest that sales of music online would be rapidly overtaking sales of music in physical forms such as CDs – and yet this is not the case. In contrast to free music downloading, the purchase of music online has not yet been fully accepted by Internet users, despite a variety of attempts by well-known labels such as Sony Music and Universal.

Why are sales of online music failing to gain popularity? The view of the music industry is that peer-to-peer (P2P) file-sharing services such as Napster or Kazaa have had a major impact on the online music market, promoting the attitude that online music is free (Lam/Tan, 2001). But is this the whole story? Could it also be that most of the online offerings available from the music industry are simply not attractive enough to would-be purchasers, given the free (if illegal) alternatives available to them? Would a more market-oriented view bring music purchasers back to the "majors"?

The original online offerings from the majors (the five international music distribution companies which account for approximately 85%-90% of the music market world-wide) were simply not attractive to their target market. The principal "official" web sites for online music sales are Pressplay (www.pressplay.com - a joint venture between Sony Music, EMI and Vivendi) and Musicnet (www.musicnet.com - a joint venture between BMG, Warner and EMI) and were originally only available from the US. Neither of these sites provides very attractive offers to consumers. According to official IFPI (International Federation of the Phonographic Industry) numbers, the average European consumer spends about € 30 each year on CDs (IFPI, 2001). It seems rather unrealistic of the majors, therefore, to expect such consumers to spend around € 10-20/month to obtain music online.

Consumer response has since forced the record companies to change their marketing approach and the first signs of a consumer-oriented attitude are beginning to emerge. Universal, for example, is now making its tracks available via third-party Internet platforms such as MP3.com, Best Buy Co, and Tower Records; and is changing from a subscription-based to a track-based service (Der Spiegel, 2002). Pressplay is also giving in to customer pressure and changing its subscription model to a track-based model and, as already noted, allowing users to burn ten tracks if they pay $17.95/month instead of $9.95 (FAZ, 2002). Nonetheless, the offers from the majors still compare very unfavourably with the free alternatives available to young and technically-aware consumers.

The only real success story in terms of legal music downloads to date has been Apple – whose recently launched iTunes Music Store has drawn the attention of potential rivals. The Wall Street Journal of 9th May 2003 reports that iTunes, currently only available to Apple users, will take on other competitors more directly at the end of 2003, when Apple extends the service to Microsoft-based PCs. In addition, AOL plans to introduce a pay-per-download service late this year; and Amazon and MSN are also exploring this possibility. Part of the allure of Apple's iTunes is the flexible arrangements CEO Steve Jobs negotiated with the record labels, which enable users to move their 99-cent songs to an unlimited number of portable iPod players, and burn as many as 10 identical CDs containing the same playlist. Interestingly, only three weeks after this initial report, The Wall Street Journal of 28th May 2003 reported that, spurred on by the overnight success of Apple's iTunes Music Store, RealNetworks had revamped its own online music service to offer single downloads for 79 cents a track – suggesting that more and more providers are likely to follow Apple’s lead in this area.

Despite these new online music suppliers’ approaches, it would appear that the record companies (‘labels’) have not yet evolved a widely-available business model which will return profits from online sales. Perhaps the answer lies in the activities of other types of companies successfully operating in cyberspace. Online music companies are clearly aware of the importance of the four P’s (product, price, place and promotion), as a brief look at the web sites of any of the five majors or their subsidiaries will show, but have they considered the four C’s (customer solution, customer cost, convenience and communication) of eCommerce in their marketing activities? The Internet is a very customer-driven environment – perhaps far more so than the traditional retail market with which these companies are familiar.

This paper grew out of work we have been undertaking as part of the European Commission SimWeb project, which aims to develop an effective means of simulating business models for companies in the online music and online news sectors. Our research into these two market segments cast an interesting light on the marketing activities currently existing in the online music marketplace and led us to consider the implications of eMarketing principles for the music industry.

