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1 Introduction

1.1 Background

Where and how music is offered to customers has changed. From long-playing (LP) records, cassette tapes and compact discs (CD) being sold in physical outlets, to digital music being downloaded and streamed over the Internet (Hill, 2003). Anderson (2006/2007) reveals that the geographical setting of the market has changed with the digital offering. Digital products can now be delivered electronically over long distances at low cost. He also claims the product offering has changed, from an economy controlled of hit songs, to a digital market where there is room for music from all kinds of niches. This allows for a much larger assortment of music available to consumers.

Initially, consumption of digital music was done without right owners receiving income for their work. Peer-to-peer (P2P) file sharing became internationally popular with the program Napster, which was released in 1999 (Liebowitz, 2006). When Napster was shut down in 2001 after a trial receiving international attention, several other P2P networks appeared (Liebowitz, 2006). The P2P networks are still considered to be a large threat to the music industry (Goel, Miesing & Chandra, 2010). In 2003 Apple launched the iTunes store (Apple, 2003) which was quickly established as the market leading digital music portal (DMP) (Apple, 2004). A DMP is in this paper defined as '*an e-business whose core service is to legally offer digital music by means of stream and/or download*'. A worldwide selection of DMPs exists with more than 400 licensed portals (Pro-music, 2010), although all do not directly compete with each other. Also, recent growth in online sales has lead to new entrants in the digital music industry (IFPI Digital Music Report 2010, 2010). The DMPs music is primarily supplied by four major music labels accounting for approximately 80% of physical and digital sales: Universal Studios Group, Sony Music Entertainment, Warner Music Group and EMI (Goel et al., 2010). Apart from the four major labels, several smaller independent labels exist.

According to the International Federation of the Phonographic Industry (IFPI), there has been a steady growth of digital sales with an increase of 940% since 2004 (IFPI Digital Music Report 2010 – Key Highlights, 2010). Further, they argue that despite the significant growth in digital sales there is still substantial growth potential in the digital music industry. However, overall music sales, including both physical and digital, decreased with around 30% in the same time period (IFPI Digital Music Report 2010 – Key Highlights, 2010).

DMPs function effectively as intermediaries between right holders of music and end-consumers in the digital music industry. Consumers do however have a wide variety of intermediaries for listening to music apart from DMPs: televisions, radio, CDs and illegal file-sharing websites amongst the most common. Furthermore, three main revenue models exist in the DMP industry: pay-per-download, such as CDON from Sweden and iTunes store worldwide; subscription of a core product/service bundled with music, such as TDC Play in Denmark and Sky Music in the U.K. and free advertising supported service with option of paid-for-premium, such as We7 in the U.K. and Spotify from Sweden (IFPI Digital Music Report 2010, 2010). Not only are there a variety of revenue models, there are also multiple options for listening to music files, such as through computers, portable mp3 players and mobile phones with mp3 applications (Baldridge, 2009).

Denmark, Sweden and the U.K. are three countries which are similar within the DMP industry. This is evident by the high Internet penetration in all three countries with users ranging from 76,24% of the population in the U.K. to 87,84% in Sweden (International telecommunication union, 2008). In addition they all have the same characteristics: the four major music labels act as the primary supplier to DMPs, a collecting society distributing royalties to artist in place, iTunes being the market leader in all three countries and they all possess competing domestic DMPs. In Denmark, the service TDC Play which was the world's first Telco to offer music for free to their broadband and mobile users operate. The publicity attracting Spotify quickly reached 17% of the population in Sweden when they launched their application-driven streaming service in 2008 (IFPI Digital Music Report 2010, 2010). In the U.K. a similar model to Spotify, We7, have managed cover both the cost of royalties to content holders and their own cost through its advertising revenues (Wray, 2010). According to CEO of We7, Steve Purdham, this is the first time an ad-funded business of their kind manages to work and simultaneously be valuable for content holders (Wray, 2010).

Laws to protect right holders and reduce illegal file sharing of copyrighted material have been a topic of discussion in all three countries. Such a law is active in Sweden (Öhman, 2008) and in the U.K. whereby a law with the same aim has been passed, although as of writing it is not in operation (BBC, 2010). File sharing of copyrighted material is illegal in Denmark as well, but it is practically impossible to prosecute suspects, according to the Danish anti-piracy group Antipiratgruppen (Saietz & Eltard-Sørensen, 2009). All these factors contribute to the three countries possessing DMP industries of similar structure. According to Porter (2008b), competition can be seen as global if the industry structure across countries is comparable. As Denmark, Sweden and the U.K. have very similar DMP industry structure, information gathered from all three countries will be used to establish a view of the DMP industry in general. Therefore, the term DMP industry will be used in the study instead of the individual countries.

1.2 Previous research

There is limited research on DMPs, but the following studies were looked into in the initial stages of this study in order to grasp the DMP industry and previous conclusions regarding it. Some research which is not done on DMPs can however be deemed applicable, such as Berman, Abraham, Battino, Shipnuck and Neus's (2007) study on business models in what they describe as the new media world. They highlight flexibility and being able to rapidly respond to shifts in consumer behaviour to be of importance when dealing with new media. Research on business models relating to digital content has been conducted by several researchers (Burgess & Tatnall, 2007; Kauffman & Wang, 2008; Swatman, Krueger & van der Beek, 2006). Business model-related research specifically on DMPs has been provided (Krueger, Swatman & van der Beek, 2004; Amberg & Schröder, 2007). Amberg and Schröder (2007) presented several different kinds of business models for digital music distribution and investigated if they met consumers' expectations and highlighted innovativeness as key for profitability.

Not only business model-related research has been conducted on DMPs. Rupp and Estier (2002) presented a model on digital distribution of music in P2P environments. Landegren and Liu (2003) argued that certain factors are important for digital music distribution success including: availability, music selection and usability. The impact of digitalisation in the music industry was discussed by Peitz and Waelbroeck (2005). Kunze and Mai (2007) looked into risks often perceived by customers before adopting online music and found that they are: security, quality of downloaded files and ease of use. They further stated that activities reducing risks in terms of financial and time-loss aspects are most appreciated by users and include: offering well-known brands, offering trial periods, offering money back guarantees and offering previews or sampling (Kunze & Mai, 2007).

1.2.1 Additional Information on the DMP Industry

Since Apple's introduction of the iTunes store in 2003, the industry have experienced rapid changes with new portals appearing and new functions developing the platforms for distributing digital music. Internet service providers like Sky and TDC have entered the market, advertising supported services like We7 and Spotify have appeared (IFPI Digital Music Report 2010, 2010), personalised music recommendations services such as Last.fm's have been developed (Last.fm, 2010) and benefits such as access to albums before release dates (Spotify, 2010) to only name a few developments. As of writing this study, Spotify released an upgraded version called New Generation of their service collaborating with social networking sites Twitter and Facebook. Users of their service can now interact, publish and share playlists with their friends on those social networks and combine music from one's computer to Spotify (Sehr, 2010).

1.3 Problem statement

The rapid changes have lead to a competitive situation in an online market which is described as a frictionless economy. This means that customers can freely and easily switch between competitors with low transaction costs (Smith & Brynjolfsson, 2000). Not all researchers argue they take advantage of this possibility with Reichheld and Schefter (2000) stating that the majority of online customers have a tendency towards loyalty. Competitors are argued to only be a few mouse clicks away on the Internet (Srinivasan, Anderson & Ponnavolu, 2002; Srinivasan & Anderson, 2003). Because of this consumers can evaluate competing products using minimal effort and time (Srinivasan et al., 2002).

The described transformation of the music industry has lead to new opportunities and challenges for DMPs. Opportunities in the form of the industry growth potential (IFPI Digital Music Report 2010, 2010) and reaching an increased number of potential customers, enabled by the possibility to store millions of songs from all niche markets, as argued by Anderson (2006/2007). The variety of intermediaries to access music from creates a challenge in how to attract customers to the Internet platform where the DMPs exist. Moreover, an even bigger challenge lies in the competition between different DMPs and how to create a competitive strategy that contributes to a competitive advantage. This is due to the reason that there are low switching costs between competitors in the e-business environment (Agrawal, Arjona & Lemmens, 2001; Bansal, McDougall, Dikolli & Sedatole, 2004) and that DMP's product offering is similar as the offering of most DMPs is based on the four major music labels catalogue. Taking these factors into consideration, DMPs need to instil value, trust and customer loyalty creation as part of a DMPs competitive strategy.

As DMPs operate in an online setting, e-loyalty is especially of interest. According to Srinivasan and Anderson (2003), understanding how to create customer loyalty is critical in online markets. Loyalty has also been argued to be an economic necessity with acquisition of new customers online being very expensive, according to Reichheld and Schefter (2000). Verona and Prandelli (2002) claim creation of customer loyalty, using lock-in and affiliation techniques, lead to competitive advantage. Also Reichheld (2001) believes competitive advantage is achieved through establishing loyal customer relationships. The concept of trust also becomes necessary to the DMP industry, as customers do not physically interact with portals. Therefore trust is imperative in an e-business (Papadopoulou, Andreou, Kanellies & Martakos, 2001). Also, customer satisfaction has often been argued to lead to customer loyalty, a topic that has been discussed by, for example, Oliver (1999) who claims it is necessary in loyalty creation. Hallowell (1996) explains that this link between customer satisfaction and customer loyalty has been researched.

This paper aims to investigate the most important factors for creating customer loyalty in the DMP industry. Therefore, how value and trust is used to create customer loyalty from an industry perspective will be looked at, instead of the satisfaction from the consumers' perspective. Research on factors implemented for customer loyalty in DMPs has not, to the authors' knowledge, been conducted before.

1.4 Purpose

The purpose of this study is to investigate the most important factors for creating customer loyalty, which contribute to competitive advantage in the DMP industry.

1.5 Research questions

- What are the key forces driving competition in the DMP industry?
- How do the key forces driving competition in the digital music portal industry affect customer loyalty creation?
- How is value and trust created in the DMP industry?

1.6 Definitions

Definitions on industry-related terminology can be found in Appendix 1.

