

# **The Consumption and Perceived Value of Music in the Digital Age**

Adolescents and Young Adults as Music  
Consumers

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Degree Programme:	Media Management
Identification number:	
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Title:	The Consumption and the Perceived Value of Music in the Digital Age - Adolescents and Young Adults as Music Consumers
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<p>Abstract:</p> <p>The music industry is a big business worldwide but the recording industry is facing major challenges and changes due to digitalization. Technology developments have altered the way music is distributed and made it possible for consumers to behave differently. The aim of this research is to study the behavior of adolescent and young adult music consumers between the ages 14-22. The main research question is related to the perceived value of music; how do young music consumers value music especially in terms of monetary value. The emphasis is on the music recordings as the recording industry is the industry sector most challenged by the digital developments. The research was conducted in the summer-fall of 2015, altogether 23 people were interviewed. Additional 39 people between ages 16-22 participated in online questionnaire with open-ended questions. The results show that young people consume music on a daily basis and consider it very important to their lives. The main reasons for music consumption are psychological such as mood regulation and self-expression. Despite the importance of music, the supply of free alternatives has made music an item that has very limited perceived monetary value. Technology development leads the way for music consumption; this research reflects the consumption and attitudes at the time of the research.</p>	
Keywords:	Music consumption, consumer behavior, psychology of music, value of music
Number of pages:	54
Language:	English
Date of acceptance:	

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## 1. INTRODUCTION

Music is everywhere in our society. Music has been a part of lives of human history in one form or another as long as people have formed communities and it is present in every known culture on earth (Bordowitz, 2007). Nowadays music is an essential part of our everyday lives and social situations. It is one of the most popular leisure activities. Even if you do not actively listen to music, you are still being affected and influenced by it; music is played at social gatherings, music can be heard at stores and restaurants, movies use music to emphasize what is happening on screen, and advertizers even try to manipulate you to buy more with the help of music. There is no escape from it, music is so deeply embedded in our society.

The history of music and its meaning for us is somewhat of an enigma. Although research has been done on the psychological and scientific sides of music, none has been able to fully explain the evolutionary roots and origins of music and how it functions. Music has been studied from perspectives of psychology, musicology, biology and anthropology - all of them give their own different view on how music functions in our lives and brains. Most human behaviour can be traced to simple practical motives of survival and procreation but from simple evolutionary standpoint music listening appears to be somewhat unusual behaviour and the reasons behind it more complex. Depending from approach, music seems to have several dimensions varying for cognitive to emotional and from social to physiological. People listen to music for a variety of reasons but the main reasons seem to be to achieve *self-awareness*, *social relatedness*, and *arousal* and *mood regulation*. These are what the researchers propose we call the Big Three of music listening. (Schäfer et al, 2013)

Music is also a big business and people have made money with it for a long time, even before it was possible to record or broadcast it. Throughout the history there are those who have been paid to perform music and those who have done it without financial compensation. There are historical references to professional musicians in different times; Greek theater paid for the performing musicians, Roman Empire paid for both the performing musicians and the music creators. During the Middle Ages the church employed musicians and there was also the historical version of touring musicians: vagabonds moving from town to town, entertaining at weddings and gatherings and getting compensated for it. Composing and printing music and creating instruments were also ways to commercially benefit from music. (Bordowitz, 2007).

The history of professional music might have had more humble beginnings but as in many other areas, technology development changed everything. The acoustic era ended and new technology enabled sound to be recorded, captured, reproduced and distributed. Music was no longer attached to performing or experiencing it at a certain time and at a certain location but music also became a movable physical object that enables music to be experienced whenever and wherever. This change laid the foundation to the start of the traditional music industry as we nowadays know it. During the last century this industry has grown into a huge business that has worldwide significance. The music industry consists of individuals and companies that create, sell and perform music, or act in a role supporting those activities. Depending on a view, the music industry can be seen as part of the cultural industries, manufacturing industries, creative industries and/or copyright industries. Although all those views apply to music industry to one degree or another, in this thesis music industry is viewed as being a part of the creative and cultural industries which are focused on creating, generating and exploiting knowledge and information – the creation, sales and performance of music. (Leurdijk & Nieuwenhuis, 2012)

In 2014, the total music recording sales worldwide were 15 billion US dollars (IFPI, 2015). The numbers are still high but the industry is undergoing dramatic changes and facing some fundamental challenges. Once again the changes are brought by technology development, the very thing that helped to start this industry in the first place. Music is an information good. And like other information goods, digitalization and the Internet has had a dramatic impact on how the information is distributed. At the dawn of the digital era skeptics were forecasting the death of the music industry as a result of companies and the music creators not being able to get sustainable income anymore. It would have been more accurate to call for the death of business and revenue models of the traditional music industry. Although parts of the industry - mostly the recording business related parts with their declining record sales - are struggling, the music industry is still very much alive. The traditional lines of roles within the industry and also between industries (e.g music industry and the software industry) are blurring or being erased and in a decade the definition of music business might have changed and also expanded to cover new emerging business models.

Although the sales of music have declined, the consumption of music has not. The music sales are transforming from physical items such as CDs to digital songs, watching music videos in the Internet or streaming music online. People have better access to more music than they have ever had and they are also exposed to it everywhere. There is no longer need to go to a store to buy music, you can access it anyway and without a charge. As technology helped to transfer music into a tangible physical object, it has now helped to transfer music back from a physical and tangible object into an intangible object that can still be enjoyed and experienced anytime and anywhere. Technology changed and the distribution of music and it has also enabled new ways of consuming music and resulted into changed consumer behaviour. Consumers are giving more emphasis on *experiences* which is increasing the importance of live music performances. And although people seem to appreciate music and recognize the value of it in terms of emotional and cultural factors, the perceived value of music recordings in terms of

financial value is declining. It is difficult to convince people to pay for products when there are plenty of free alternatives.

## **1.1 Aim and Purpose of the Study**

The music industry is facing challenges to succeed in the digital era as sales of music are still declining and the industry needs to re-think their business models and find new sources of revenue. Technology has changed fast and it has affected music consumption and resulted into new consumer behavior. Understanding the consumer and the reasons behind their behavior is essential when trying to come up with new services or re-thinking old ones. Just like in any other business, companies in the music industry need to be more customer-focused than before as consumers have more power than ever and the Internet offers them limitless free options to consume (Salo, 2012). It is essential to find out the current attitudes and values affecting the music consumers as understanding the music consumer is a key issue when trying to plan and predict the near future of the industry.

There has been research into the music consumerism during the digital age but the research has concentrated mostly on music consumption related questions what and how or particular areas such as piracy. There is data about how people consume music, what music they consume and what devices they use to do it. For example the trade association IFPI releases numeric data and annual reports of key figures and consumer trends ([www.ifpi.fi](http://www.ifpi.fi), [www.ifpi.com](http://www.ifpi.com)). There is less research on why and how the value of music as an information product has changed during the digital era. The general assumption is that the value of music in financial terms has changed. Adolescents and young adults have grown up with access to the Internet and it has been a factor in shaping the behavior and values they are expressing now.

The aim of this research is to give more in-depth analysis for the current consumer behavior of young adult and adolescent music consumers (age group 14-22 years old); how they behave as music consumers and what are the underlying factors for this behavior. The current attitudes and values of young music consumers, specifically how they value music, how meaningful they see it and what are their attitudes towards music. The main focus is the commercial side and economic value of music and music recordings; how this age group sees music as a product or a service and what kind of monetary value they give it and what are they willing to pay for.

## **1.2 Research Problem**

The primary purpose of the study is to find out how young adult and adolescent consumers value music - more exactly music recordings and live music performances. What is the value and meaning of music for them, why do they listen to music and how they relate to it, and what is their willingness to pay for it. The focus is on the commercial value of music although other value aspects like psychological value need to be included for a cohesive overview of the topic. The research problem is to find out the perceived value of music among the adolescents and young adults; what products are they spending money on or what are they willing to pay for.

## **1.3 Research Methodology**

The qualitative method was the main research method in conducting this research. The research was executed by interviews with members of the target group. The



interviews had a set of standardized open-ended questions but the interviews were unstructured, giving room for conversation to evolve around the topic. This research method was chosen as the aim was not to just gather numeric data but to understand the responses and the behavior of the interviewees better (Brennan, 2013). The same basic open-ended questions were asked in all the interviews. In addition to interviews, more responses were also gathered via online survey with open-ended questions (Appendix 1). This method was included in the research to gather more data to evaluate if it verifies the results of the qualitative research.