In the paper we initially investigate the impact of the four C’s on eMarketing generally. We then take a multiple-case based approach to investigating the importance of the four C’s for online stores, comparing the use of this approach by two highly successful eCommerce companies (Amazon.com and eBay.com) with that of two major legitimate online music companies (tiscali.co.uk and popfile.de). Finally we develop a set of success factors for online music marketing.

2. LITERATURE REVIEW

The marketing mix is one of the central tenets of marketing literature – particularly the concept of the four P’s (product, price, place and promotion) and the role these play in creating a successful approach to the marketplace. Initially, research concentrated on the 4 P’s – and even today, many authors do not consider the fact that marketing has to develop new concepts, or at least new variations of the marketing mix as a result of the introduction of the Internet. Lautenborn (1990), who developed the 4 C’s, was the first author to become aware of this necessity; and some years later Kotler (1999), possibly the most widely-published author in the marketing field, took this approach and redefined it. There are still many authors who do not recognise the potential of the 4 C's for successful marketing but, as Table 1 shows – in an overview of some of the best-known literature relating to the marketing mix – an increasing number of authors are including this concept in their principles of successful marketing for the 21st century.

Table 1: Marketing Mix Literature

Author	**4 P's**	**4 C's**
Kotler et al. (1999)	Product, Price, Place, Promotion	Customer needs and wants, cost to the customer, convenience, communication
Lautenborn (1990)	Product, Price, Place, Promotion	Customer needs and wants, cost to satisfy, convenience, to buy communication
Strauss and Frost (2001)	Product, Price, Distribution, Marketing Communication	Convenience, Communication
Bovée et al. (1995)	Product, Price, Distribution, Promotion	Communication, Convenience, Customer needs
Hollensen (2001)	Product, Price, Place, Promotion	Communication
Preißner (2001)	Product, Price, Place, Promotion	Communication
Meffert (1991)	Produktmix, Distributionsmix, Kontrahierungsmix, Kommunikationsmix	Communication, Consumer needs
Keegan and Schlegelmilch (2001)	Product, Price, Place, Promotion	Communication, Customer needs
Chaffey et al. (2000)	Product, Price, Place, Promotion	Communication,

1.1 The Marketing Mix (The four P's)

The marketing mix is an important part of marketing strategy, defining the marketing instruments used to achieve the organisation's marketing goals (Meffert, 1991). This simple framework can be used to identify which individual components of a product to modify, so as to exert influence on demand (Bovée et al., 1995). The classic form of the marketing mix consists of the four P's (Product, Place, Price and Promotion) and is illustrated in Fig. 1.