2 Theoretical framework

An external auditing process creates the information and analysis necessary for an organisation to begin to identify the key issues it will have to address in order to formulate a successful strategy (Drummond, Ensor & Ashford, 2001). A well-known tool for evaluating the external environment is Porter's five forces model. Porter's framework is an industry tool which is used to analyse the competitive state for firms in the industry environment. Consequently the model can also help companies formulate competitive strategies (Porter, 1980), which helps to identify a successful strategy for a firm to create a sustainable competitive advantage (Boone, Kurtz, MacKenzie & Snow, 2010). This theory allows companies to understand the different industry forces and adopt a strategy to defend its position and become less vulnerable (Porter, 2008b). All these external forces need to be considered when a firm wants to achieve a competitive advantage to help them to be positioned in front (Lumpkin, Droege & Dess, 2002).

Stair and Reynolds (2010) declare that Porters five forces model can help firms to reach competitive advantage through an identification of the five key factors. These forces can also relate to loyalty, whereby Shaw and Merrick (2005) mention that loyalty itself creates a large barrier to entry, which forces market entrants to spend heavily to acquire them. This model also regards the formulation of competitive strategies for established or newly entering companies within the respective industry. When conducting strategy formulation, it is important to look at what the strongest competitive force or forces are in order to determine the profitability of an industry (Porter, 1979). The authors of this study wish to focus on loyalty as part of strategy formulation and this theory will help not to evaluate the profitability of the industry, but identify the forces that are most prominent within the industry and what forces influence customer loyalty creation within the DMP industry.

Porter's model will be use used as an analysis tool to get a comprehensive view of the DMP industry, due to the lack of prior research on it. This gives the authors the ability to determine the most prominent industry forces within the industry and the nature of it. Using all five forces enables firms to reach competitive advantage (Stair & Reynolds, 2010) and the authors of this study wish to look at customer loyalty creation factors which contribute to competitive advantage.

Furthermore, the authors of this study have included a frame of reference on loyalty, whereby value-creation (Reichheld & Teal, 1996) and trust (Warrington, Abgrab & Caldwell, 2000; Reichheld & Schhefter, 2000) lead to customer loyalty. These theories are related to the online platform and provide a reference to the factors that are most relevant regarding loyalty. Verona and Prandelli (2002) argue that loyalty leads to competitive advantage, by which the theories enable to identify how customer loyalty is created to contribute to competitive advantage.

2.1 Porter's five forces model

Porter (1980) founded an evaluative tool that assesses industry structure, which reveals the attractiveness of an industry (Porter, 2008b) and assesses a company's environment. This regards the formulation of competitive strategies for established or newly entering companies within the respective industry, whereby an industry is described as a group of companies with products or services that are near substitutes. This tool is predicated on five forces, which in turn examines the potential and possible profitability in an industry for a firm (Porter, 1980). Porter (2008a) also states that this can only be understood when focusing on a specific industry or an individual company. When conducting strategy formulation, it is important to look at what the strongest competitive force or forces are in order to determine the profitability of an industry (Porter, 1979). Porter also recently revised the model and included Internet strategic impacts (Boone et al., 2010).

Porter (2008) states there are two primary aspects of dimensions of an industry: the product or service scope and the geographic scope. The five forces model enable determination of these dimensions. Equivalent industry structures indicate that two similar products or services are most likely to act in the same industry while distinct structure differences signify that the products are presumably acting in distinguished industries. If the industry structure is comparable to other countries worldwide, then competition can be seen as global, and the average profitability can be analysed from a global point of view. Industries having fairly differentiated structures geographically indicate separate industries and large force distinctions signify a presence of individual industries (Porter, 2008b).

The figure depicts the five forces model of competition, which collectively can discover the intensity of industry competition and profitability. The four external forces influence the rivalry among existing firms.

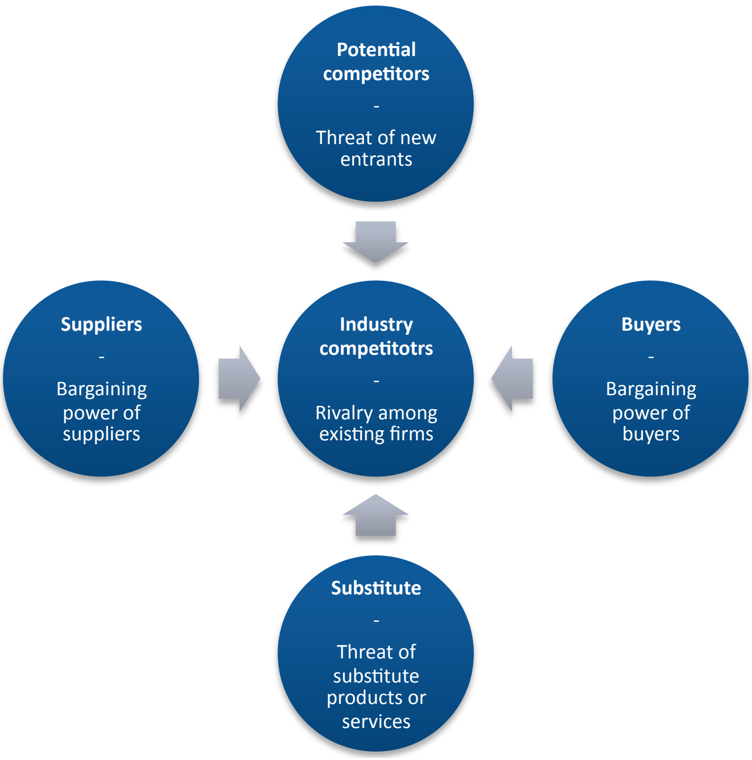

Figure 2.1 Forces driving industry competition (Porter, 1980, p.4), own illustration.

Porter's five forces model is extensive and covers many different areas under each force. The five forces are further explained, in which specifically chosen factors are presented under each force that is regarded as applicable to the DMP industry. Therefore several factors have been omitted and will not be included below as this theory contains many other factors which are not applicable to this study. This discussion is supported by Porter (1980), who states that all industries are different and when analysing a specific industry, one will find that the importance of the five forces will vary, based on this industry's own structure.

Although the model is popular, it has also received critique. The model can restrict a firm if they do not recognise the essence of how the forces work in the industry and how they can control their firm in a particular situation. This model can also be difficult to look at when analysing the industry, as the study can lose focus (Drummond et al., 2001). Recklies (2001) points out that the major limitation is that the model was developed and based on the current situation at that time; in the 1980's. At that point, the industry growth was quite predictable and stable, which is not the case today where new business models emerge and changes in the barriers of entry are adjusted. Khalifa (2008) agrees on that Porter has focused on a static environment and that the philosophy is not likely to result in success within environments that are dynamic. The model can although be used for analysing the new conditions and let managers look at the present industry state in a simple and structured way (Recklies, 2001).

2.1.1 Threat of new entrants

Threat of new entrants looks at the barriers of entry there are for new firms to penetrate the industry together with the existing firms responses (Porter, 1980). Barriers to entry is explained by Bain (1956) as the advantage existing selling companies have in comparison to potential new entrants, and high barriers to entry are apparent when the established firms can raise prices above competitive levels without new entrants coming in to the industry. For existing firms to uphold high profits within the industry, high barriers are usually necessary (Dobson, Starkey & Richards, 2004), which result in a low threat of new entrants (Porter, 1980). The Internet market has lowered the entry barriers for several industries; it is not so costly or complex to enter the online market (Boone et al., 2010). New businesses can more easily enter a prospective large market (Guthrie & Austin, 1996). The following factors help determine the threat of new entrants (Porter, 1980):

Product differentiation
This term stems from businesses that already have acquired a base of loyal customers and brand identification from previous marketing activities amongst other business actions. New companies often have to risk spending heavily to counter customer loyalties and build brand image (Porter, 1980).

Capital requirements
The capital needed to enter and compete within an industry can hinder new entrants. A large barrier to entry means that businesses need heavy investment to be able to viably compete in the new industry (Porter, 1980).

Switching costs
The cost for switching from one supplier's product to another should be considered. This poses as an evident barrier to entry for new entrants as suppliers need to offer customers a better choice in either price or performance, which can incur high costs, thus a high barrier to entry (Porter, 1980). For firms to stay competitive, they must work at attracting customers and increase the product's benefits so they do not switch (Chang & Chen, 2008).

Access to distribution channels
This has the possibility to be an entry barrier where newcomers have to secure their product distribution. New firms have to convince distribution channels to take in their

product. Some industries have limited distribution channels, which makes entry barriers even higher (Porter, 1980).

2.1.2 Threat of substitute products or services

A substitute product is a product that can fulfil the same function as another product in the industry. A plethora of substitutes will lessen potential returns of an industry and limit competitors' profitability (Porter, 1980). Reasons for why customers change to a substitute include better performance of competing products or a lower price (Campbell, Stonehouse & Houston, 2002). To reduce the risk for substitutes, firms should differentiate their products so customers cannot perceive the same product value when choosing a substitute. Differentiation techniques that can be used are making a higher quality product and become a recognised brand (Campbell & Craig, 2005).

The Internet has increased the level of competition and where many substitutes exist, companies can be forced out of the business since customers can easily switch to products or services from rival firms (Boone et al., 2010). There are many firms that provide product information online which customers can view, as well as competitors and potential entrants (Guthrie & Austin, 1996).

2.1.3 Bargaining power of suppliers

This looks at the supplier's perspective and how suppliers have potential power in an industry. It considers the ease of which a buyer can switch from one supplier to another. If an industry has few suppliers then they are able to raise prices, as they are not forced to compete with substitute products (Porter, 1980). Firms and suppliers experience a power struggle where the suppliers' desire is to charge as high prices as possible (Mintzberg, Ahlstrand & Lampel, 1998). The Internet has resulted in a power decrease in supplier power online as buyers can reach suppliers globally which can result in a more intense supplier competition (Guthrie & Austin, 1996). Supplier power is high if the following are true (Porter, 1980):

The supplier group's products are differentiated or it has built up switching costs
When the buyer faces switching costs or differentiation they are not able to play suppliers against each other. There will be an opposite outcome if there are switching costs for the supplier (Porter, 1980).

The industry is not an important customer of the supplier group
When a supplier has customers across several industries whereby a specific industry is not a large part of the supplier's income, then suppliers are more likely to exercise their power. However, if an industry is important to that supplier, they will look to protect it using for example reasonable pricing (Porter, 1980).