### **1.3.1 Collection of Data**

The research consist of a number of interviews. Altogether 23 people between ages 14 and 22 were interviewed. Seven interviews were conducted during the summer and fall of 2015. Four of the interviews were group interviews with 4-7 individuals per group. Three of the interviews were individual interviews. Four of the interviews were conducted face-to-face, three of them via Skype. 14 of the interviewees were female, 9 males. For the purpose of getting as open and honest responses as possible, all the interviews were conducted so that the interviewees remain anonymous. In geographical terms the interviewees represent different parts of Finland, the most northern interviewee from Oulu, the most southern participant from Helsinki. The participants for the interviewees were found initially utilizing network of personal connections with family, friends and work colleagues who had some form of connection with age appropriate members of the target group.

To verify the results of the qualitative research, more data and responses were gathered via an online questionnaire with 27 open-ended questions, three of which were related to the background of the respondents, there rest were the same questions that were the basis of interviewees. Responses from 39 people between the ages of 16-22 were gathered via the online survey (Appendix I). The online

survey provided very similar information to the interviews, the data gathered was only used to further verify the analysis and the conclusions. The analysis is mainly based on the interviews as the online survey did not offer any contradicting results.

### **1.3.2 Limitations of the Study**

The changes in the behavior of music consumers have been relatively rapid during the past decade. The technology developments have been the basis of change in the consumer behavior. As technology continues to develop and new innovations make their way to the market, behavior changes and adapts to the changing environment. This thesis reflects the media and music industry landscape at the time the research was conducted. The scope of the study has been limited to assessing mainly the value of music in term of its commercial and economical value to young adolescents, emphasis being heavily on music recordings to limit the research into one aspect of the huge music industry. Since the cultural and psychological aspects affect music consumption in a huge way, the psychological and cultural aspects are also discussed but their share of the thesis is limited to keep the length of the thesis reasonable.

## 2. MUSIC COMSUMPTION AND CONSUMER BEHAVIOR

Consumer behaviour is *the study of all the processes that are involved when individuals or groups of people select, purchase use of dispose of products, services, ideas or experiences to satisfy needs and desires* (Solomon et al, 2002).

It is the study of how we all behave as consumers and what are the motivations behind our actions. We are all consumers and our needs and wants range from physical needs like hunger to more mental needs like friendship and personal and professional fulfilment.

Although consumer research is relatively new, people have been consumers for a long time. Consumption has a large role in our society and it has huge social and economical implications. Consumption process is complex and it is part of our daily lives; we constantly make choices and decisions affecting our consumption. Whether those choices are conscious or not, they still play in an important role in shaping our society and culture.

When referring to a consumer, it is generally thought as an individual who has a need or a desire and purchases, uses and/or disposes or a product or a service to satisfy that need or desire. In some cases these functions can all be performed by different people. The purchaser and a user of a product or a service might not be the same individual - a child may choose a piece of clothing herself but her parent pays for it. Or an office manager in a school office orders pens for the whole school staff but be just a one of the people using the ordered pens. Environment has a huge impact on consumer behavior as humans are social animals and we are influenced greatly by others. (Solomon, 2006)

Music has been consumed for centuries. The meaning of music and reasons for music consumption has been studied and researched. Depending on approach, the focus has been individual, social or cultural factors. Music has also been studied in relation to consumer behavior. Studies has shown that music can influence consumer behaviour and consumer decision-making. It has been demonstrated that music can be used in setting the right atmosphere for consumers to buy. That part of music and consumer behavior has been researched and it is not the focus of this research. This thesis focuses on consumer behavior of young adolescents and young adults in relation to music consumption. Digitalisation has had a huge impact on the music industry during the past two decades and the consumer behaviour has radically changed. The behavior of music consumers is now completely different than they were thirty years ago although the basic reasons for music consumption have remained the same.

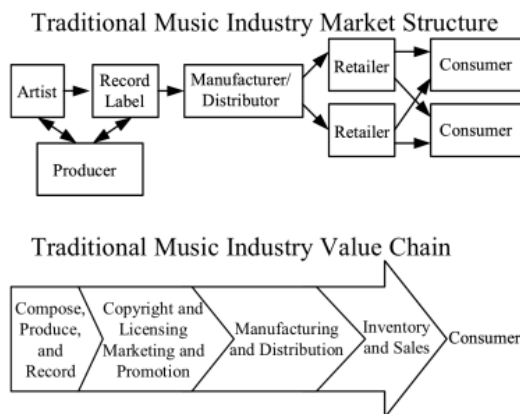
The music industry represents a big business but the youth is also a huge consumer group which provides a big market for the music industry. The question for the industry is to how to reach their target market when the traditional business methods are not compatible with the current consumer behaviour. Understanding the consumption styles of the young are important for the music businesses when they think of new revenue sources and new business models.

## **2.1 Overview of the Music Industry**

Music industry consists of individuals and companies that create, sell and perform music, or act in a role supporting those activities. Although the descriptions of industries like the copyright and manufacturing (e.g. pressing vinyls) fit the music industry, it is generally viewed as part of the cultural and creative industries. It focuses on creating, generating and exploiting knowledge and information - to be

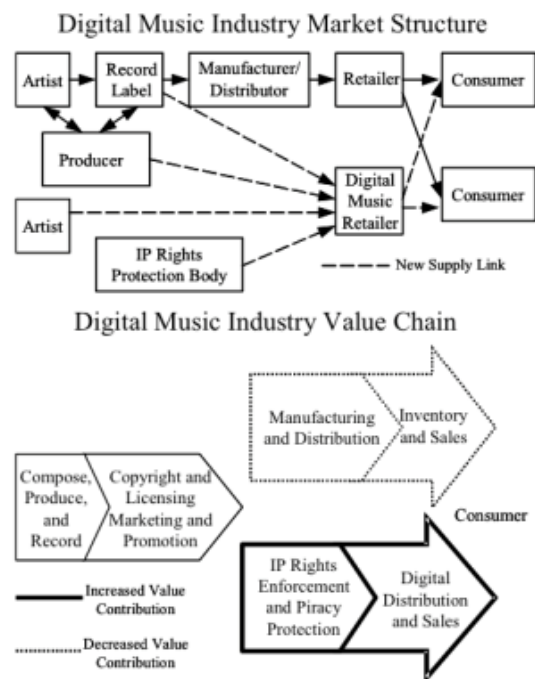
more exact people in the industry create, sell and perform music. (Leurdijk & Nieuwenhuis, 2012)

Music industry can be seen as being divided into three major sub-sectors. The major sub-sectors of the music industry are the recording industry, music publishing and live performances. This thesis focuses mainly on the recording industry as music recordings are their main product. The importance of live performances is increasing so they are partially included in this thesis as concert and other live event tickets are a huge revenue sources for the music industry and live performances are strongly linked with music recordings. The definition of music industry is also changing as the traditional music industry is expanding to cover newer companies like the music streaming companies. Nowadays there are also for example television formats that are based around music (Idols, Voice of Finland) but fall more in the category of television and entertainment although music labels are involved in making these shows and use them to sell records. The overall value chain of the music industry is also changing as can be seen in the illustrations below.



**Image 1.** Traditional Music Industry Value Chain (source: <https://arobinaday.wordpress.com/2012/02/12/the-structure-of-the-music-industry/>)

**Figure 2. Digital Music Distribution Value Chain**



**Image 2.** Digital Music Distribution Value Chain (source: <https://arobinaday.wordpress.com/2012/02/12/the-structure-of-the-music-industry/>)

Despite music being a huge business, it is dominated by just three major players. There has been a lot of consolidation during the past two decades. The three major players were born as a result of big industry players emerging with each other. The three major companies Universal Music Group, Sony Music Entertainment and Warner Music Group together share almost 90% of the music recording market. A little over 10% of the global market is held by independent labels. In Finland the ratio reflects the global one with the three majors holding approximately 91% percent of the domestic market in 2015 ([www.ifpi.fi](http://www.ifpi.fi)). (Music & Copyright's Blog, 2015).

As the statistics show, the global market is strongly dominated by just a few companies. This dominant role is often seen as a negative thing as the record labels are often accused of being overly protective of their own profits, usually at the expense of both their customers and the artists and bands they represent. As the technology has both changed the consumer behavior of the customers and given the musicians the possibility to bypass the record label and connect directly with the listeners, it is these major companies that are being hit the hardest with declining record sales. This affects how record labels sign and develop their artists so it has an effect on the music creators and the whole music industry as a whole.