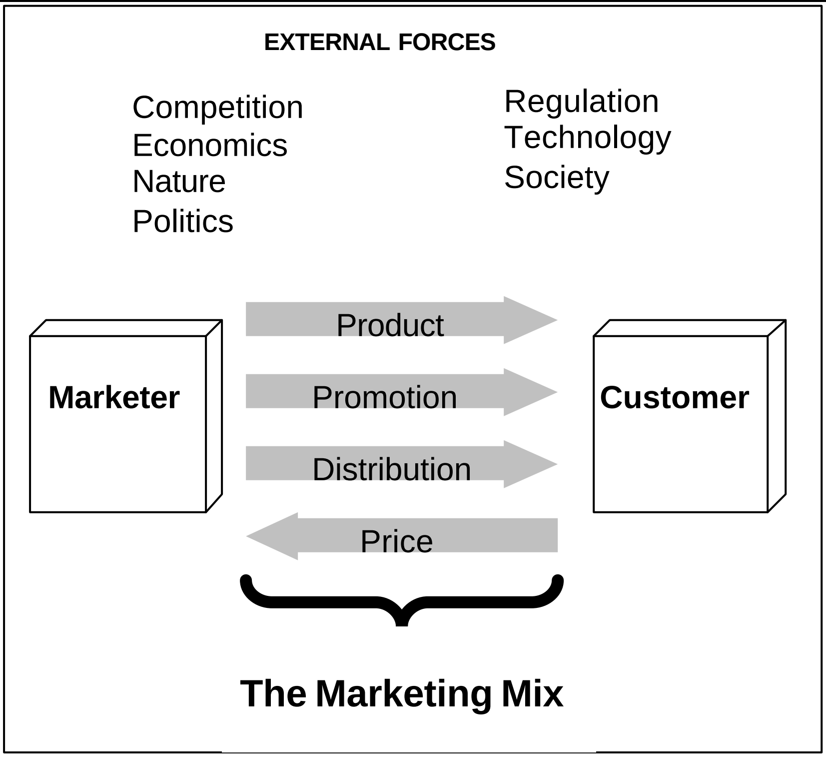

Figure 1: The four P's (Bovée *et al.*, 1995, p.17)

Product

This is the first element of the marketing mix and includes all "goods and services" that a company offers to the target market (Kotler et al., 1999). A product can be a good, a service, an idea, a person or a place (Bovée et al., 1995). In eCommerce markets, products can be grouped into two categories: physical products and purely digital goods and services (Hollensen, 2001). Product design, branding and after sales services are important to achieve a better customer service and higher product value.

Price

Price is the amount a company charges for its product and its determination is both critical and complex. A low price can take sales away from competitors and increase demand in a market, while a high price can create an exclusive image for a product (Bovée *et al.*, 1995). Production costs, government regulation and ethical standards all affect price setting and must be taken into account.

Place (Distribution)

Place relates to those company activities which make the product available to the consumers (Kotler *et al.*, 1999). Selecting marketing channels, managing product transportation, arranging storage, and processing orders are all distribution activities (Meffert, 1991). eCommerce offers new ways to distribute products (e.g. Cybermediary or Online retailer).

Promotion (Communication)

Promotion combines various techniques for communicating with a target market and persuading target customers to buy (Kotler *et al.*, 1999; Bovée *et* *al.*, 1995). Several tools are available to communicate with and influence customers, including advertising, personal selling, public relations and sales promotion.

The four P's of the marketing mix can also be expanded by adding other elements (e.g. process, person, participants or probe). Fig. 2 shows an expanded version of the marketing mix which includes opportunities for using the Internet and eCommerce.

Expanded version of the marketing mix (six P's)

Product	**Price**	**Place**	**Promotion**	**Person**	**Process**
-Quality -Image -Branding -Equipment -Customer Service	-Discount -Credit -List prices -Terms of payment	-Marketing channel -Support -Segmen-tation	-Communi-cation -Personal sales -Advertise -PR -Direct marketing	-Marketing staff -Customer adviser - Recruiting -Culture / Image -Salary	-Customer orientation -Business orientation -IT-Support -Design -Research

Figure 2: Expanded version of the marketing mix (Bovée *et al.*, 1995, p.17)

The major weakness of the four P's in an eCommerce environment is their focus on the product. This is not entirely surprising, since the concept was developed in the days of "push" marketing, where the product was created by the company and then pushed out to consumers who had to be persuaded that they wanted and needed it. In today's more customer-oriented environment, successful marketing companies are starting to take a "pull" approach, with products being created to suit customers' expressed needs (Kotler *et al.*, 1999; Cunningham/Fröschl, 1999; Strauss/Frost, 2001) and in this environment the four C's offer an additional guide to ways of optimising the marketing mix (Lautenborn, 1990).