It is dominated by a few companies and is more concentrated than the industry it sells to
Suppliers with a fragmented customer base are able to influence price, quality and terms (Porter, 1980).

It is not obliged to contend with other substitute products for sale to the industry
If a supplier sells products that do not have substitutes to buyers, their supplier power is enhanced (Porter, 1980).

The suppliers' product is an important input to the buyer's business
When an input is significant for the success of the buyers business, it raises supplier's power (Porter, 1980).

2.1.4 Bargaining power of buyers

This is the power or influence buyers have in driving down prices, demanding better quality for products and services and forcing the industry to be more competitive. On the online market, buyers can access suppliers' worldwide (Guthrie & Austin, 1996). Information is easily accessed and customers can compare prices and suppliers easily, which can result in an increase of buying power (Boone et al., 2010). Buyers can be a powerful group when the following situations are true (Porter, 1980):

The buyer has full information
When buyers have full information regarding aspects such as market prices it helps them in a greater position in terms of ensuring the most favourable prices (Porter, 1980).

The products it purchases from the industry are standard or undifferentiated
Buyers can always find alternative products when they are undifferentiated and standardised and may compare competitors against each other (Porter, 1980).

It faces few switching costs
This can result in that customers are sometimes locked in to specific companies. On the other hand, when switching costs for the customer appear, the buyer power will be improved (Porter, 1980).

It earns low profits
When low profits are in place strong incentives to lower purchasing cost appear. Profitable companies are less likely to pressure their supplier for lower costs (Porter, 1980).

2.1.5 Rivalry among existing firms

Competitive rivalry arises when competitors feel under pressure from competition or see an opportunity to exploit. This force evaluates the structural analysis of an industry and can be affected by factors such as the growth in and the number of competitors in the market (Porter, 1980). Companies strive for high positions on the market and use different strategies to succeed, such as attacking their competitors or even use the tactic of coexisting (Mintzberg et al., 1998). Rivalry increases when Internet makes it easy to access customer databases. Companies acting online are not only showing their product information to customers, but also to rivals. The outcome is that companies are more cautious when deciding upon what information they will provide on the World Wide Web (Guthrie & Austin, 1996). Rivalry is high if the following is true (Porter, 1980):

Numerous or equally balanced competitors
When there are numerous or equally balanced firms in the industry it can create instability. However when the industry is highly concentrated and only dominated by one or a few firms it is deemed less of a competing factor (Porter, 1980).

Lack of differentiation or switching costs
This condition shows a competitive battle where nothing really differentiates the firms' products, and price turn into the main tool to compete with (Dobson et al., 2004). Customers choose their products mainly based on price and service and this create an

intense competition therein. The buyers make purchases supported by preferences and reliability to particular companies (Porter, 1980).

Diverse competitors
Company strategies differ and they all have their own ways for how to compete. No specific rules exist in the industry and strategies will be adopted based on what is best for the certain firm (Porter, 1980).

High strategic stakes
Industry rivalry is unstable when a lot of the companies strive to achieve success (Porter, 1980).

Slow industry growth
Industry rivalry is strong when industry growth is slow. This triggers competitors to struggle for market share (Porter, 2008b).

2.2 Competitive advantage

The concept of competitive advantage has, during the years, been described in several ways. Porter (1985) simply argues that it arises when a company does something better than their competitors. He continues by pointing out that it is something that creates value; a buyer value that is higher than the production cost. A company can create benefits that are comparable or exclusive from competitors (Porter, 1985). Petaraf and Barney (2003) go further and state that to determine whether a firm has a competitive advantage, it has to create more economic value in comparison to the marginal competitor in the market. Klein (2001) adds that competitive advantage is merely a tautology to success and is without any clear definition. However, several theories and methods are founded to analyse competitive advantage. Barney (1991) expresses that resources are the key when ascertaining whether a firm has a sustainable competitive advantage, which is named the resource-based view. Core competences are another way of looking at how a firm can create competitive advantage. Core competences are defined by Prahalad and Hamel (1990) as the shared learning in a firm, which specifically focus on how to harmonise the various production abilities with different streams of technologies. In addition to resources and core competences as a source for competitive advantage, Verona and Prandelli (2002) argue that competitive advantage can be created by combining customer loyalty-creating techniques affiliation and lock-in. The creation of customer loyalty which helps reach competitive advantage will be explored in this study.

2.2.1 Customer loyalty

Customer loyalty is a subject that has been researched extensively with several authors vastly contributing to the subject. Söderlund (2001) defines customer loyalty as an individual consistent relationship to a specific object over time. Reichheld (2001), a guru within the field, claim not only customer loyalty exists, but also employee and investor loyalty do too, as well as signifying the importance of having high-calibre employees for achieving customer loyalty. This is due to the traditional notion of customers often interacting with employees in the physical setting. Since DMPs operate in a digital setting where customers and staff rarely interact, employee loyalty will not be discussed in this paper. Instead focus is put on the creation of customer loyalty. Rowley (2005) presents three main benefits of achieving customer loyalty: improved profitability, reduced customer acquisition cost; and lower customer price sensitivity which illustrate that it is much better to hold onto your customers.

2.2.1.1 E-loyalty

Loyalty online is referred to as e-loyalty which is when customers repeat purchases are lead from positive attitudes towards an electronic business (Srinivasan et al., 2002). According to Reichheld (2001) the relationships established with customers can lead to competitive advantage that can become sustainable over time. However customers who stay on the long-term, is not always a result from customer loyalty. Reichheld (2001) adds that they may be unaware of relevant alternatives and are stuck in long-term contracts. Srinivasan et al. (2002) add that understanding antecedents of e-loyalty assists companies in achieving a competitive advantage. Consumer interaction over virtual markets aid in enhancing transaction frequency and create loyalty (Amit & Zott, 2001). Reichheld and Schefter (2000) further state superior customer loyalty is necessary for achieving long-term profits in an e-business setting.

A model for reaching e-business customer loyalty is presented by Verona and Prandelli (2002). Affiliation and lock-in strategies are combined to reach customer loyalty, leading to a sustainable competitive advantage. Online firms must nurture their customer relationships and affiliation relates to consumers preference and belief of a product or brand as superior over others. The trust generated towards the product or brand will improve e-business performance (Verona & Prandelli, 2002). Lock-in relates to customers being constrained by choices made in the past. If they are to switch from a brand or product, website or technology to another they will incur switching costs. By increasing the lock-in effect, customer loyalty and customer stickiness towards a company is increased (Verona & Prandelli, 2002).

The affiliation part of the model focuses on customer attention and the lock-in function as the part creating a repetitive purchasing behaviour. Other factors aiding the achievement of the correct mix of affiliation and lock-in are: marketing analysis and positioning and targeting strategies, as stated by Verona and Prandelli (2002). Verona and Prandelli (2002) explain the five steps with the aid of five case studies. The authors of this study have included examples, under each stage to give a comprehensive view of the theory and show the pertinence to the study. In Figure 2.2, their dynamic model of customer loyalty for balancing the two factors is illustrated.

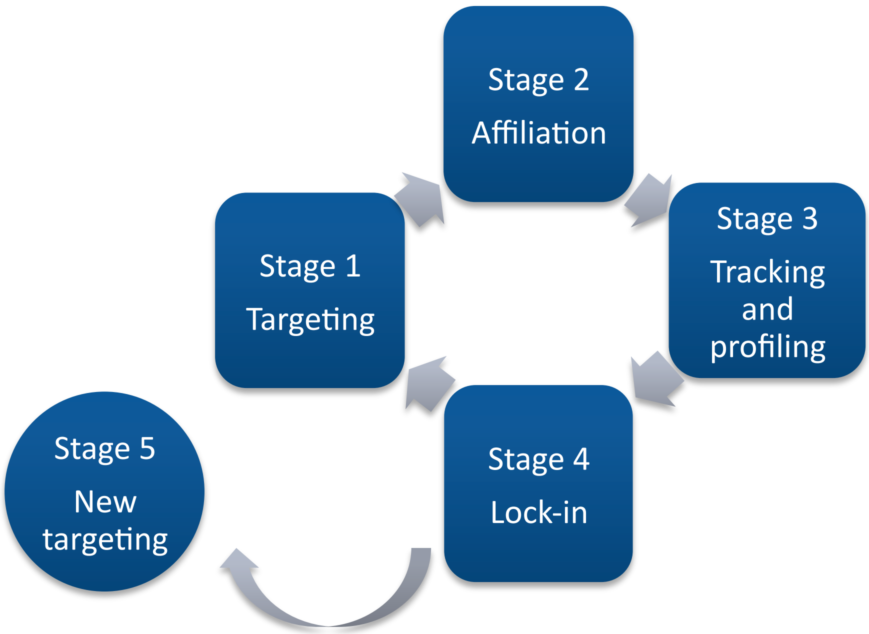

Figure 2.2 A dynamic model of customer loyalty (Verona & Prandelli, 2002, p. 302), own illustration.

In **stage one** information and proposals required to affiliate customers to an e-business website is identified using targeting. From case studies Verona and Prandelli (2002) identified examples on what kind of customer groups can be targeted in this model, whereby one company targeted a wide and heterogeneous group of customers (Verona & Prandelli, 2002).

Stage two is represented by selection of a specific target segment, clarifying needs and desires of customers. Furthermore, affiliation actions mainly focus on content and community are used to target the selected customer segment. One of the case study companies in Verona and Prandelli's (2002) research used informational affiliation by producing information pages of their products and features. The company also increased their understanding of targeted customers needs and desires through community enhancing forums, chat rooms and the opportunity to ask experts about the products. Information from the community aspects was saved to increase customer understanding and profiling. The feature of offering regular news updates from their industry as an affiliation enhancing technique was also portrayed. One company in the study, with their diverse target audience, focused on service diversification and involvement in order to increase affiliation. Industry news and a search engine are further techniques used. Another affiliation technique included detailed descriptions and pictures of their products in order to increase affiliation. The same company also promoted a combination of offline activities to go with their electronic products. Additionally, a discount service was provided if users recommend the service to friends who become customers (Verona & Prandelli, 2002).