The business model of the recording companies has always been based on selling music in album format, singles have been created and sold as means to promote those albums. Digitalisation changed that and has allowed album format to transfer into single-song purchase model which is shaking the core business foundation of the recording companies. Consumers can now buy just the songs they want and are not forced to buy the whole album to get for example just three songs. The file sharing service Napster started the downhill for the recording companies in 1999 when they came up with an Internet based service that allowed users to share files with their peers. Although Napster eventually lost legal battle with the recording companies, the behavior of the users had already changed and Napster was followed by several other file sharing services. The legal battles are

still used to fight the illegal services but the effects have already been devastating for the recording companies. From a consumer point of view the recording label is not usually given much attention unless it is a known niche label and the consumer knows what to expect from the label (e.g. the label is concentrated on certain genre). But for the most part it is the artist of the band that gets most of the attention, not the label behind it. (Bordowitz, 2007)

The music industry has been blamed for being slow to respond to the changes in the consumer behavior. Technology made file sharing easy and effortless but it took the industry a longer time to come up with legal alternatives that offered the users the possibility to pay for music instead of just downloading it for free. It can be seen as a sign on how the lines between industries are blurring that the first successful idea of music service came from outside the music industry. Steven Jobs of Apple introduced the idea of iTunes Store and the online music store was launched in 2003. Since then there has been several different more or less successful attempts at legal digital music stores. (Owsinski, 2009)

Despite of declining record sales, it is difficult to call for the death of records when looking at the industry statistics. In 2014, the total revenues of the music recording industry worldwide were 15 billion US dollars. For the first time in history, the sales from digital and physical sales contributed to the same percentage (46%) of the total music sales. The general trend is for the physical sales to decline while the digital revenues are making up for a bigger part of the total sales. The total digital revenues include the subscription music services which are continuing to grow as they expand to new markets. The general trend applies to Finland as well, the digital sales are constantly growing and has surpassed the physical sales. (IFPI, 2015)

## 2.2 Changing Consumer Behavior

Unlike the sales, the actual consumption of music has not decreased. Music is everywhere and is considered a natural part of our society and daily lives. The meaning of music for people can be studied from different perspectives, psychological and social-cultural stating that music is one of the elements that reflect the identity of a person and feelings and hedonistic motivations also being main motivation for music consumption. Understanding these motivations are important because they can help the music industry to relate to its customers and better understand the consumption habits. As the level of music consumption of music has not changed, decreased consumption is not the reason behind the problems the music industry is now facing. Yet there is a clear change in consumer behavior; a change that has been brought along by the digital era and the technology developments.

In the digital world Generation C as the social media generation is known, has learnt that digital data can be acquired, consumed and shared easily. When content is in digital format, it is difficult to control how and where it is shared (Levine 2012). The Internet is also full of free content. This is transforming purchase behavior as there is a mass of consumers who expect to get entertainment and information for free or at a very little cost. This is also the area where the main reason for new consumer behavior lies: the perceived value of music has changed. Music fans born prior to digital era remember the days when you had to listen to the radio for all day just to hear you favorite song played, finger on the record button in hopes of catching it on tape. The only other option to get is was to buy the physical album. Nowadays music is available everywhere, easily and without consumers having to show much effort to get it. There is endless supply and plenty of options to consumer music for free. People might be consuming music as much or even more than they did in the past but declining recording sales show that most are not willing to pay for albums anymore. This results into a conflict because the music industry is still full of professionals who see music being the



main product they are selling and some concentrate on enforcing legal actions rather than just adapting to the new environment and coming up with new revenue models.

Although the latest decade has been the time for rapid changes, there has been several bigger changes in the music industry. During the first era, the vinyls were the main products and the artist had no direct contact with the music consumers except at live concerts. Music was bought at from record stores and artists toured the world to sell records. The second era saw the rise of CDs and the large multinational music conglomerates that even now still dominate the recording industry. Music is not available just at the record stores but also at supermarkets and department stores have huge areas decimated to music only. Artist and their development become more important and emphasis was also given to appearances as the music videos became essential. The third era is the start of the digital era when consumer behavior changed faster than the industry was able to react and piracy and peer-to-peer file sharing became common. This is the most drastic change in the behaviour of music consumers as they are transferring from buying music to listening and getting music for free. The next era is the current era when it is all about the interaction; artist are communicating and selling directly to fans. Or even selling but sharing their music for free in the Internet. Music consumers have more direct access to their favourite artists than ever. Music listeners can also choose to stream music instead of buying and owning it. (Owsinski, 2009)

All the technology developments have made the music industry a challenging business environment. Marketing is easier than ever as there is more direct contact with the target audience and research can be conducted easily. The main challenge is to either trying to change and adapt or accept the fact that the general notion of especially the younger generation seem to be that everything in the Internet - including music - is or should be free.

## 2.3 Music as a Product

Music is a commodity with commercial value. Music is an information good. And like other information goods, digitalization and the Internet has had a dramatic impact on how the information is distributed. Music itself is intangible, you can not touch it. You can touch devices that contain it and play it but music itself is an experience with psychological and neurological effects. As an information product, music can also be monetized.

Music started as a service and an experience since it was always performed live. Then the phonograph and later the other recording and playing equipment transformed music into products as music recordings were born. Music was no longer something that had to be experienced when it was played, it was possible to record sound and listen to it later. This completely changed the music experience how music is seen. Music became something that you were able to own and collect, eventually something that you were able to access and consume without having to pay for it. Contrary to the recording industry who sells music products, the streaming services handle music recordings like a service, a trend that seems to be growing. Nowadays music can be considered as a product, a commodity, an experience and a service. It is also considered an art form, the reason why some people detest calling music a product.

Even if you consider music mainly an art form, an experience or a service since it is immaterial, music is a commodity with a commercial value. Just the size of the music industry demonstrates that. Even if the music recording sales are declining, the total value of the industry has is still growing as there are several other revenue sources like the performance rights and publishing revenues (e.g. music in video games). Traditionally people have paid for the media that conveys the music such as CD or a vinyl record. Since digitalization changed that and the physical medium is no longer needed for getting the music, it is easy to see why some people come to a conclusion that music is no longer a product nor should it

be considered a product. Yet music still has characteristics of a product as it can be bought, sold and licensed. We also have legislation which governs music making and performing as well as the consumers who listen to it. There are still laws that prohibit the illegal distribution of music, even if the same music so basically the same product is available somewhere for free. Music recordings are the basis of the recording industry and still a huge revenue source for the industry. Commercialization of music is a fact and although music can be created for recreational purposes and just for pure fun, it can also be monetized.

For those arguing that music is not just a product but an experience, live music provides a good example. Especially now that music recording sales are declining worldwide and the importance of live music as a revenue source is increasing. Live music is a unique experience that takes place in a certain place and at a certain time, it cannot be exactly replicated, multiplied and distributed. Therefore concerts and other live music tickets are a great selling item for the music industry. Live DVDs and recordings are an attempt to recapture live music events. Piracy is not a new phenomenon as bootleg recordings have been sold and circulate for decades, even before the digital era. Nowadays most performing bands share live clips of their performances with their fans. Even if they don't, there are always the fans who fill the web with live clips, audio and video quality ranging from very bad to very good. Recorded live shows are also a revenue source for the music industry as professionally shot live DVDs are sold and distributed. They have the same problems as the audio recordings; too many free alternatives and the professional video clips end up in the Internet right after they are released.

As music recordings are losing their selling value, concert ticket prices are increasing. Bands used to tour to sell records, nowadays bands sell records or give away free music to sell tour tickets. An English band Muse is taking this next step further: the band is touring the world in 2015 – 2016 and every concert ticket purchaser get a free copy of the new Muse Drones album for free (free digital

download, physical copy with the postage fee). Muse is not the first band to experiment; American band Nine Inch Nails and English band Radiohead both tested their fans by uploading their albums in the Internet and letting the downloaders decide how much they are willing to pay for the album. In commercial terms, the trial was a success for both bands with already established fan bases and they ended up getting more money with releasing the albums independently than they would have gotten if they had released the albums through a major record company. This is despite that fact that 64% of the Radiohead album downloaders decided not to pay anything at all for the album. Both bands have since given statements of regret since they feel their actions have contributed to the notion that music is and should be free. So although releasing albums independently without the record labels as the middle men turned out to be commercially viable option, it still clearly demonstrates that most consumers do not mind just taking the music for free even when they are given the option to choose how much they pay. (Sandoval, 2013)

### **2.3.1 Physical and Digital Sales**

2014 was the first year both in Finland and worldwide when the digital music sales contributed to the same value as the physical music sales world wide (IFPI, 2015). The trend is continuing as the sales of physical items are expected to keep decreasing and being substituted by digital sales. Digital products have their downside like piracy but they also has a commercial upside; the removal of most distribution costs.