1.2 The four P's, the four C's and the Internet

Kotler (1999) notes that today's consumer-oriented marketing requires the consideration of the four C's - customer solution, customer cost, convenience and communication - during the development of the marketing mix. In fact, the four P's can be redefined into the four C's to develop a marketing mix adapted to the needs of eCommerce (Kotler *et al.*, 1999):

Customer needs and wants instead of Product
Cost to the customer instead of Price
Convenience instead of Place
Communication instead of Promotion

The Internet offers significant returns, but also significant risks, as a channel for fulfilling the marketing mix and enabling the four C's. Products and services must offer value to the user over and above their costs (Kotler et al., 1999). The cash price for products and services is just a part of the overall cost to the customer – and this price can be paid in terms of energy, time, activity or opportunities. Because of the importance of customer convenience, it is not enough to offer the same level of service or products as one's competitors; and the Internet offers unparalleled opportunities for dialogue, which is a necessity for effective B2C promotion and advertising (Lautenborn, 1990; Chaffey *et al.*, 2000; Strauss/Frost, 2001).

Table 2 illustrates the difference between the traditional marketing mix (based on the four P's) and the eMarketing mix (based on the four C's).

Strauss and Frost (2001) showed that e-business models are also marketing strategies. The researchers relate these models to the four P's of the marketing mix, but the relation of the e-business models to the four C's is stronger and more obvious. Chaffey et al. (2000) compare traditional marketing with Internet marketing. The foundation of traditional marketing is based on the four P's of the marketing mix, but Internet marketing has changed its focus and takes the costumer into account. Table 2 combines Strauss and Frost's (2001) findings with those of Chaffey et al. (2000) and identifies the activities required to achieve the four P's/four C's.

Table 2: Putting the marketing mix into practice – the four P's vs. the four C's (Sources: Strauss/Frost, 2001; Chaffey *et al.*, 2000)

Traditional marketing based on the four P's	**eMarketing based on the four C's**
Product • product-centric environment • high search costs • Usually product availability is restricted by store timings etc. • Information content and accessibility is controlled by the company	**Consumer needs and wants** • consumer-centric environment • creating digital value through new products • low search costs • The Internet is a 24/7 medium • Some products and services can be downloaded immediately • Information content and accessibility are controlled by the customer • Consumer can provide product-related content to the medium • Product reviews can obtained through third-party firms • Information is an integral part of product support
Price • Market penetration pricing model • Niche pricing model	**Cost to the customer** • Cost reduction through eMarketing • Negotiation • Segmented pricing • Traditional price models • Zero-based pricing

Traditional marketing based on the four P's	eMarketing based on the four C's
Place • Physical storefronts • Physical interactivity • Distribution networks essential to provide access to goods • Vendors extract value from customers	**Convenience** • WWW acts a distribution channel • Downloadable products and services • Constant accessibility • low entry and exit barriers for companies • Disintermediation and new intermediaries • content sponsorship • direct selling • Infomediary • Agents, broker and e-tailer
Promotion • One-to-many advertising models • four times more expensive than eMarketing • Mediums: TV, radio, billboard, magazines, newspaper, direct mailing campaigns	**Communication** • Mass customisation • Personalisation of goods • Mediums: All traditional marketing mediums, Internet sites, banner ads, click-throughs, mailing lists, virtual communities • Content publishing • Online advertising • Online sales promotion

2. RESEARCH APPROACH

As we began to investigate why legal online music offers were having so little success with consumers, we looked at the marketing approaches being used to sell music on the Internet. Our research questions, therefore, are:

- Do legal online music offerings consider the four C's – customer solution, customer cost, convenience and communication – of eCommerce in their marketing activities?
- What are the key factors for a successful Internet offer in online music?

We started our data gathering by analysing two very successful Internet companies which were not music-related; and then compared these findings with similar analyses of the online offerings of two major retailers of digital music downloads. We have made use of 'secondary data research' (Jarvenpaa, 1991; Neuman, 2000) which involves the synthesis of existing data collected for other purposes than the research project concerned and with drawing inferences from those data.
We initially analysed two popular and very successful eCommerce companies, both pure players: www.Amazon.com and www.eBay.com. Amazon.com offers a wide variety of products which can be ordered online and delivered.

eBay is a well-known provider of online auctions. These analyses provided us with an understanding of successful online offerings and the way in which these highly successful companies are making use of the four C's for marketing over the Internet. As Wirtz and Becker (2002) point out, it is the range of services available which distinguish eBusiness models from one another. These authors, who have developed a set of four eBusiness model types, based on the 4 Cs (which they call the 4C-Net-Business-Model) also note that the three most successful pure-play contenders today (AOL, Yahoo! and Amazon) have significantly extended their range of services since they first began trading.