In **stage three** the selected customer segment is reached and profiled (Verona & Prandelli, 2002). It was stated from their case studies that information gained from interaction within the virtual communities aided profiling users effectively. Online surfing patterns were tracked so that customised services and information could be offered to consumers. Website features increasing customer stickiness should regularly be identified for an updated profile, according to one case company. It was also argued for continuous newsletters from which feedback is stored for further customer segment profiling. Another company showed that they profiled and followed their customers and determined the number of visitors as well as an identification of their customers surfing behaviour (Verona & Prandelli, 2002).

Stage four relates to lock-in strategies and strategies to stick the customer to a company website (Verona & Prandelli, 2002). One example to increase customer stickiness was to have a loyalty program which gave active users in the company community to receive discounts. Promotions were used monthly by another case study company to regularly bring customers back to the website. Lock-in techniques directed to the final consumers were commercial relationships in terms of subscriptions, personalised e-mail messages targeted based on preferences and cooperation with other companies believed to be of interest for the target audience. One of those partnerships enabled tips based on selected preferences to be delivered to the users' cell phone. Another company focused on customised discounts for regular purchasers (Verona & Prandelli, 2002).

Stage five focuses on increased effectiveness in targeting the selected and locked-in target group, or capturing new target segments (Verona & Prandelli, 2002). For further relationship building of initial target segment one example was to involve customers in the development of new products. This was made possible by allowing customers to take part of the creative process in terms of reviews and suggestions of product modifications. A few examples relating to capturing new target segments were presented. One case study company partnered an e-mail marketing firm reaching millions of users to promote their offering. Also virtual communities were explored for promotion of company services in order to reach new customers. Another one constructed a devoted area for downloading their service on the website, which reinforced the company's customer relationship by being more persistent in customer everyday life (Verona & Prandelli, 2002).

The model will not be used in evaluating a specific company's affiliation and lock-in strategies, nor attempts to reach future customer segments. Instead stage one to four from the model will be applied on the collected data to identify what affiliation and lock-in factors to reach customer loyalty can be applied in the DMP industry. Stage five will be excluded from the analysis since it relates to future activities and the authors of this study are exploring the present industry situation.

2.2.1.2 Value

Reichheld and Teal (1996) state that creation of value is the true mission of all businesses. They emphasise that sustainable developments in performance can only be done by sustainable developments in value-creation and loyalty. Anderson and Srinivasan (2003) add to this by arguing that in order to remain competitive, customers must be discouraged from switching to competitors by constant enhancements of customers perceived value. Motivating customers to perform repeat purchases from an e-business enhances its value-creating potential (Amit and Zott, 2001). According to Reichheld and Teal (1996), customer loyalty is achieved through delivering superior value. They continue by stating that retention of customers can be used to measure how well the company is creating value and when loyalty is achieved it increases growth, profit and further value creation. Voelpel, Leibold and Tekie (2006) add that in order to succeed, firms should present innovative and creative ways that generate customer value propositions.

Amit and Zott (2001) constructed a model of value creation potential and highlight the effect transactions have on value in e-business. This theory was built on the premise of entrepreneurship and strategic management. They argue that value created can be either for the customer, the firm or other transaction participant. Furthermore, four dimensions labelled efficiency, complementarities, lock-in and novelty are claimed to be in the centre of value creation potential (Amit & Zott, 2001). This model for value creation in e-businesses will be used to identify what factors are important and compared with how value is generated in the DMP industry.

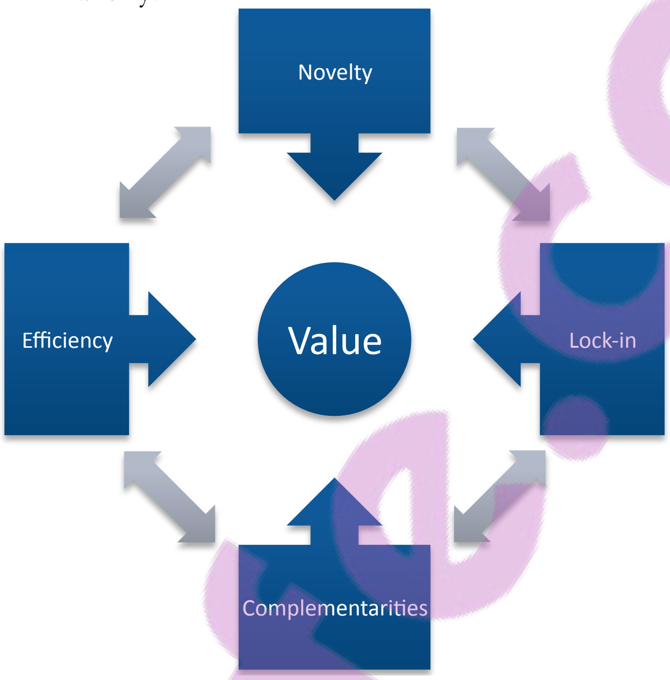

Figure 2.3 Sources of value creation in e-business (Amit & Zott, 2001, p. 504), own illustration.

2.2.1.2.1 Efficiency

The efficiency of the transactions assists in lowering costs, hence increasing value. Amit and Zott (2001) explain that efficiency can be increased in a variety of ways. Providing up-to-date comprehensive information, a speedy process, a high level of symmetry between buyer and seller information, a large inventory, low distribution costs and enabling quick and well informed consumer decisions are all different means of lowering transaction costs (Amit & Zott, 2001).

2.2.1.2.2 Complementarities

Complementarities are labelled as a bundle of goods which has more total value together than in comparison to providing them separately (Amit & Zott, 2001). They can be either horizontal, such as one-stop shopping where products from different collaborating partners are purchased at the same location, or vertical, such as after-sales services. Complementary products offered usually relate to the core products and increase their value, but value can also be derived from products not directly related to core activities. E-commerce can also offer complementarities through offline activities and linking technology from different companies or supply-chain integration. Efficiency and complementarities can be interdependent and from a consumer perspective, complementarities can increase efficiency through methods such as one-stop shopping by decreasing the customer's search costs (Amit & Zott, 2001).

2.2.1.2.3 Lock-in

Lock-in increases the value creation potential of an e-business, encourages repeat purchases and prevents strategic partners and customers from leaving in favour of competitors (Amit & Zott, 2001). Repeat purchases can be promoted through loyalty programs where customers are rewarded after a number of products have been acquired. Credible third parties can be used to establish customer relationships strong in trust through, for example, guarantees and transaction safety. Lock-in can also increase by establishing dominant design of products, services and business processes. Customer learning increases familiarity of the website and its interface at the same time as it decreases the risk of consumers to migrate to competitors. Customer learning can take place in, for example, customers modifying services, products and information after their individual desires. An e-business can find patterns in customer information, referred to as data mining, allowing them to better customise the services, products and information to match individual customers (Amit & Zott, 2001).

2.2.1.2.4 Novelty

Novelty relates to innovation on the structure of transactions (Amit & Zott, 2001). To connect formerly unconnected actors, decrease inefficiencies of buyer-seller interaction, create new markets and perform and align commercial transactions are ways of creating novelty. Innovation of transaction can also refer to selection of participating partners, for example, collaborations with third parties that intensifies website traffic. The first-mover advantage applies to novelty and by establishing brand awareness and reputation customer switching costs increase (Amit & Zott, 2001).

Novelty is linked to the other three dimensions. In terms of lock-in, innovative e-businesses are better at attracting and keeping customers, especially when in possession of a strong brand (Amit & Zott, 2001). Also, Shapiro and Varian (1999) argue in markets with increasing returns being the first mover is essential (cited in Amit & Zott, 2001). Moran and Ghoshal (1999) state that the relation between novelty and complementarities is linked to how innovations often originate from complementing factors such as capabilities and resources (cited in Amit & Zott, 2001). Novelty also connects to efficiency in that activities increasing efficiency are sometimes made possible by the presence of novel assets (Amit & Zott, 2001).

2.2.1.3 Trust

Ribbink et al. (2004) point out that customer loyalty online is assumed to increase through trust. It is important to consider loyalty as it has a positive outcome on profitability in the long-term. In their study, Ribbink et al. (2004) found that trust in an e-business setting has a direct influence on loyalty. Trust is considered imperative and a main concern within an e-business because the customers do not interact with the business or the staff face-to-face (Papadopoulou et al., 2001). Warrington et al. (2000) add that one must create trustworthy relationships, attract and maintain a customer base within e-businesses due to the absence of the physical product, where the customer and seller are physically separated. This can result in an insecure environment where trust is of high importance. Companies need to create relationships which result in trust relationships where initial sales will be generated, which later can lead to customer loyalty.

Moorman, Zaltman and Deshpande (1992) define trust as an eagerness to depend on an exchange partner which one has confidence in. In addition trust is employed to generate loyal customers (Warrington et al., 2000; Reichheld & Schhefter, 2000).

Warrington et al. (2000) highlight that companies must indirectly cultivate a trustful environment. Trust act as a vital part in supporting customers conquering risk and anxiety feelings. McKnight, Choudhury and Kacmar (2002) found that customers experiencing trust results in a comfort zone where personal information can be shared and purchases take place. Hoffman, Novak and Peralta (1999) add to this by pointing out that customers shopping online might also get anxious giving out credit card details, and Cazier, Shao and Louis (2006) state that safe transactions are imperative. Corbitt, Thanasankit and Yi (2003) reiterated that when establishing customer relationships online, the key is trust. Flavián, Guinaliu and Gurrea (2006) add that customer trust increases when they are satisfied with a website, having high functionality. Without trust, there would not be a lot of transactions. Customers also need to trust the firm in delivering the ordered product (Cazier et al., 2006).

Warrington et al. (2000) emphasise that there are several factors that foster trust: the ability to recognise the firm's name, the visual appearance and professionalism of the site, links and listings with other sites (search engines and hyperlinks), security and credibility and offer other services in which the consumer is able to place an order (Warrington et al., 2000). Using these factors which are important within the e-business setting, the authors wish to identify and compare what factors are important to create trust for DMPs.

3 Research design and method

3.1 Research strategy

There are two main types of research strategies used in studies. The quantitative strategy is the most traditional one and the most commonly used strategies are surveys, experimental research and case studies (Creswell, 2009). Creswell (2009) states the other alternative, qualitative research, is a method where individuals, groups or companies are analysed in order to get a deeper understanding and insight of a selected problem. Emphasis lies on how the individuals perceive and interpret their social reality in a certain environment (Bryman & Bell, 2003/2005). Creswell (2009) argue the process consists of collecting, interpreting and analysing data. He further states that collection refers to assembling interviews, observations, documents and face-to-face meetings that give a meaningful understanding of the issue. The results from the qualitative strategy should be tested with applicable literature (Creswell, 2009). The research topic, research method and the availability of data should be considered when choosing a method (Myers, 2009).