Digital music has enabled music consumers to change their behavior. Digital sales have removed the geographical boundaries, user no longer has to go the nearest record store to get the albums, they can be downloaded from the website of her/his choice. If the price set by the supplier is considered too high, the users can

always turn to free services. It is worth noticing that despite of all that, there seems to be only little price competition in music, nor have suppliers lowered album prices. There are certain discount strategies (e.g. 2 albums for 15 €) but digital era has not affected the album prices as much as could have been expected. Despite digital album being significantly cheaper to distribute (and in some cases to produce), the purchase prices for digital albums are only somewhat lower than for physical albums. Price has not been used to convince consumers to choose legal alternatives over the free options available.

### **2.3.2 Music Streaming**

Music streaming services are getting more popular all the time as the services are expanded to new geographical areas and the number of service providers increase. From a consumer point of view the services are usually viewed with a positive attitude. The number of music streaming service providers is increasing and competition getting fiercer.

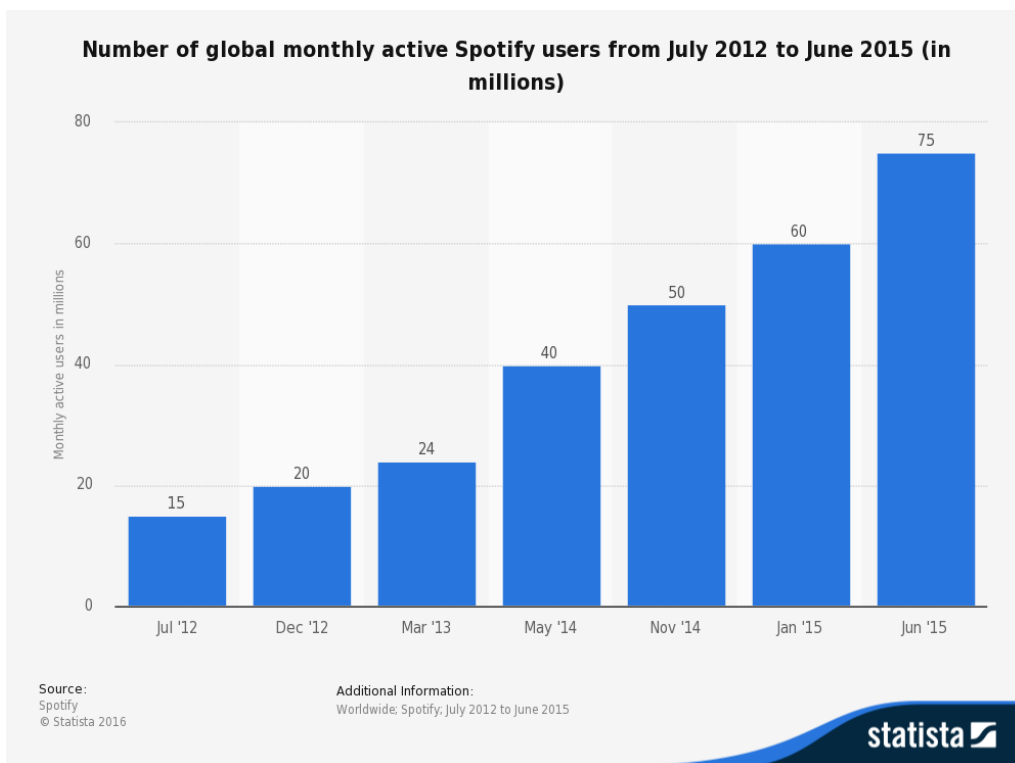
Music streaming services such as Spotify and Napster (the new version of Napster which was established to replace the peer-to-peer version of Napster which was closed after a legal battle was lost) can be used for free or subscription is relatively cheap (compared to buying actual albums), easy to access and use, give an easy access to millions of songs and you give the user the opportunity to find and try new music with no risk, offering customers exactly what they want and when they want it (Owsinski, 2009). The popularity of these services suggests that the importance of ownership is diminishing. Instead of buying, users are streaming music. From a music creator's point of view the services are more controversial as the level of compensation the music creators get is debated. The publishing fees received from streaming services are so low that music streaming does not compensate for the decline in album sales but streaming service can also be seen a strong marketing and promotion tool, enhancing revenues received from

live performances or merchandise. Streaming music is cheaper than buying it and gives you an access to a larger database, making it an attractive option for most users.

Despite the number of suppliers in the market, all suppliers are offering their services at around the same price; for free or monthly subscription for close to 10 euros (Finland), so they are not competing with subscription price. From a consumer point of view music streaming services are better than for example the movie or TV program streaming services as on movie/TV side the different providers often make exclusive deals and certain movies/series are only available from a certain provider, forcing the users to subscribe to several services to get access to all. In music, the services usually include the same content (same songs and albums) so by subscribing to one the user get access to most content. This makes it more difficult for the service providers to differentiate from others as they cannot do that by having different content. And competition is tough as the users only choose one provider, not subscribe to many.

From a music creator's point of view the services are more controversial as the level of compensation the music creators get is debated (and is also depends on contracts). Music streaming services do not reveal the amounts they have paid as compensation to record companies and artists/bands but some bands have come forward and revealed the amounts they have received for their music having been played. An example of this is a Finnish band CMX who came public with having received 50 € as compensation for having one of their songs played 400 000 times in Spotify (Karkimo, 2012). With low numbers like the ones published, it would be difficult to imagine bands and artist making a living with just having their music streamed. Therefore it can be concluded that music streaming will not fully compensate for the decline in physical music sales but can be a strong marketing and promotion tool (just like music videos), enhancing the revenues received from live performances. Music streaming service providers are an example of a business sector that did not exist ten years ago but the pioneers came up with a

new way to get revenue from music, and have grown rapidly since their establishment. The record labels might not necessary like the existence of streaming service businesses but for now they have not been able to fight the popularity of these services among the young consumers. The popularity of streaming services keep growing and the turnover for these businesses is increasing but we are yet to see these services turning profitable.



**Image 3.** Number of Global Monthly Active Spotify Users from July 2010 to June 2015 (in millions) (Statista, 2016)

### 2.3.3 Piracy

The digital age has brought along a negative phenomenon that is partially affecting the music sales. The degree of that effect is widely debated. There are

parties that blame piracy for the struggles the music industry is going through and see piracy as the number one enemy of the business. The reasoning is that if music is available for free on the Internet, people are not willing to pay for it but download it for free, therefore affecting the actual music sales. Since the number of total music sales has been mostly declining during the Internet era, it is easy for record companies and artists to blame piracy for the declining sales and many are ready to see piracy as a major challenge for doing profitable business with music in the future. Piracy itself is not new, even in the analog era some people were making money with bootleg albums, but the digital era has made piracy easier and more widespread. (Levine 2012)

There are also parties that question the real affect piracy has had or still has. Although the sales of audio recording has declined, some see that the problem and its effects have been over exaggerated, and what is currently illegal downloading is actually having a positive effect on the music industry as a whole. The claim is that even if users are downloading their music for free, free consumption and file sharing is resulting into increased awareness of bands/artists and therefore enhancing ticket and merchandize sales. According to research made, it seems that record companies and self-released artists are less tolerant of piracy and actively speak against it whereas artists/bands that do a lot of live performances are more tolerant, most likely as they get most revenue from performing live than from record sales. Surveys show that the reasons for piracy are not mainly economical but more based on the attitudes, the downloaders do not feel they are doing anything “wrong” or taking anything away as there are other free consumption options available as well. Copyright issues are problematic as the technology develops faster than laws and regulations. (Bacache et al, 2013)

When piracy and free legal alternatives such YouTube and other music-themed websites or streaming services are available to compete with the digital and physical music sales, buyers have a lot of purchasing power and consumer behaviour is affecting the whole economy of the music industry.



### **2.3.4 Live Music Performances**

As the recording sales are not what they used to be, the music industry is counting on other income sources. The meaning of live music performances is getting increasingly important. Digital music can easily be copied and shared but the concert and other live event tickets are still unique experience items which makes them scarce commodity. And the scarcer the commodity, the higher its value.