Having analysed two highly successful pure-play companies, we then looked at two online platforms for digital music downloads (a German and an English company): www.popfile.de – a cooperation between Universal and Sony Music, and www.tiscali.co.uk, especially its "Music Club," to compare their approaches to using the marketing mix with those utilised so effectively by Amazon and eBay.

3. FINDINGS FROM THE CASES

3.1 Successful Internet Companies

Amazon.com

Amazon has, in an eight-year period, grown from nothing into a major retailer with over 25 million customers and sales of almost US$ 4 billion for the 2002 financial year (Bayers, 2002; Hoover's Online, 2002). The company is successful because of its discounts of up to 50% off regular bookstore prices, its efficient service and, increasingly, because of a famous brand name. Amazon's strategy is one of offering an increasingly wide range of products. Cunningham points out that the Internet is encouraging "comparison shopping" (Gehrke/Anding, 2003, p.35), so that price becomes the key and can undermine customer loyalty. Amazon.com itself has a customer loyalty rate of 66% (Gehrke/Anding, 2003). Table 3 shows how Amazon.com earns its customer loyalty.

Table 3: Implementation of the four C's on www.amazon.com

Amazon.com			
Customer needs	**Customer costs**	**Convenience**	**Communication**
• Books • DVDs • Magazine subscription • Music, video • Electronics • Office products • Software • Home & Garden • Tools & Hardware • E-cards • Travel • Restaurant • Mobile access • Web services • Honour system	• Track recent orders • View and change orders • Return easy items • 1 click shopping • Every service is explained detailed • Alerts • Text only version • Credit account • Purchase circles • Honour system • Gold box • Improve your recommendation • In-store	• Track recent orders • 1 click shopping • Text only version • Alerts • Mobile access • Web services • Credit account • Early adopters • New for you • Recommendation • The page you made • Combine orders • Email notification (deliveries, available to order, etc.) • Personalise	• Friends and favourites • E-mail notification • Chat • Discussion boards • Recommend-ations • E-cards • My Amazon

• Wedding and baby registry • Auctions • Outlet • Used • Bargain	• Movie show times	• Cooperate account • Restaurants, travel, movie show times • Wish list • Purchase circles • Buy now, pay later • My Amazon	

This table is worthy of a closer look – some of Amazon's ideas are very creative in their use of marketing techniques:

- Improve your recommendations: It is the customers themselves who shape a concrete profile of their needs and wants on this site. Amazon.com discovered that these profiles are useful to site users. No annoying banners these days – just interesting new products and customised offers. The company is saving a lot of money and can rely on the profiles it stores.
- Track recent orders: This is an automated system which informs customers about the status of their order. This is very convenient for the user and, again, very beneficial for the company because the service is automated.
- Used: In this section Amazon's users can re-sell books, CDs or DVDs they no longer need to other Amazon users. This service is creating a virtual community – people are not only coming back to buy new goods, but also to sell old ones. And return visits are the bottom line for Internet success.

eBay.com

eBay started life as a private electronic barter platform in 1995 (Der Spiegel, 2002). After turning into an Internet auction platform, eBay has developed a virtual community around this core business – the company sees itself as being in the business of connecting people, not selling them things. Stähler (2001) describes eBay as a "value innovator". Private and business people exchange not only goods and services, but also opinions. The user-to-user eBay Q&A board, (category-specific) chat or the Suggestion Box show that the visitor and user is invited to participate actively in the community. Many tools assist the user when s/he needs help, such as the seller services page, the assistant tools or the guided tour. Table 4 lists the most important applications on www.ebay.com with the help of which eBay is fulfilling customer needs, costs, convenience and communication.