The authors chose to conduct a qualitative study in order to investigate what factors contribute to competitive advantage in the DMP industry. The qualitative research strategy helped the authors to fully understand the mindset of relevant people in the industry, which was considered appropriate for this study.

3.2 Research approach

There are two main research approaches for conducting studies: inductive and deductive. Thomas (2006) state that an inductive approach is where raw data is summarised, connected to the research objectives and followed by the development of a theory or model that corresponds to the experiences from the collected data. The deductive approach starts in the other end and uses already established theories to test and analyse collected data (Gummesson, 2000). Patton (2002) adds that the researcher may conduct the study with an open mind towards whatever might surface from the data. Moreover, an adequate amount of flexibility and openness should be active in qualitative research so that phenomenon emerging during the study can be explored. The research can also continue developing after initiation of data collection (Patton, 2002).

The approach used by the authors of this paper involved deductive characteristics, but maintained an open mind to possible emerging aspects during the data collection. Initially, a perspective of the industry situation and factors believed to contribute to competitive advantage in the DMP industry were sought after. Porter's five forces model was applied in investigating the industry's environment and what factors contribute to competitive advantage were drawn from the resource-based view, core competences and customer loyalty. The authors were open-minded during the interview process. This approach allowed factors that were identified during the research as most significant in contributing to competitive advantage to guide the focus of the study. During the interview process, the focus took the direction of customer loyalty, with specific emphasis on value creation as the primary source contributing to customer loyalty. Trust was also brought forward as a factor leading to customer loyalty. Customer loyalty was identified as a contributing factor to competitive advantage. According to Patton (2002), this is an approach to data collection and analysis of deductive character.

3.2.1 Pre-study

After the study topic was determined, the authors started establishing contact with persons within the digital music industry and having conversations on a regular basis with Lars Wallin, Wallin Ltd, the U.K. Lars Wallin has worked within digital music distribution since 2003 and currently works as a consultant, aiding companies in all stages of the value chain of the digital music industry. He assisted the authors in gaining a basic understanding and insight into the digital music industry and DMPs. The authors also established a second contact in Jamie Turner, The Music Consultancy, the U.K. Jamie Turner is the manager of the artist group Hamfatter and Managing Director of The Music Consultancy; a consultancy firm that focuses on all areas of the music industry. Communication with both contacts took place by phone calls and e-mails. Simultaneously, secondary information on the industry was collected extensively from journals and relevant credible websites. A wide selection of DMP homepages was also looked at in order to contribute to a better understanding.

3.2.2 Data collection

3.2.2.1 Primary data

Information gathered for a specific purpose is called primary data (Kotler, Wong, Saunders & Armstrong, 2005). It is an imperative method where the authors can make direct observations, conduct in-depth interviews and illustrate interactions that are complex (Marshall and Rossman, 2010). The data responds to a particular research question that cannot be achieved through secondary data, which is the major advantage of primary data. There are several collection methods, such as laboratory measurements, field observations, questionnaires and interviews (Sharp, Peter & Howard, 2002). The authors chose primary data as the main type of data for this study, conducting semi-structured interviews. This is because this particular phenomenon has not, to the authors' knowledge, been conducted before and therefore the necessary method of collecting new data is primary data, as it addresses the specific research questions prepared (Iacobucci & Kotler, 2001).

3.2.2.1.1 Pilot study

Prior to the interviewing process the authors conducted a pilot interview with Lars Wallin. This helped becoming accustomed with the interview process and allowed for constructive feedback from Lars Wallin on interview etiquette, professionalism and structure. In addition, the questions were reviewed and reformulated where appropriate, to make them better suited for the interviews. Mackey and Gass (2005) define a pilot study as a small-scale trial of the planned process and method. The idea is to examine, potentially revise, and to later make a final version of the material. Possible problems can be discovered and put right before a final version is carried out. Mackey and Gass (2005) highlights the importance of conducting a pilot study, which can disclose discrete design or implementation errors of the study that may not be apparent in the planned study.

3.2.2.1.2 Sampling

O'Leary (2010) indicates that sampling lets the researchers collect data from a small number where their knowledge, opinions, viewpoints and attitudes are captured. Ghauri and Grønhaug (2005) state that sampling can be done in two ways: through probability and non-probability samples. Non-probability sampling is a technique that allows the researchers to find a non-representative population. This entails a process where selected individuals are not chosen by random, but are instead chosen according to whether they are appropriate to the study or not (Ghauri & Grønhaug, 2005). One type of non-probability sampling is convenience sampling, where people are selected based on the convenience of obtaining contact with them (Ghauri & Grønhaug, 2005).

Smith and Albaum (2005) define convenience sampling as the non-probability sample selected in a convenient way, which was carried out by the authors as interviewees were selected through the established contacts. This process entailed the authors evaluating appropriate industry members from a list of potential contacts. In addition the snowballing sampling method was also applied in combination with convenience sampling. Auerbach and Silverstein (2003) describe snowball sampling as when the chosen convenience samples are asked to select other people, which increase the sample. The sample enlarges even more when these interviewees further select additional people of significance (Auerbach & Silverstein, 2003). The sample of this study grew as a snowball rolling downhill when a list of interesting people was presented from where the authors decided which one to contact based on relevancy for the research. The interviewees were chosen based on the criterion that they have experience and knowledge in the digital music industry, with others that did not fulfil this criterion omitted. The authors gathered a sample size of eleven, all of whom are active within the digital music industry in Sweden, Denmark or the U.K. Six contacts were reached through Lars Wallin and Jamie Turner, and the remaining five were attained from referrals from the initial six contacts (See Table 3.2 regarding contact functions and Appendix 2 for interviewee information). The contacts were approached using e-mail, Skype and telephone. Other potential interviewees were sought after by the authors through referrals from interviewees, e-mail addresses and phone numbers on company websites without success.

The sample comprises of people within different areas of the digital music industry. This includes persons active in DMPs, digital platform providers, music labels, music artist managers and digital music consultancy services. The authors found reaching persons from different functions of the industry appropriate, as the digital music industry is made up of many elements, which contribute to the overall industry. Subsequently, this gives a variety of expert opinions and perspectives from Denmark, Sweden and the U.K. All the interviewees are directly involved in the digital music industry and were all interviewed in order to gather realistic and credible information. Crommelin and Pline (2007) highlights that experts' opinions are based on knowledge, honesty and certainty and one should constantly be objective. Having eleven industry experts, the authors of this study believe this variety of professionals with different views garnered a rounded perspective and increased the value of the data collection.

3.2.2.1.3 Interviews

Qualitative interviews focuses on the interviewees' standpoint. It is desirable to have the possibility for the dialogue to take unforeseeable directions, which gives an understanding of what the interviewee perceives to be relevant and vital. These interviews can be flexible and adaptable depending on the interviewee's answers (Bryman & Bell, 2003/2005). This structure helped the authors of this study to identify what areas contribute to competitive advantage. Myers (2009) identified three different types of interviews seen in Table 3.1.

Table 3.1 Types of interviews (Myers, 2009, p. 124), own illustration

Structured interviews	The use of pre-formulated questions, strictly regulated with regard to the order of the questions, and sometimes regulated with regard to the time available
Semi-structured interviews	The use of some pre-formulated questions, but no strict adherence to them. New questions might emerge during the conversation
Unstructured interviews	Few if any pre-formulated questions. In effect interviewees have free rein to say what they want. Often no set time limit

The authors chose to focus on semi-structured interviews in order to have control over what topics to cover, but simultaneously allow for the inclusion of new questions during the interviews. The semi-structured method is applied in a study with a clear focus in order to ask specific questions formulated to the appointed interviewees (Bryman & Bell, 2003/2005). This method gave the interviewees the possibility to freely share knowledge, views, opinions and information regarding the topic of discussion. Due to the industry developing rapidly, speaking directly to involved individuals seemed the most appropriate method to reach up-to-date insights. All interviewed individuals are part of senior management in different organisations in the DMP industry. This enabled the authors an access to the interviewees' knowledge, which was considered crucial for the completion of this research.

Eleven interviews were conducted in total, each containing fourteen questions. The aim of the interviews was to form a deep understanding of the industry structure and identify factors that contribute to competitive advantage for DMPs. Focus was put on the factors that were of highest relevance as it emerged during the interviews, which in turn, guided the study. The questions (see Appendix 3) regarding competitive advantage related factors were constructed with support from previous research using academic journals that identified important factors for e-businesses and DMPs. This comprised of factors contributing to competitive advantage, such as resources, core competences and customer loyalty influencing the question formulation. In formulation of industry questions Porter's five forces model was used as inspiration.

All interviews were recorded so they later on could be transcribed, which King and Horrocks (2010) state as crucial. When scheduling time for the phone interviews, the authors of this study agreed on an approximate duration and informed the interviewees in advance to ascertain that they had the appointed time free, which is pointed out as important by King and Horrocks (2010). Each interview took approximately 30 minutes, recorded with the interviewee's approval. In Table 3.2 the contact's name, company name, contact's position, date, type and length of all interviews is stated.