Since the ancient times, musicians have used touring as a source of income. After the recording industry was established, touring became a constant revenue source for the musicians. This did not went unnoticed by the recording industry as in addition to just record deals they started offering contracts that became known as 360 deals. In this business model the record labels does not just get the income from the sales of records but also gets its share of the other revenue streams of the artists. These include share of touring, merchandize and music publishing (commercial use of music). In essential the record company acts as the manager and get a cut of everything. For the traditional music companies, these types of deals balance the drop in music recording sales, especially as tours by major artist can gross huge sums. (Owsinski, 2009)

The global entertainment and media outlook predictions state that the decline in music recording sales will compensated by the annual growth in the global live music revenues within the next five years (Global Entertainment and Media Outlook, 2015). These predictions are promising for the music industry as the revenue sources are expected to grow annually and there is no clear alternative available for the consumers. If you want to experience a concert, you have to pay for the ticket, you cannot download the experience. And the annual sales and increasing ticket prices suggest that people are willing to invest their money on experiences.

Although live music is organised worldwide by independent and local companies, the global market is held by one major player, Live Nation Entertainment. To suggest the size of the live music industry, in 2014 the total revenue of Live Nation Entertainment amounted to 4,73 billion US dollars (<http://www.statista.com/statistics/193710/concert-revenue-of-live-nation-entertainment-since-2008/>). In addition to owning concert venues, the revenue of Live Nation comes from concert tickets, sponsorships, advertising and ticketing. According to the CEO of Live Nation, their mission is to serve the consumer better by not selling just the concert ticket and the two-hour experience but by making items such as concert posters, live recordings or concert pictures available for the concert attendees (Reynolds, 2009). All this would help in making live music even more important for the music industry in terms of revenues.

## **2.4 Music Psychology**

Music has been an elementary part of our cultures and societies but its functions are still a bit of a mystery. Research has been done to find out why the acoustic frequencies are appealing and meaningful for us, and why they have the capacity to move us from one emotional spectrum to another. Our brains are working hard when we listen to music; performing filtering, ordering and prediction. This happens even when we do not pay attention or just casually listening to music on the background, our brains working unconsciously. After all the studies, it is still not fully explained how the psychological process by which the sensation of sound is converted into a feeling, emotion or mood. But it has been clearly established that music is capable of producing very intense emotions and experiences, and it can both heighten and calm emotions. (Ball, 2002).

*Self-awareness, social relatedness, and arousal and mood regulation* are the main reasons why people listen to music (Schäfer et al, 2013). Self-awareness refers to music affecting emotions; music can make people feel certain things and music

can be used as a method of escapism. It is more about identity forming than just mood regulation which is about enhancing feelings or for example avoiding feeling bored. Social relatedness is about promoting communication and social cohesion, being part of a social group. Social relatedness plays a role in for example music genre followers or fan behavior of boy bands as it is peer group integration. These are the three main reasons for music listening but there are a number of other reasons varying from psychological and emotional to social reasons. According to Kimmo Lehtonen, music gives us experiences that are fundamental in constructing identity, self image and self confidence (Louhivuori & Saarikallio, 2010). Due to the profound psychological aspects of music, music can also be used as a part of therapy. It has been studied that music can help in dealing with negative emotions such as fear and sorrow and it can be used as relief in intense and discomforting situations. It also has a part in fighting against feelings of loneliness and paranoia. (Lehtonen, 2008)

Mood and emotion regulation is consistently identified as one of the main reasons that we listen to music (Williamson, 2014, p. 54). Music can be used to balance out negative feelings and emotions but it is also used to enhance positive feelings. Brain experiments led by Robert Zatorre have shown that music can cause as strong feelings of pleasure as other stimulus like drugs or sex. All activate the same areas in the brain and can cause deep feelings of pleasure and satisfaction. (Louhivuori & Saarikallio, 2010).

We use music to get our mind off of negative things like fights with friends or work stress, to relax or just purely for entertainment. Due to the deep psychological factors, music is not just a help in constructing identity -such as feeling you are a part of a group or forming an identity that is separated from your parents- but it is also a great mood regulator. Just a look at the playlists in for example Spotify gives a view; there are playlists for different occasions like for parties or for relaxation. Music has a connection with social interaction and although music is often consumed alone, it is also very much a group activity. At

concerts and festivals people gather together to enjoy music along with the company.

As music is a part of our daily lives, it is part of our culture and our consumption habits. Most people listen to music but even if you do not, music is still actively part of your life as you can hear it everywhere. Even if you do not actively seek and listen to music, you are being influenced by it. It would be difficult to completely avoid music as it is so deeply embedded in our culture and lives. We are even being actively influenced by it as music as it is used to direct our behavior and to alter our mood. For example watching the movie Jaws would not be the same experience if you did not hear the theme music which is used to build the scenes.

Consumer behavior of music consumers has changed and is still changing due to technology developments. Although technology allows music to be consumed in new and different ways, the reasons for music consumption remain the same. The psychological reasons and factors are still the same and there are no changes ahead for the psychological reasoning for music consumption. No matter how technology changes, people will still need the help of music in building their identity, feeling socially related and seeking music for regulating their mood.

### **3. ANALYSIS**

Music is a tightly embedded in our lives and the psychology behind it is complex and multi-layered. Therefore it was necessary to ask questions related to music consumption from several perspectives to get a cohesive picture of the music consumption of the respondents. For analytical purposes the research is divided into three different categories or sections. The first part deals with the psychology of music consumption; why the respondents listen to music and what music means to them and what kind of role music has in their lives. The second part deals with the practical side of music consumption; where and how the respondents get and consume their music. The third part deals with the financial part; how much money the respondents spend on music and how they see the commercial value of music. All these three parts are interlinked and give an overall picture of the music consumption of the respondents and what the perceived value of music for them is.

#### **3.1 Music and Psychology**

Mood and emotion regulation are consistently identified as the main reasons that we listen to music. This research supports that as all respondents somehow linked music listening to their mood and emotions. In addition to that, the respondents have other very similar responses to questions related to their music consumption habits.

Although earlier research has shown that there are differences between personalities but also differences between sexes when it comes to music consumption and reasons for listening to music (traditionally females use music to control their emotions and males to bump up their energy), in this research there

was no significant difference between sexes. Both males and females have very similar reasoning for their music listening. There were also very little other variation between sexes in other parts of the research, both sexes gave similar responses in all three sections of the research.

All the respondents said they listen to music on a daily or almost daily basis. Despite of their daily consumption, only a half of the respondents considered themselves to be “heavy users”. Music is considered a part of everyday life; it is listened to when driving, in the background when doing homework or house chores like cleaning or cooking, when doing sports or taking the bus, in the background when playing computer games or reading magazines. Music is also listened to when getting ready for a party and when partying. Sometimes music is played in the background and it is more of a background noise for other activities, sometimes music is concentrated on and purposefully listened to as a main activity. So music can be both a primary activity and a secondary activity.

Everyone of the respondents considered music as *important* or *very important* for their lives. When asked what would be missing from their lives if there was no music, the respondents all acknowledged that something important would be missing but only some were able to pinpoint more accurately what. There were several references to life being “empty” and “something important missing” without music. There were references to having less joy in life and having more difficulties in processing emotions and feelings.

*“It would be more difficult to discharge feelings and it would be more difficult to get yourself in a good mood. I would feel myself much more lonely”* (18-year old female interviewee)

*“Sometimes I like silence but life without music would be pretty boring. Music brings comfort and consolidation, that would be missing. When nothing else helps, music might”* (18-year old female interviewee)

Music has a strong connection with social interaction and it is seen as a natural part of social activities. This is apparent in the research as well as almost all respondents say they listen to music not just alone but also with others. Music is seen as an element strongly associated with parties and get-togethers. Especially the girls expressed music as part of their get-ready ritual before they go out. Music as referred to as “mood setter” not just before getting ready for a party but also at the party. Although the social aspect of music was apparent in the research and almost all (exception of two respondents) said they listen to music alone or with in a group with friend, majority of the respondents still expressed that their favourite way to listen to music was alone.