Table 4: Implementation of the four C's on www.ebay.com

eBay.com			
Customer needs	**Customer costs**	**Convenience**	**Communication**
• Antiques, coins, stamps, art • Electronics, music, computers • Home & Garden • Sports • Tickets • Travel • Hobbies & Craft • Business, office & industrial • Jewellery, gemstones • eBay live auctions • Sell you item	• Warranties, safe harbour • Guided tour • Newsletter • Events • Community value • Selling tools • Buyer tools • Manage my items for sale • Power sellers • Buyer and seller guide • eBay education	• eBay toolbar • eBay wireless • Seller services page • Assistant tools • My eBay • Notification • Checkout • Newsletter • Announcement • Calender • Event list • Images/HTML board • My eBay • eBay stores	• Feedback forum • Feedback discussion board • (category-specific) chat • Answer centre • Member spotlight • About me page • Community value • User to user eBay Q&A board • My eBay • Reviews • Co-branded

eBay.com			
Customer needs	**Customer costs**	**Convenience**	**Communication**
• Search for item	• Selling manager • Turbo lister	• Library • Suggestion box • Community help • Search for items and members • eBay education	advertising

This is a company which lives and dies by its customers. It has no products to sell – its business model is built entirely around the site's users. *"… the real secret of eBay's unlikely success is this: It's a master at harnessing the awesome communications power of the Net – not just to let its customers sound off directly in the ears of the big brass, but to track their every movement so new products and services are tailored to just what customers want"* (Hof, 2001).

4.2 Online Music Platforms

It was clear from our investigation of these two eCommerce icons that the marketing mix and the four C's were major forces for success at both Amazon.com and eBay.com. How would the two online music retailers compare with these success stories?

Forrester predicted in 2000 that by 2005 the record companies would have lost more than US$3 billion of annual revenue (Gitnick *et al.*, 2000) Clearly, this is a high-risk marketplace and one in which successful companies must be both agile and sophisticated in their approach to their customers. We took a closer look at Popfile.de and the Tiscali Music Club to find out how their online marketing is dealing with these requirements. From our very first look at the web sites of these companies, comparing the four C's implementations of Popfile.de and the Tiscali Music Club to those of Amazon.com and eBay.com, it was clear that the online music retailers were not taking a proactive eMarketing approach – the number of applications alone shows an obvious difference between these two companies and the online eMarketing icons.

Of course it is anything but easy to compete with illegal but free music downloads – but when it takes over half an hour to find out how to pay for a legal download, only to discover that you now need the customer number of your telephone company, or that you have to get up and go to a kiosk to buy a prepaid card (as is the case on www.popfile.de) then customer convenience is clearly taking second place to other issues in the mind of the company.

Other limitations of these sites included the fact that users cannot find all their desired tracks. The catalogues are restricted to the music the labels supporting this site (for example Universal or Sony Music) are producing and promoting. But can users really be expected to know exactly which label is producing which artist or which song when they go to purchase?

Both the analysed Web sites offer: downloading, streaming and burning of digital music and a lot of news related to the music scene. Popfile.de offers its catalogue on a one-track basis, while the Tiscali Music Club forces the user to decide, on the second page, whether what type of subscription s/he wants. These sites were clearly not designed with the user in mind – the companies' business models are intended to maximise revenue per visit, rather than to maximise sales over the long-term.