Table 3.2 Interview contacts, own illustration

No.	Contact	Company name	Position	Company Type	Country	Date	Tool	Length
1	Søren Tvilsted	B2B Tones	Co-founder	Mobile download solutions	Denmark	100405	Skype (not visible)	25 min
2	Christina Gadegaard	TDC Musik	Project Manager	Digital music portal	Denmark	100414	Skype (not visible)	42 min
3	Henrik Fuglesang	Discowax	Digital Manager	Music label	Denmark	100414	Skype (not visible)	38 min
4	Morten Dahlgren	24-7 Entertainment	Scandinavian Account Manager	Digital platform provider	Denmark	100416	Skype (not visible)	28 min
5	Steve Purdham	We 7	CEO and Founder Investor	Digital music portal	U.K.	100416	Skype (visible)	22 min
6	Jamie Turner	The Music Consultancy	Managing Director	Artist consultant	U.K.	100421	Skype (not visible)	37 min
7	Andreas Stighäll	CDON	Business Area Manager, Digital	Digital music portal	Sweden	100421	Skype (not visible)	27 min
8	Thomas Fearn	OOiZiT.com	Director	Online music community	U.K.	100421	Skype (not visible)	52 min
9	Mark Meharry	MusicGlue	CEO	Artist promotion service	U.K.	100422	Phone	23 min
10	Lasse Westi	Sony Music Entertainment	Digital Business Manager	Music label	Denmark	100503	Phone	51 min
11	Lars Wallin	TrueContent	Director	Digital music consultant	U.K.	100505	Skype (visible)	37 min

The interviewees were each sent a document prior to the interview containing all questions that would be asked, to give them a brief understanding of all topics covered. The time frame of the interview was restricted according to the lack of free time the interviewees had. Nonetheless, the interviewees covered all areas of the questions stated. It was not feasible to conduct the interviews face-to-face, since the interviewees are situated in Denmark, the U.K. and in Malmö, Sweden. A lack of time and capital were the main reason that hindered the authors from performing the interviews in person. Telephone interviews are less expensive and are managed quicker than face-to-face interviews considering cost of time and money for travelling (Bryman & Bell, 2007).

Originally, two different sets of questions were created for two different groups: individuals from digital music portals and members of other organisations within the digital music industry. However, during the initial process of sending out the questionnaire, the authors decided to switch to using solely the questions targeted at industry persons as the authors deemed all respondents answers as of equal value.

Two interviewers and one additional individual were present in nine of the eleven interviews conducted for post-interview interpretation, which decreases the possibility of misinterpretation according to Bryman and Bell (2003/2005). Each interviewer alternated asking questions with both writing their interpretations down for every question, in addition to a third member also taking notes. For nine out of the eleven interviews, the authors used the software application Skype, whereby two of the interviewees were visible by video. King and Horrocks (2010) declare that this internet-based telephone system, enables online PC conversations face-to-face using a webcam. The other seven interviews using Skype were conducted as telephone interviews. The two remaining interviews were conducted as phone interviews using mobile telephony, whereby only one interviewer conducted the interview. This was due to technical difficulties with Skype. Kotler et al. (2005) states that this approach is still the best method for collecting data quickly. The interviews took place in group rooms at Jönköping International Business School (JIBS) and in the school library, which allowed for a non-distracting and comfortable environment.

3.2.2.2 Secondary data

Information used from previously published data gathered for another purpose is called secondary data (Kotler et al., 2005). It can be found from sources such as books, journals, official publications and the Internet (Sharp, Peter & Howard, 2002). This form of data is a good research foundation and can help the researchers defining objectives and problems and is generally acquired faster than primary data (Kotler et al., 2005). To provide a theoretical framework, secondary data was retrieved from library books, academic journals, official publications, encyclopaedias and newspaper articles which were found in both physical form and online. ABI/Inform, Science Direct, Emerald Fulltext, Business Source Premier, SCOPUS and Google Scholar served as searching platforms when searching for relevant and credible literature. Thereafter, specific key words were used in order to filter the search down to pertinent options such as: competitive advantage, digital music, digital music portals, e-business, e-commerce, e-loyalty, loyalty, trust and value. Whilst evaluating whether particular information sources were relevant, the authors were highly critical, specifically whether the information sources were relatively up-to-date as digital music is a relatively new phenomenon, which helped towards the credibility of the study.

3.3 Qualitative data analysis

3.3.1 Coding

After data collection there are numerous ways to analyse the data. The next step is to put the findings together. Minor changes to the original title, abstract and the theoretical framework may be necessary and the authors must be aware that they might need to gather additional data (Myers, 2009). The data should be interpreted intensely so the authors can understand the different issues discussed, with the analysis being a continuous process where reflections should be assessed (Creswell, 2009).

Coding is a qualitative data analysis method that enables the authors to, after the transcription process, select relevant data that relates to the research questions and the theoretical framework (Auerbach & Silverstein, 2003). The coding method helps the authors discover the bridge between the concerns of the study and the interviewees' concerns, by recapturing the interviewee's opinions and viewpoints through the use of theory. Auerbach and Silverstein (2003) have created a six-step figure that the authors of this study used as a qualitative data analysis tool that helped to code the interviews, which then was performed manually.

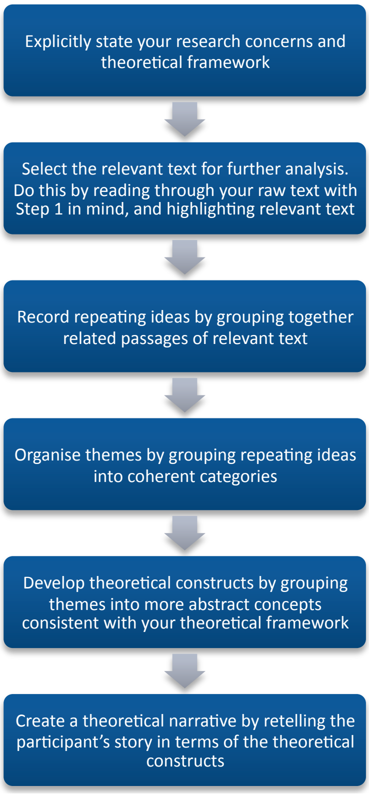

Figure 3.1 Six steps for constructing a theoretical narrative from text (Auerbach & Silverstein, 2003, p. 43), own illustration.

In the post-interview process, the authors began the coding process by discussing their interpretations from each interview to see if they were homogenous, on the condition that there was more than one interviewer present. Thereafter two individuals together transcribed all interviews from the interview recordings, choosing relevant text, which Auerbach and Silverstein (2003) define as text that relates to the study's research concerns. The authors of this study then noted patterns from similar words and phrases taken up by different interviewees that form similar ideas. This was colour-coded according to repeating ideas. This process was conducted separately by two individuals, which discussed their interpretations thereafter. This approach reduces the potential bias that results from a single observer according to Patton (2002). By finding groups of repeating ideas with common characteristics, the authors of this study were able to establish themes that could be regarded as a group of repeating ideas organised in an implicit topic (Auerbach & Silverstein, 2003). The themes established were Competitive state, Entry barriers, Industry problems, Revenue models, Target audience, Substitutes, Customer loyalty, Value and Trust.

The next step was to organise the themes into a more abstract format by applying noted theories to the themes to form theoretical constructs (Auerbach & Silverstein, 2003). The authors formed the themes into two different theoretical constructs: The DMP industry and Customer loyalty creation in the DMP industry (see Appendix 4 for coding results). The last step of the research process was the theoretical narrative, which provides the link between study's concerns and the interviewee's subjective knowledge and experience (Auerbach & Silverstein, 2003). The theories included under the theoretical framework were applied to the grouped themes to convert them into more abstract concepts. These transcriptions were later on supported with secondary data for the analysis.

To make coding more reliable, a group of researchers should code the same data separately (Ghauri & Grønhaug, 2005). The authors of this study individually read through the selected data and assembled the data into categories, which later lead to a discussion to ascertain whether all group members had identified the same patterns and repeating ideas.

3.4 Research delimitations

Certain delimitations generally apply to qualitative studies. Interviews can to some extent reflect the interviewees' personal perspective and opinions (Creswell, 2009). Creswell (2009) continue that when interviewing one individual in an organisation there is a possibility that the person is not expressive enough and does not fully provide the organisations opinions. However, the authors of this study do not attempt to identify factors of a specific company's perspective, but instead facets important on a general scale in the industry, from the individual's perspective.

The authors have selected theories from two research fields: strategic management and marketing strategy. Because of this the coherence of the theoretical framework is reduced. Another delimitation is that the questions used for interviews are quite broad, as an industry perspective was sought after. This reduces the possibility of a deep understanding of a phenomenon. The observations and interviews consist of a specific number of individuals in digital music organisations and from there it is difficult to generalise the results to other environments in terms of other industries apart from the digital music industry. A lack of financial capital meant that trips to locations for face-to-face meetings with interviewees was not possible, which according to Patel and Davidson (2003) lack facial expressions and body language, which could potentially have lead to misunderstandings.

3.5 Trustworthiness

Trustworthiness is applied in qualitative studies (Clifton & Serlin, 2006) and is where the sufficiency of the study can be evaluated, looking at decency and quality. To assure this, one should be able to explain, in detail, how the process was carried out. The researcher needs to convince the reader that the results are valuable (Lincoln & Guba, 1985).

To reveal trustworthiness in the findings, it should fulfil the following criteria: It should be *credible,* where the researchers look at what is raised by the respondents and determine whether it corresponds to the researchers reality. It is vital that it is *transferable* so others can apply the study to their situations. This can be done by providing an extensive account regarding several aspects such time and place of the study. The term *dependable* regards the data constancy over time, and is regarded as equivalent to reliability. Dependability relates to if the procedures of the research are documented and traceable. All data should have references so original sources can be found. *Confirmable* is where the researchers need to guarantee that the interpretations, data and the outcomes of inquiries are from external contexts and people, all data should have references and not only be illusions of the researchers minds (Guba & Lincoln, 1989).

The process of the research was carried out through an implementation of theories to the subject of interest, to later on be related to the data collection. The collected data is believed to be credible since the authors considered the interviewees to be relevant and answers to be realistic. The questions from the interviews are presented for the possibility of the study to be replicated (see Appendix 3). Note however that since semi-structured interviews were conducted, some questions were raised during the conversations and are therefore not included in the documents. The authors focused on having clear minds and no expectations regarding the answers to the appointed research questions. Being two members conducting the interviews and two transcribing the recordings reduced the risk of misunderstanding and misinterpretations (Bryman and Bell, 2003/2005).

The data is well documented and all sources have references, which increased the trustworthiness of the study. Lastly, the result came from the DMP industry and is not the authors' own interpretations. The authors of this study were the data collecting device and Bryman and Bell (2003/2005) state that the study depends on their resourcefulness and if their observations are affected by their specific interests (Bryman & Bell, 2003/2005). The result has a good balance of citations from the interviewees and own formulated text, which Patel and Davidson (2003) state as crucial so the reader on his or her own can estimate the credibility of the interpretations.

4 Empirical data

The empirical data presented is the relevant information gathered during the interviews. Information deemed irrelevant to the purpose has been omitted. It is presented under headings according to topics of interest to the study. In some instances answers were given during questions relating to other headings, but the information is presented under the heading where it is applicable, according to the authors.