Music is considered to be entertainment and a way to pass time but a majority of respondents link music to psychological aspects like emotions and feelings. The target audience of this research is young adolescents and earlier research has shown that music has a huge meaning in young person’s life. Age is considered to be a factor as a young person is facing many challenges when a person’s identity is just developing. Music is considered helpful in dealing with the emotional roller coaster of teenage years and young adulthood, and finding an identity that is separated from the parents (e.g. listening to different music than your parents). Psychological reasons are linked with music listening by almost all of the respondents. Music is listed as a way to lift your spirit, as a help to get over a rough patch, as a relaxation tool and as a way to express and let your feelings out. Respondents listen to music when they are happy to keep up or emphasize that feeling, and they listen to music when they are feeling sad and want to feel better so music is listened to for emotional comfort and support. This supports earlier research that young people have strong emotions and music plays a part in mood regulation and helping to cope with feelings. (Louhivuori & Saarikallo, Suvi, 2010).

*“Music cheers me up and affects by mood in a positive way. It is the daily enjoyment that keeps you in a good mood”* (16-year old male interviewee)

*“Music takes me to someplace else and helps me to cheer up and withstand even negative stuff”* (22-year old female interviewee)

*“Music helps me to endure and it gets me into a good mood”*  
(18-year old female interviewee)

*“I handle thoughts and emotions through music. Music helps me to calm down, relax or cheer up whenever I need it”* (20-year old female interviewee)

*“I have a daily need to listen to music. Without it I am irritated and annoying to others”* (17-year old female interviewee)

Music is also linked to memories; music helps to bring back memories and helps to re-live them.

*“Sometimes music brings back memories of something that has happened earlier. Music is related to those memories and I might forget them if music did not remind me”* (18-year old female interviewee)

Lyrics are also important, in all the group interviews somebody brought up the lyrics and everyone in the groups agreed that often music is listened to because of the lyrics and what they mean to the listener. Sometimes lyrics express what the listener is feeling but cannot find words for (or a lyric writer says is better and more accurately), or they otherwise find a way to speak to the listener. Lyrics are



often interpreted to fit the life of the listener rather than what the music creator intended at the time of writing.

*“Music is important for me because I listen to it daily and it helps me to relax. Music is also close to my heart because of lyrics of certain songs”* (16-year old male interviewee)

Everyone of the interviewees listened to music and considered it as important but out of all the interviewees only two actually make music themselves and considered music as a hobby and themselves as a musician. Both of them said that music is part of their identity and it helps them to express their feelings. Although they emphasized that part, it was not unique to just them. Respondents who did not make music themselves still considered music as a way to express themselves. Sometimes music expresses and voices something that a person cannot say himself of herself . This is where example music genres and fan behavior becomes relevant. Liked music genre can often also influence the lifestyle and for example the physical appearance of a young person; for example fans of goth music might dress in goth clothing and express that way they belong to a certain sub-group. A very common way to show fandom is to wear a t-shirt of your favorite artist; it signals to others that you like and support that specific artist or band. All of the interviewees categorized themselves as fans of at least one or more artists and they acknowledged that there is a link between genres and lifestyles in general.

### **3.2 The Consumption of Music in Practice**

Digitalization has affected the music business in the major way. Those of us who have lived through the change from analog to digital has experienced the old way and the new way. The old way referring to live and music distribution before the Internet, and the new way referring to life and music distribution post the start of

the Internet. The younger generation of people under 20 years old has not; the Internet was already invented when they were born and it has been around when they were growing up. So the new way is the only way they have lived through and it shows in their behaviour as customers and consumers; the young live completely in the digital world and they are digital natives. For them music has always been easily portable and they are used to listening to it when they are on the move and this reflects in this research.

As consumers the research group of young adolescents and young adults between 14 - 22 years old in this thesis are pretty unanimous group, the consumer habits related to how and where they get their music shows some variation but there are clear major trends showing among this research group. These young individuals have grown up in the digital world and it is reflected in their consumption habits. For example IFPI researches music consumer behavior of different age groups and releases reports on the consumption habits of Finnish consumers ([www.ifpi.fi](http://www.ifpi.fi)) so the practical side of music listening -where and with what - is not the main focus of this research but it is still briefly included to give a more comprehensive picture of the overall music consumption habits.

The number one device for listening to music is the computer. With the exception of two individuals, all the participants used computer as the main equipment when they listen to music. Most of the listening takes place at home but with laptops, music is easily moved from place to place. The clear secondly popular device is the mobile phone, it is also used by almost all of the respondents. In addition music is listened to with portable devices like tablets and the iPod. With mobile phones and other portable devices music can and is listened to everywhere. Also car stereo is used by those who can drive. Only two of the respondents said they listen to music using stereos. Those respondents also pointed out using better speakers and also headsets for a better audio so audio quality is important for them. Also only two of the respondents listed radio as one of their source and device for their music, although only one of them listened to an actual radio device,

the other one uses phone to listen to radio stations. Vinyl player is used by one of the respondents so although the sales of vinyls is increasing again, it is clearly a marginal item within this age group.

The respondents were asked where and how they get the music they listen to. Majority of the respondents get their music through the Internet, mostly by using the free services available but also by downloading. YouTube is used by all of the respondents to some extent; several use it as the main source for the music, some listen to it on a regular basis, a few only occasionally. The streaming services is the second most popular source for music, Spotify being the only service mentioned. A quarter of the respondents use Spotify as their main source for music. Out of them, only four pay for the monthly subscription, the rest use the free version of the service.

The Internet is the main source for music but most of the research participants are not using and some of them have not even tried buying music from the digital music stores. Only six of the participants use the digital music stores to some extent; two participants use digital stores on a regular basis and as their main source for music, the other four use the stores on an irregular basis, mostly when they want to get the music from their favourite band or artist.

Downloading for free from the Internet is a used way to get music; some of the respondents say they do not download anything, some download music here and there on irregular basis, a few say they download all the time. One of the respondents directly referred to himself as regularly stealing music.

*“I have my own ways to get music, there are no limitations that way. You can get whatever you want and whenever you want it”*

(22-year old female respondent)

*“ I steal music because it is the cheapest way to get music and I am a poor student “ (17-year old male respondent)*

The sales of physical items is declining world wide and it is visible in this research as well; digital music has taken over. Although the popularity of digital music is clearly bigger than that of physical items, physical items still play a role in the lives of young adults. Over half of the respondents say that they never buy physical albums. One quarter of the respondent say that they buy physical items “sometimes”, “only once in a while” or “rarely”. For this group it is common to buy the most favourite albums as physical items. Three of the respondents say that they buy albums on a regular basis and it is a common way for them to get music. One of the respondents buy both albums and vinyls but not often from a music store but from flea markets and second hand stores.

One practical side that affects where and how young people buy music is the fact that most of them do not have a credit card which is often required to buy digital music from digital music stores or to subscribe to a streaming service. Especially the young people under 18 years old are completely dependant on their parents in this matter. As credit card holders the parents are in key position and need to be negotiated with if a monthly subscription to music service is wanted. Most of the research group say that they need to involve their parents at decision-making out of necessity due to financial dependancy, but parents do not have much influence over what music is consumed (music choices).

Participating in live music events is a common way for the respondents to enjoy music. Most of the respondents say they participate in live music events, only four said that they never go to live concerts or gigs. The rest are divided into two groups; those that attend events on a regular basis and consider that a common way for them to experience music. And those who attend events on an irregular basis and only to see their absolutely favourite artists and bands. When asked what gets

them to buy a concert or a festival ticket, the most common answers is good music and their favourite bands. A good stage show, good timing, good company to go with and a convenient concert location are also key factors.

### **3.3. The Perceived Value of Music**

The research group consists of young individuals between ages 14 and 22 years old. Due to their age, most of the respondents are limited with their financial means. Some of them are solely dependent on their parents, some of them have some money of their own from student aid and jobs. This all affects their spending not just on music but on other things as well.

When asked how much money they spend on music, including all music related items such as music itself, concert tickets and merchandize, the responses varied but it was apparent that music is not a big spending target for the participants. Although music is considered important and everyone listens to music on a daily basis or almost daily basis, over half of them participants say they do not use any money on music on a monthly basis. Of that group, some use money rarely on occasionally on music, mostly on concert tickets when an artist interesting enough comes to town. Less than half say they use money on music on a regular basis. The spending varies from 0 euros to maximum of 100 euros, 100 euros being spent once in a while for a concert or festival considered important, usually during the summer time. An average spending for those who use money on music is 10 - 30 euros per month. Most of that is for monthly subscription of Spotify and concert tickets, some of that for physical or digital music. Most of the participants considered the amount of money they use on music *reasonable*, some *quite small*.