Table 5: Implementing the four C's on www.popfile.de and music.tiscali.co.uk

Popfile.de			
Customer needs	**Customer costs**	**Convenience**	**Communication**
• Music files • Compilation CD • Personal CD • Burn CD's • Music DVD • Ringing tones	• Pay per phone bill • Prepaid code • One price for all tracks • Free tracks	• Tell a friend • Prelistening • Reminder • Free tracks • Theme specials • Download charts	• Newsflash • Tell a friend
Tiscali Music Club			
Customer needs	**Customer costs**	**Convenience**	**Communication**
• Download music files • Stream music files • Burn music files • News & reviews • Internet radio • CD & record shop • Features • Who, what, were	• Guided tour • Return music files within 7 days • Cumulative library • Basic, silver, gold member	• Guided tour • Playlist services • Cumulative library • Compilation service	• Send page to a friend • Chat • Newsletter • Forum

The aspects of a virtual community with which Amazon.com and eBay.com are so successful are not very obvious on the music sites. Tiscali Music Club offers a chat room and a forum to satisfy customer's communication needs, but on www.popfile.de such communication possibilities are missing. Of course we are comparing two quite different types of companies – but the issues of consumer marketing are essentially the same in both cases and one would expect a forward-looking online music retailer to adopt effective innovations from the pure-play industry leaders.

5. SUCCESS FACTORS FOR ONLINE MUSIC MARKETING

The International Federation of the Phonographic Industry (IFPI) estimates that in May 2002 there were approximately 3 million users and 500 million files available for copying in peer-to-peer networks worldwide. Approximately 200,000 web and FTP sites were hosting or linking to some 100 million unauthorised recorded music files (IFPI, 2002). IFPI's strategy is to let those Web sites with the highest download rates close, although this strategy only works via cooperation with the Internet service providers which host the sites. The US Recording Industry Association of America (RIAA) as well as IFPI and its national subsidiaries are also putting a lot of emphasis on the legal actions they are taking against the peer-to-peer music providers such as Kazaa, Music City and Morpheus and, more recently, the file-sharers themselves (Orlowski, 2003). The industry organisation is thus focusing on attacking what it sees as the major threat to the legitimate music industry – the P2P networks and their users – rather than looking at ways of making legal online music more attractive.

It isn't easy to sell digital music over the Net, but there is a real chance for record companies to earn money with their product, provided they are willing to renounce their strategy of pursuing users who download music files from peer-to-peer networks and commit copyright infringements – because these users are their potential clients and need to be treated as such. One Korean company working with the music industry to attack the P2P networks has even come up with a technique which means that some P2P users find themselves downloading either empty files or files with unwanted repetitions (Veitinger, 2002).

But there are more constructive approaches to peer-to-peer networks than this. Gehrke and Anding (2003) propose a model which would enable users to participate in the fees charged for the download (see fig. 3). Users thus not only distribute music files but also generate revenue – for each other, for the artist and for the service provider, but all at a cost so small that it remains very attractive. Such a model has the potential to make P2P not only legal but very appealing to users and the music industry alike. This is similar to the approach taken by the software industry which finally reduced the amount of illegal software copying by making legitimate software cheap enough for “ordinary people” to afford.