4.1 Industry situation

During the interviews several comments regarding how rapidly the industry is changing were raised. According to Jamie Turner, music is now accessible wherever and whenever. Further, he said the DMPs are open to share ideas and integrate services with each other to enable a nice network. Also, music fares are arranged yearly and the time frame of future predictions presented during them are becoming shorter every year, which Morten Dahlgren who has participated in such fares for 15-20 years stated. Hence, predicting the future in this industry is difficult. Mark Meharry claimed changes are occurring rapidly with new technology presented on a daily basis. The competitive state is argued to be changing quickly and to date be in a '*state of flux*' where '*new services, new models, new platforms are coming out on a daily basis*', according to Thomas Fearn. He continued that it is easy to replicate digital solutions, causing sustained advantages to be increasingly difficult to achieve. According to Lasse Westi, the key factor necessary to move the DMP industry forward is the digital technical development. Steve Purdham does not believe drastic changes should be made in the industry. Instead, focus should be on the long-term perspective and promote development taken step by step since '*this is a marathon*', as he words it.

4.1.1 Competitive state of the DMP industry

In some interviews the opinion that there are several competitors around was expressed. Søren Tvilsted argued no competitive situation exist at all, with iTunes being the single dominant player. Other respondents joined him in proclaiming iTunes as dominant in the market. Lars Wallin voiced the idea that the competition is not between different DMPs but instead between different business models. He argued that the market will '*shake out*' soon and fewer competitors will be present, an opinion Steve Purdham shared. The most frequent view was however that it is a very competitive industry with Thomas Fearn calling it '*hugely competitive*' and Steve Purdham '*exceptionally competitive*'. Lasse Westi does not think the competition is intense, but claims it is becoming more user-driven and that '*there are a lot of new digital consumers coming in every month*'. This, he argues, applies in the Swedish and Danish market which he is most familiar with. The opinion that it is an international market was raised in several other interviews. In contrast, Jamie Turner labelled the industry fragmented since the costs of opening up businesses across borders are high.

4.1.2 Industry entry barriers

The discussions concerning factors obstructing new DMPs to enter the market highlighted several points. The most commonly mentioned factor was the need of marketing expenditure to establish a well-known brand. Jamie Turner argued that the marketing investment determine if a portal will become known in this crowded market. Morten Dahlgren added that it is important to be visible in the market. For this a strong financial capital is necessary, which was brought forward during several interviews, with Andreas

Stighäll saying that '*you need to risk a huge amount of money*'. Having a strong marketing budget for marketing activities is extremely important. The music industry as a whole was also considered as an obstructing factor. The right holders are too conservative and acquiring rights for digital music sales takes a long time according to Christina Gadegaard. Morten Dahlgren described the process of completing publishing and license deals as very difficult, time-consuming and a nightmare. Søren Tvilsted supported this view by stating that the negotiation process with several parties in the industry before digital music can be sold is very difficult and a '*major obstacle*'. On the same note, Lars Wallin divided the level of obstruction based on what kind of artist the DMP in question wants to offer. If the service offer established famous artists the bureaucracy surrounding it creates a barrier to entry. However, if smaller independent artists are to be offered through the service the obstructing factors are small. Andreas Stighäll claimed the record labels ask for large up-front guarantees which prevent new entrants.

Coming up with a good idea was further mentioned as an obstacle. Thomas Fearn highlighted that not only do you need a good idea; you '*also got to have two or three evolutions of your product already waiting in the wings to kind of replace that*'. He argued this since during the time you spend releasing the first version it might become outdated. The time itself to develop an idea was also voiced as an obstruction. Other factors mentioned were the need to reach economy of scale in order to achieve profitability and Lasse Westi suggested the technical knowledge required as a hindering factor.

4.1.3 Problems within the DMP industry

The main reoccurring problem in the industry highlighted during the interviews is the music industry being conservative and inflexible. This primarily relates to the music labels. Mark Meharry declared that '*companies are tied into the traditional recording industry model*' which he describes as an '*old model*'. Steve Purdham added that they are not letting go of traditional structures and its history, while Morten Dahlgren characterised the major music labels as '*too conservative*'. Andreas Stighäll continued that the record industry is '*inflexible*' and '*stuck in old business models*'. The reason for this behaviour is, according to Jamie Turner, the revenues generated from the large mark-up on the CD; a profitable situation the music labels have not wanted to abandon. Other problems presented were that people get used to music being free, imitation being easy in the digital world and that not all music is available legally online, for example The Beatles.

4.1.3.1 P2P

A clear answer whether illegal P2P file sharing is seen as a problem was not received in all the interviews. However, the most frequent answer went in line with Andreas Stighälls' who said '*I think it is a very very big problem*'. Christina Gadegaard and Morten Dahlgren pointed out that the biggest problem is that the right owners are not getting paid for their work. Lasse Westi does not think it is a big problem and added that it is getting better. Another perspective was presented by Lars Wallin who argued the P2P networks are not a problem, but instead create incentives to make the digital music industry profitable.

On the topic of reasons for users of illegal P2P networks to switch to legal DMPs, two points stood out: providing a better service and convenience. Lars Wallin stated that '*if you can create a better experience at the right price, there is no reason to file-share*'. He continued that the most important factors to achieve a better experience are quality and convenience. Morten Dahlgren claimed convenience is something people will pay for. Other reasons mentioned for switching to legal alternatives are a requirement that the service is free, reliable and offer participation in a community. Talking about the P2P file sharing in general, Lasse Westi expressed a view that new and better DMP services compared to the illegal options will reduce the problem.

4.1.4 Revenue models

Steve Purdham explained that different customers prefer different revenue models. Despite this, it is clear that subscription services stand out in the views of the interviewed, closely followed by models gathering income on products other than the music. Lasse Westi argued it is easier to split the costs between relevant parties in a subscription-based service, compared to in pay-per-download models. Further, Andreas Stighäll stated that once users have been acquired, a subscription service is the most profitable. Regarding models primarily creating revenue on other products than music, Morten Dahlgren argued such DMP's '*use music as a loss leading product*' in order to sell the other products. Søren Tvilsted expressed that the only successful portals are those following this strategy. Examples given of other products sold apart from music content are mobile phones, portable music players, advertisements and mobile or broadband subscriptions. A combination of models was also argued for. Thomas Fearn thought it is important to be transparent and not hide cost, independent of revenue model.

It was declared that none of the revenue models are profitable on their music activities and Mark Meharry said '*none of them are sustainable*'. The pay-per-download model was repeatedly claimed to be unprofitable with Lars Wallin thinking that '*downloads are dead*'. Further, none of the streaming services generate a profit according to Jamie Turner.

4.1.5 Target audience

When asked who the main target audience for DMPs are the answers varied greatly. The most frequently appearing comments indicated that either the offered music content attracts customers or people with an Internet connection constitute the target audience. Mark Meharry added that people with an Internet connection means '*everybody*'. No consensus was to be found in the rest of the responses. Lasse Westi indicated that the person paying for the music affect the target audience, using an example from the Danish market. He stated that since TDC Play is a service offered to subscribers of TDC's phone and broadband services the persons paying the bill are often parents or grandparents. In TDC subscribing families with several members not only the person paying the bill listens to the music. In contrast, with the pay-per-download services where the person listening to the music is often also paying the bill, pushing the target audience down the ages, he argued. Christina Gadegaard explained that TDC Play divides their customers into three groups based on music interest, age and family situation. Søren Tvilsted presented two different groups to target: only people over 18 years of age, and both those under and over 18. The groups are separated at that age since some DMP's require a credit card for purchase and can only target those at least 18 years old. It was also suggested that the target audience is up to 40 years old, although it was at the same time stressed that those older should not be forgotten. Morten Dahlgren claimed a general target audience for DMPs does not exist.

4.2 Customer loyalty

When presenting opinions regarding factors contributing to competitive advantage, the interviewee's highlighted aspects found relating to customer loyalty, and value creation.

These comments have therefore been coded to data related to mentioned topics and is presented here.

Customer loyalty and value creation were emphasised during the interview process as being paramount in the DMP industry and contributing to competitive advantage. Morten Dahlgren showed this by stressing that '*it is easy to switch store*'. Comments regarding how to maintain customers and create customer loyalty mainly surrounded lock-in techniques. One method suggested offering other products necessary for listening to the music, such as portable music players or cell phones with Apple being the reoccurring example. Søren Tvilsted described it as creating an ecosystem. The most frequently suggested lock-in technique was however to get the customer '*involved in the actual portal itself*', as Thomas Fearn described it. A different suggestion on how to engage them is to provide the possibility of profile and playlist creation and to supply music and playlist recommendations which the user can privately explore. Andreas Stighäll agreed and stated loyalty is created when '*the customer builds value to the service by themselves*' since '*the users actually spend a lot of time building value to the digital services*'.

The use of editorials was also deemed important. Making sure the homepage is refreshed and contains something new every week is suggested as an editorial. Point systems was suggested where the user after a specific number of downloads get access to, for example, concert tickets prior to others. Lasse Westi provided such an example and said '*it's not just buying ten tracks, it's actually buying something extra exclusive'*. Creating a compulsive behaviour, with the consumer returning to the DMP was suggested. To provide good usability, a working service, treat customers with respect and customers having given their credit card details to a portal were other factors pointed out. Mark Meharry is the only interviewee not convinced customer loyalty could be achieved in this industry as '*customers move like birds in the wind from one thing to another*'.

4.2.1 Value

Mark Meharry claimed the music content offered on a portal create the value with Steve Purdham adding that '*the value comes from the music itself*'. Cross-platforming, to be present on several platforms, for example computers and cell phones, is noted and Jamie Turner said that DMPs need '*to be everywhere*'. Lars Wallin suggested that in order to create value, change should take place in the form of weekly front-page updates of the website/application. Journalistic activities would enable this process and the news from previous weeks should be available to the consumer, he continued. Morten Dahlgren added that short personalised newsletter creates value. A unique service is stated as important and Morten Dahlgren claimed that '*you need to stick out*'. Usability is another facet that was expressed as important, with Søren Tvilsted emphasise the advantages of unique usability and provided iTunes and Spotify as examples of it.