Since the spending of that age group might be limited due to simple lack of their own financial means, an area of interest was to see if they considered changing

their spending had they more money at their disposal. It is apparent that limited financial means have an effect on the spending on music as only a quarter of all the participants say that they would not change their spending or spend more money on music if they had more money at their disposal. The rest of the participants said that they would spend or probably would spend a varying degree of more money if they had more at their disposal. Most of that extra money would go to concert tickets and live music events. Some of that would be used to buy more band and artist related merchandise. Money is not the only limiting factor, spending money on concerts would require the concerts to be interesting enough to attend.

Some interview questions were related to the perceived value of music. Both this research and earlier research has shown that music has huge psychological meaning for people and life without music is not imaginable for young people. Music in given huge physiological value and it is considered an essential part of everyday life. It is entertainment and it is an emotional crutch that helps to cope with everyday ups and downs of life. When something is this important for the daily wellbeing, it would be easy to argue that it must be considered financially and commercially worth investing in. This is where the paradox that the music industry is currently struggling comes in as the consumer behaviour and spending habits indicate a different reality. Music is considered vital for life but it is also widely considered mostly a free commodity or at least users behave as it is a free commodity.

The paradox is mostly apparent when the research group is asked if music should be free. A clear majority says that in general music should not be free, a couple of the participants are hesitant of their answer, only a few individuals think that music should be completely free. Their reasoning is related to music being important and everyone should have access to it even if they cannot afford to buy it. According to them, music belongs to everyone and access being based on financial means could lead to more negative psychological effects such as

depression. For them music is an art form that should be available to everyone. Most of the participants agree that music is not and should not be free. They all acknowledge that music creators should get paid for their creations and they also acknowledge that some people make their living with their music.

*“I don’t know if music should be free. Even the poor people deserve music but of course the music creators need there pay”*

(14-year old female respondent)

*“In principal music belongs to everybody but in principal the musicians should get paid for their work”* (15-year old female respondent)

*“Music should not be free. Artists would not get any money and they would not continue to make music if it was not worth their time”*

(18-year old male respondent)

*“Music should not be free. If I had worked hard for songs, I would not want them to be distributed for free without getting anything for them. Music and their collaborators have done a lot of work to get their creations out. One euro per song is not a lot considering the song will be around forever.”* (21-year old female respondent)

The participants were also asked to evaluate the current pricing of music. Almost half of the participants considered the current pricing for physical items such as CDs and LPs and merchandise to be ok and at an acceptable level and their get enough return for their money. A few did not know how to evaluate the pricing due to not buying physical items. The rest, almost a half of the participants, consider the physical items to be pricey or too expensive right now, and would like to see the prices for physical items to decrease.

Pricing for digital music is harder for participants to evaluate and the responses on their current prices are more varied. One third of the respondents cannot evaluate if the current pricing for digital music is acceptable and have no opinion on the pricing. One third of the respondents consider digital music pricing to be fair and acceptable; most of this is related to the pricing of the streaming services and the monthly subscription fee for Spotify. The ten-euro fee is considered fair because it allows you to listen music as much as you want and you have access to a wide music database. A few participants consider the digital music stores to have an acceptable pricing level because the downloaded music can be distributed and listened to with multiple devices. One third of the participants consider digital music to be too expensive or otherwise do not see a reason to pay for it when it is also available for free.

Only three participants did not have an opinion on the pricing level of tickets for live music concerts and events. The rest were divided into three different groups; those who considered ticket prices to be fair and at an acceptable level, those who considered ticket prices currently to be too expensive, and those who said that the fairness of prices was dependable on the particular concert; some events are accurately priced and some are too expensive. Tickets that cost close to or over 100 euros are considered too expensive by all the participants. Only five of all the participants say that they would not attend more live music events if the prices were lower, some of them say they already attend all the concerts they want to and pricing change would not affect their attendance. A majority say that they would attend more live music events if the ticket prices were lower. A half of them also say that in addition to lower ticket prices, there should be more money at their disposal and enough interesting artists that they would like to see.

The album concept was the basis of the recording industry for several decades. The single-song purchase possibility changed that and was a major blow to the financial model of the recording industry (Owsinski 2009, pg. 17). The iTunes culture has been based on individual songs: a consumer can download and pay for



individual songs instead of being forced to buy a complete album to get the hit songs. When asked if they prefer individual songs or complete albums, the participants are divided into two groups; the bigger group prefers to get complete albums, the somewhat smaller group (2/3 of the participants) prefer individual songs. Only a few participants are indifferent on the subject as they think albums can easily be divided into separate songs. Based on the research, it seems the traditional album culture is still living among the younger generation as well as over a half of the participants prefer complete albums as they mean more songs at once and albums are considered concepts.

The declining sales of physical items and the rising popularity of streaming service suggest that the interest of consumers is moving from owning music to renting it. Ownership still matters to participants of this research. Over half of the participants say they prefer to own their favourite music instead of just having access to it, and they would rather pay for ownership instead of consumption. A little less than a half are happy with just having access to their music and do not feel they need to own the music they listen to. The individuals preferring to pay as they consume say it is cheaper since they listen to music a lot and they have access to more music than they would otherwise have.

## 4. DISCUSSION

This research clearly shows that music has tremendous value when it comes to its mental and psychological factors. This supports all previous research into the subject. All participants agree on the mental value of music for their lives. Music is a part of everyday life and life without it would not be the same. Music is part of group activities like parties and other get-togethers but it also has a huge part in private moments of young person's life. Although often enjoyed in a group, this research shows that the most preferable way of listening to music for young adults and adolescents is alone. Music is a mood regulator and helps to navigate the emotional rollercoaster of adolescence years when the identity of young person is developing. This research supports the fact that music is a key tool for mood regulation and controlling emotions.

The reasons for music listening does not seem to differ depending on sex. Both males and females express the same reasons and motivations for their music listening. The listening habits and music consumption in general are very similar to both sexes in this research. The main difference is in expression; females are more outspoken and open with their feelings and opinions, males need a little more encouraging before they openly express their opinions. The fundamental basis for music listening and consumption is the same, the differences are between individuals rather than between sexes. Everyone listens to music to enhance their mood and to feel better.

Since the music industry is moving from physical sales to digital sales, it is curious to see how many young people have adopted the habit of paying for digital services. This research shows the root of problem that the music industry currently has; the industry is having difficult time convincing the consumers of the value of digital music and the digital sales have not been able to cover for the drop in physical sales. Music is being consumed more than ever and it is more

easily available than ever but less people are willing to actually pay for it. The main reason is the wide availability of free alternatives. The Internet offers a variety of options to listen to music for free; varying from legal alternatives like YouTube and the free versions of streaming services, to illegal options like file torrents and file sharing.

Although this research is anonymous and the participants were told they were free to express their honest feelings and true experiences, the topic of downloading is clearly a bit sensitive. Participants talk of free alternatives and getting music from the Internet but only a few participants are willing to use terms like illegal downloading or stealing music. For most, there seems to be a realization that music downloaded from the Internet without paying for it is not something to brag about as it is not publicly acceptable, but at the same everyone agrees it is very common thing to do and nobody admits to any wrong-doing. Nor do they see the negative affects of their behaviour.

There lies the paradox of behaviour of current young adults and young adolescents; music is determined valuable and priceless but only in the sense of psychological and cultural value. Not everyone is willing to pay for music yet owning music is still important, especially owning the favourite albums and songs. Some still want them as physical items. The young people acknowledge that music creators and other people working in the music industry deserve getting compensated for their work but they do not admit to being held accountable for doing their part to ensure that happens. They are used to getting their music for free and do not see how their daily consumer behaviour causes consequences for the industry in the long run. The understanding of causality is limited although everyone agrees on the importance of supporting your favourite artists and bands.

The young generation has not fully embraced the sales of digital music. For them it does not make sense to pay for a digital product when the same product is available for free. And available easily and without having to see much effort, just

a few computer clicks away. The term copyright comes up in several group interviews but most of the young do not see themselves as copyright violators when they listen to music for free. It is considered that the copyright is violated by those who leak the songs in the Internet, not so much by those who download the songs without paying anything for them. The financial value of music is hard to grasp since it is an untouchable and intangible item; it cannot be touched or tasted, it can only be experienced. Before the Internet music had a more physical form since it was less portable and getting it required buying a physical item like a LP record or a CD. The Internet era changed that and turned music into a completely intangible item that can be endlessly copied without the quality suffering. The idea of music being free for the taking came along and the idea is flourishing among the younger generation who have no experience of any other way.