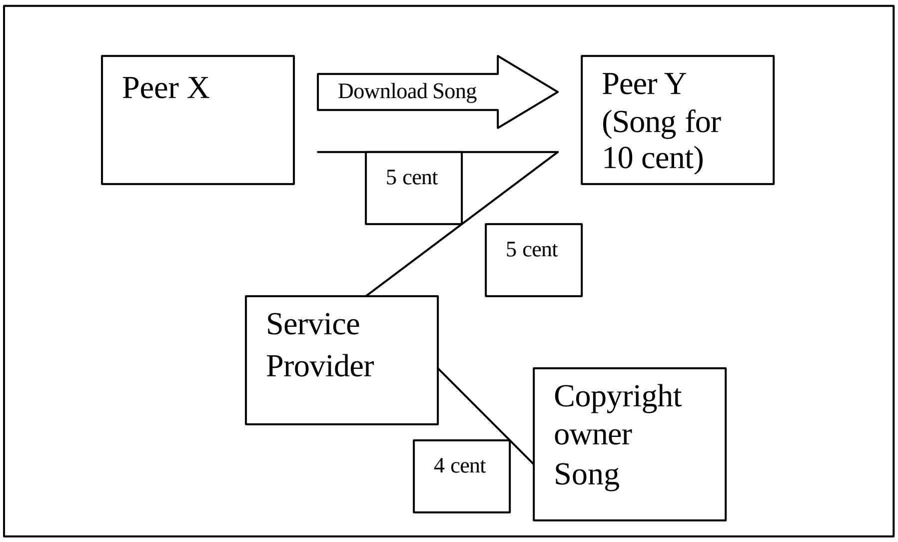

Figure 3: P2P distribution and revenue model (Gehrke/Anding, 2003, p.251)

500 million music files in peer-to-peer networks available for the Internet user make the 5000 music files offered by Popfile.de a ridiculous number. Labels have to forget about their traditional business models. “Coopetition” seems to be the only solution which can solve this problem. To offer the Internet user an adequate music file database, the different labels have to join together to build up a common Web Interface where they offer all their tracks. If the Majors started a “joint venture”, a consumer could be offered more than 85% of world music.

The digital music platforms will ultimately need to accept the fact that the Internet allows the user to compare different offers and decide which offer to take, and the trend to software comparison agents will only exacerbate this problem. The only way to acquire new customers is by convincing them through the products and services offered. According to Gitnick et al. (2000) the advantages of digital distribution of music vs. the traditional retail distribution model are that music in digital format is very convenient for consumers, consumers can buy only tracks they want not the whole album and music in digital format costs less to distribute. The Web also offers the chance to differentiate pricing, either individual or group-specific pricing or even – with self selection (Skiera, 2000) – time, quantity or cost dependant pricing.

Success factors for online music marketing:

- Concentrate on selling digital music as a core competence
- Customer as an allied (communication and convenience)
- "De-criminalise" P2P networks by making them pay (the Gehrke/Anding model)
- "Coopetition" to ensure a great variety of music to offer (customer wants and needs and convenience)
- Use the Internet technology to make customised offers (acc. to customer wants and needs and customer costs)

6. CONCLUSIONS

In this paper we have applied the well-known and well-accepted concept of the marketing mix to successful Internet selling – and discovered that the most successful online stores are those using a mixture of the traditional four P's as well as the newer and more Internet-oriented four C's. In comparing two of the most successful pure-play online retailers – amazon and eBay – with two well-known online music retailers – Popfile.de and tiscali.co.uk – we have shown that the online music industry has not yet begun to take advantage of the techniques of marketing and eMarketing to lure customers into paying for their music online in anything like the necessary numbers. We have identified five success factors for online music marketing and suggest that the music industry, in addition to any price-oriented changes it introduces (vide Apple iTunes) might also wish to consider applying these marketing factors to improve its profitability.
The major record companies could combine a focus on their core competency (music creation and searching for talent), with a greater emphasis on strategic alliances with Internet and media companies (Lam/Tan, 2001) But to be truly successful, the music industry will need to profit from the experience of successful Internet companies such as Amazon.com or eBay (or AOL or Yahoo!). Although it may seem that selling music online is innately different from selling books or CDs or running auctions, there are really enormous similarities in concept between all these activities. They could even learn from their (unloved) competitors, the peer-to-peer networks, which are clearly satisfying their users' wants and needs very effectively.
The music industry has to face the fact that it is no longer able to dictate products, prices, places and promotion in the new economy. On the Internet it is increasingly the customer who chooses what, when, where and how s/he consumes. The more the music industry attempts to treat the potential customer as a partner, the greater its coopetition with its competitors, and the more it focuses on selling customised digital music, the greater will be the chance of succeeding in its online business. The alternative is to run the risk that David Bowie's prediction will come true: "In ten years time the majors won't exist anymore" (Online Today, 2002).

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