According to some views, music will be more like an utility in the future, an utility like electricity or water. Available anywhere and anytime. And just like you pay for utilities, you would also pay for music the same way; not for owning it but for the use. The streaming services are already providing this kind of model where the users are paying for having access to music, not for owning it. The method seems easy and effortless for the consumers and it would be easy to see the younger generation fully embracing this method. The popularity of music streaming is increasing but the financial aspects are worth a moment of consideration; for example Spotify has been around for years but it is still operating at a loss (Dredge, 2015). It is apparent in this research as well that some are willing to pay for the service but there are a lot of those who just utilize the free version of the service and rather tolerate the ads than pay a monthly fee to get rid of the advertisements. This suggest that the business model of the streaming services is still not stable and only time will tell if the model survives the test of time. Either the service providers are able to expand their user base and convert enough of their users into a paying customers, or alternative the business model in the future will be advertisement driven. The advertisement do not seem to be a

threshold for the users; they are considered annoying but a necessary evil for getting free music.

Digital music is the future but physical items still hold some significance even to younger consumers. The young rarely pay for physical music recordings but are prepared to do that when it comes to their favourite artists. Merchandise also plays a role and more money would be spent on it if the young individuals had more disposable income. Music also has value for some as a collectibles. A portion of the young are still willing to spend money on collecting music and music related items. The rarer the item, the bigger its financial value. Several bands are nowadays organizing Meet & Greet events as part of their tour; in addition to just attending a concert, fans are paying for the chance to meet the artist face to face.

The consumer behaviour of the younger generation suggest that it is a difficult task to convince them that music is not nor should not be free. Changing the behavior and the underlying attitudes would require a lot of work and might turn out to be impossible just as most media companies have seen once they have tried starting to charge for digital products that were available for free first. Whether it is fair or not for the music creators that they do not get paid for their creations is widely discussed issue but eventually it is the market and the consumers that will decide the issue. The music industry and the people in it can come up with new revenue models and ways to get their products out but it is the consumers that will decide which models will be viable and will turn into common practices.

## 5. CONCLUSIONS

As deeply embedded as music is in our culture, it will continue to be a part of our society and some people will find ways to financially benefit from it. And some will continue to make music for recreational reasons. The challenge is for those individuals who want to continue to make music professionally or are otherwise professionally linked to the industry to find ways to make a living with music. The current situation is challenging as music has turned into a product that is widely regarded as a free commodity with an infinite supply.

The music industry is evolving. The technology advances and the resulting digital age has changed everything; the traditional music business and the recording companies operating in it have been forced to give up their full control on the creation and distribution of music. The lines between the music industry and other industries is blurring as the traditional music industry has given away to new market players such as streaming services companies which rather represent software companies than music companies.

The digital age has made it possible for anyone to create music and distribute it to the consumers without the middle men. Bands and artists now have direct access to their fans. This is a tough situation for the traditional record companies who have been forced to cut down costs and most importantly profits, and concentrate on the most profitable artists. This might have consequences for the whole industry as well as the consumers as it is becoming even more difficult for the artists to fight for the spotlight and the major record companies concentrate their marketing budgets on the best selling artists, further limiting the budget of smaller artists. With infinite supply of free music and other entertainment alternatives, breaking through and finding the fan base for new bands and artists is becoming even more challenging.

Technology has developed rapidly and resulting consumer behavior change has been rapid as well. Music is everywhere and people have easy access to more music than ever. The causal relationship between the drop in music sales versus the free alternatives is apparent, but the debate continues on the degree that illegal file sharing has on music sales. Piracy has been around for a long time, digitalization has just made it easier. The fundamental challenge for the music industry is the underlying thoughts and attitudes of the consumers, especially the younger generation which will determine the future decades of the industry.

This research clearly shows that the adolescents and young adults value music but mostly for its psychological and entertainment value. To consider music as a commercial product is becoming old-fashioned thinking as the younger generation does not give music recordings much commercial value. Some of them are still willing to pay for them or at least for the access to a music database but the music sales are transferring from content items like music recordings to experience items like the live events. Decades ago bands used to tour to sell records, nowadays band are giving away their music recordings for free to sell concert tickets.

The current music sales seem to be dependent on two words starting with the letter E - effort and experience. Unlike the older generation who lived through the analog era and got used to seeing some effort for their entertainment, the younger generation is used to getting their entertainment easily and effortlessly. For them music is not worth the effort if it is in anyway difficult to get in terms of access or money. Music is also competing with other entertainment options like the on-demand services and computer games. If music does not sell anymore and more artists and companies start giving it away for free, even more emphasis will be given to experiences. Live music events are experiences that cannot be copied and distributed for free so people are willing to pay for them. Therefore producing successful live events is becoming even more crucial for the music industry.

This research studies Finnish adolescents and young adults between 14-22 years old. This age group has limited financial means of their own and it is apparent in their answers. The discussion related to their behaviour if they had more money at their disposal is hypothetical and might not reflect their true behaviour if or when more disposable income becomes a reality. The changes in the music industry have been relatively fast and the next technology innovation might change the course of the music industry again so this thesis reflects the current situation among the research group.

The debate on copyright and legislation is ongoing as the current legislation drags behind the technology changes and the consumer behavior. It would be interesting to see if education on copyright would have an effect on the behavior of the younger generation once they were given more tools to understand the causal effect of their behavior on the music industry and even their favourite artist.

How to get the younger generation that is used to getting music for free to pay for digital products is the million dollar questions that everyone in the industry wants to find the answer to. This thesis does not provide an answer to that but it provides more insight into the minds of Finnish adolescent and young adults and clearly shows that music has tremendous value to its consumers. The question remains on how to monetise that value.



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1. Etunimi

2. Ikä

3. Asuinpaikkakunta

4. Kuunteletko musiikkia päivittäin? Koetko olevasi musiikin suurkuluttaja?

5. Minkälaisissa tilanteissa kuuntelet musiikkia?

6. Milloin/minkälaisissa tilanteissa mieluiten kuuntelet musiikkia (suosikitilanteesi/tapasi)?

7. Kuunteletko musiikkia yleensä yksin vai muiden seurassa?

8. Koetko musiikin olevan sinulle tärkeää? Miksi/miksi ei?

9. Mitä elämästäsi puuttuisi, jos musiikkia ei olisi?

10. Miten muuten vietät vapaa-aikaasi?

11. Koetko musiikin olevan tärkeä osa kulttuuria?

12. Miten yleensä kuuntelet musiikkia (väline)?

13. Missä yleensä kuuntelet musiikkia (paikka/tilanne)?

14. Miten yleensä hankit musiikkia? Ostatko fyysisiä tai digitaalisia tuotteita, kuunteletko internetin tai streaming-palvelujen kautta?

15. Mitä hankintatapaa käytät eniten ja mitä vähiten? Mistä syystä?

16. Käytkö konserteissa tai live-musiikkitapahtumissa? Jos käyt, miten usein?

17. Mikä saa sinut ostamaan konserttilipun?



18. Paljonko rahaa käytät musiikkiin kuukausittain (sekä hankinnat, oheistuotteet että live-esiintymiset) ja mihin sen yleensä käytät?

19. Koetko summan suureksi/pieneksi/kohtuulliseksi käyttäisitkö talouden salliessa enemmän vai ajatteletko summan pienenevän tulevaisuudessa?

20. Käytätkö rahaa muuhun mediaan (kuten esimerkiksi peleihin tai elokuvaan)?

21. Pitäisikö musiikin olla mielestäsi ilmaista? Perustele vastaustasi, kiitos

22. Ovatko cd-levyt ja muut fyysiset musiikkituotteet mielestäsi hinnoiteltu oikein?

23. Entä digitaalinen musiikki? Onko digitaalinen musiikki hankintahinnan arvoista? Miksi/miksi ei?

24. Onko konserttiliput mielestäsi hinnoiteltu oikein? Miksi/miksi ei?

25. Kävisitkö konserteissa enemmän, jos käytettävissäsi olisi enemmän rahaa tai liput olisivat halvempia?

26. Hankkisitko mieluiten kokonaisia albumeja musiikkia vai toivoisitko artistien julkaisevan yksittäisiä kappaleita enemmän/useammin?

27. Maksaisitko mieluummin musiikin omistamisesta (hankintahinta kerran) vai sen kuluttamisesta (maksu kuukausittain tai kulutuksen mukaan)? Miksi?

28. Onko musiikki mielestäsi kaupallinen tuote? Miksi/miksi ei?

29. Vapaa tila kertoa mielestäsi tärkeitä asioita musiikin kuluttamisestasi