Another factor believed leading to creation of value is to constantly supply the newest music as Henrik Fuglesang argued. Also the price of music was mentioned as a value-creating factor. Christina Gadegaard and Lars Wallin argued for add-ons and creation of value in addition to what the artist has already produced in the form of music content. This can take form in editorials. Talking about competitive advantages of We7, Steve Purdham highlighted the importance of being able to access the service on any web browser. During discussions about OoiZiT, Thomas Fearn argued for transparency and no hidden cost as a factor. Other factors presented are having relevant traffic of proven consumers, providing a convenient service, offering a free service and working within the boundaries of your country.

4.2.2 Trust

The most frequently reoccurring factor regarding trust establishment was the brand. The brand being well known, associated with stability were comments brought forward. On the topic of brand, Christina Gadegaard added that '*if you have a brand that they trust then they will come back*'. A safe shopping experience which relate to payment functions and the customer being comfortable in handing out credit card details was highlighted. It was further stated that if the production value creates a compulsive behaviour, then trust is established. Other value-creating factors mentioned were price, portal usability, offering of unique features or providing the cutting edge in terms of technology. Henrik Fuglesang argued trust can best be generated by simply offering a service that functions well. Mark Meharry believes the only reason someone visits a portal is to get content from an artist they trust. Steve Purdham said '*trust is something that builds over time'* which was an argument also brought forward by others.

4.3 Creativity and innovation

How digital music is being consumed changes rapidly according to Thomas Fearn and he added that to stay competitive you need to be creative and innovative. Close to all respondents agreed and Jamie Turner called it '*very important*' while Søren Tvilsted responded '*extremely, extremely*' when asked how important creativity and innovation is in this industry. Further, Lars Wallin believed DMPs can be creative in allowing their users to modify and play with the music content provided. Mark Meharry agreed that it is important with creativity but also highlighted the significance of understanding and focusing on your goals. Lasse Westi considered that it is important to differentiate yourself, but at the same time claimed the record companies limits the possibilities to creativity and innovation. In contrast, Lars Wallin thought there are no limitations in terms of distribution and consumption of digital music since the Internet technologies are so cheap.

4.4 Flexibility

A large majority of these industry members also considered being flexible and able to change as important. Morten Dahlgren declared that you have to be '*really really flexible and have open eyes*' and highlighted the importance of using flexibility to make the portal as simple as possible for the user. Further, to be flexible is '*the very essence of digital*' according to Thomas Fearn. Søren Tvilsted pointed out that consumer demand is rapidly changing and the DMPs need to change with them. In contrast, Jamie Turner argued '*the consumer does not know what they want until they have got it in front of them*'. Steve Purdham instructed that you should '*not plan to change but you should be able to adapt to changes*'. It is not necessary to be flexible and change your offering according to Jamie Turner, who added that too much adaption can damage a brand.

5 Analysis

The analysis starts with evaluating the DMP industry situation, followed by highlighting the key forces in competitive strategy formulation. How these factors influence customer loyalty creation in the DMP industry will be presented. Customer loyalty creation factors contributing to competitive advantage, including value and trust, will then be identified.

5.1 The DMP industry

5.1.1 Threat of new entrants

The threat of new entrants is relatively low in the DMP industry according to the authors. However, if a company with an established well-known brand decides to enter the industry, the threat increases. There are several points to consider when determining the threat of new companies entering the DMP industry. There is a lack of product differentiation between the portals as it is primarily made up of products from the same four music labels. Porter (1980) explains this decreases the barriers to entry. It has been argued that capital requirements for establishing an e-business are low (Boone et al., 2010). Respondents in this study disagree and a large marketing budget to establish a well-known brand was regarded as one of the main obstacles to overcome as a new entrant in the DMP industry. The importance of a well-known brand to enter the DMP industry is recognised by the Danish Telco TDC with their portal TDC Play, and British television broadcaster Sky with Sky Music. Interviewees further stated the importance of marketing activities by stressing the importance of market visibility in the industry. Porter (1980) highlights that this can involve hefty start-up costs and large investments in forming a company's brand name.

In order to overcome switching costs, companies have to attract customers by competing using performance or price (Porter 1980). There are low switching costs in the e-business environment (Smith & Brynjolfsson, 2000) with customers only a few mouse clicks away from competitors (Srinivasan et al., 2002; Srinivasan & Anderson, 2003), whereby Porter (1980) argues that it increases the threat of entry. Also, since several DMPs offer their licensed content for free with advertising and free but illegal P2P usage still exists (IFPI Digital Music Report 2010, 2010), competition on price is less significant in this industry. Also the price competition between DMPs is restricted, as interviewees pointed out that profitability on digital music sales is limited. Instead competition based on performance strategies becomes essential. In attempts to increase switching costs, DMPs are affiliating customers through recommendations and using lock-in techniques through the possibility to create and share playlists with friends, as highlighted in interviews.

The four major music labels control a vast majority of the music demanded worldwide (Goel et al., 2010). This leads to an obstacle for new entrants (Porter, 1980) as they are forced to negotiate deals regarding music distribution with a limited number of suppliers. The magnitude of this obstacle increases as the market leading DMPs primarily distribute music content from the same four labels, which represents approximately 80% of music sales worldwide (Goel et al., 2010). Therefore, in order for new or existing firms to compete, they must at least have a similar offering to reach a significant customer base.

Another entry barrier raised during several interviews was the claim that the whole music industry is conservative and stuck in traditional models, making it very difficult to obtain licensed material. This criticism includes not only music labels, but also right holders and collecting societies. They were argued as being unwilling to adapt and adjust themselves to fit the digital environment. Moreover, interviewees argued that vast industry knowledge is necessary for the negotiation process with mentioned industry parties, to obtain the required music. Another obstacle mentioned was the process of coming up with an innovative and new idea which was considered difficult and time consuming in this industry. The difficulty stems from the need for originality and technological improvements, while simultaneously attracting a significant amount of users.

5.1.2 Threat of substitutes

There are two main substitutes within the DMP industry: CDs and music files downloaded from illegal P2P networks. According to Porter (1980) a substitute product can fulfil the same function as another product in the industry. The authors consider the functions of digital music as being able to listen to the music while on the move and being able to select songs. With this definition, intermediaries for music distribution such as TV and radio are excluded. The authors believe that the CD is an impractical option when on the move in comparison to digital music. The authors regard music from illegal P2P networks as substitutes on the basis of the belief that they are able to compete on price as consumers can switch to illegal P2P networks and download digital music without cost. Usage of P2P networks has lead to consumer being used to free music, as explained by interviewees. Therefore, the authors argue that if prices rose heavily of DMPs services and products, users would resort to P2Ps. However differentiation techniques are evident between illegal P2P file-sharing networks and DMPs, which reduces the threat of substitutes (Campbell et al., 2002). These differentiation techniques include playlist creation and recommendation features. The interviewees regarded the P2P file-sharing networks as a threat and suggested differentiation techniques to outperform them are to offer a superior service, focusing on convenience and usability.

5.1.3 Bargaining power of supplier

Evaluating the ease in which DMPs can switch to new suppliers, the bargaining power of suppliers can be viewed as strong in this industry in the author's opinion. In the DMP industry there are few suppliers, which comprise of the four major music labels and other content holders, which possess the legal rights over content, in which the DMPs sell to their consumers. This connotes a concentrated group of suppliers from which DMPs can choose. In order to have a wide assortment of music the DMPs are forced to negotiate agreements with all the big labels as well as independent labels, due to the uniqueness of the products they supply. Also due to the uniqueness of the products supplied by the labels, namely specific artists' music, no legal digital substitutes exist for the DMPs. Furthermore, the music is essential for the success of DMPs. All these are reasons which Porter (1980) argue increases the bargaining power of suppliers. However, the four major labels generate 27% of their income from digital music, a figure expected to increase (IFPI Digital Music Report 2010, 2010). Porter (1980) argues this reduces supplier power, as suppliers are less likely to exert their power when an industry is a significant part of their income.

5.1.4 Bargaining power of buyer

The authors believe that the bargaining power of buyers is strong in the DMP industry. The consumer has access to full information on market prices, as in many online markets. As the DMPs music offering primarily consists of the same four major music labels catalogue, the differentiation between them in terms of product offering is small. The profits earned by DMPs from the music content are small, if any as the interviewees stated. All these are factors that Porter (1980) states increases the bargaining power of buyers. Also, as stated before, the switching costs in e-business settings are generally low although portals are increasing them by affiliating and locking the customer in. Apart from those factors, there is no real cost in moving to a competitor apart from giving out credit card details once again, which is not a process necessary in all DMPs.

5.1.5 Competitive rivalry

The authors consider the DMP industry to be highly competitive, a view supported by the interviewees. During several interviews it was argued that iTunes is the dominant market player, connoting an international presence in the market. Other interviewees mentioned that there are few competitors. This reduces competitiveness as the industry is dominated by few companies (Porter, 1980). Also reducing competitive rivalry within in an industry is rapid growth (Porter, 2008b). This can be seen in the DMP industry which has experienced rapid changes on a continuous basis, with new transaction structures emerging. A lack of differentiation or switching costs between portals increases competitive rivalry, and when that is the case, customers choose their products mainly based on price and performance (Porter, 1980). As mentioned, the portal's low profit on music sales and similar catalogue based on the four major music labels' assortment limits competition based on price. The varied revenue models can be seen as service differentiation and the interviewees had, as prior stated, a strong preference for subscription services. Apart from revenue models, differentiation is lacking in the industry due to the homogeneity of music offering. Several companies are striving for success with a reorganisation of this rapidly developing industry to be expected, according to some interviewees. Such an unstable situation increases competitive rivalry (Porter, 1980). There are opportunities to explore with expected market growth and competition for market share between companies is evident, indicating a strong competitive rivalry (Porter, 1980).

5.1.6 Forces that most strongly influence the DMP industry

Both suppliers and buyers have been found to have power in this industry, leaving DMPs in between both groups. DMPs are dependent on the suppliers' content to be competitive and the fully informed buyers face relatively limited costs in switching between DMPs. The existing portals with strong national market shares create an intense competitive rivalry where threat of new entrants is low. The necessity and difficulty in successfully negotiating with music labels, together with the requirement of a well-known brand creates high entry barriers. As the DMPs improve their performance and service offered the threat from the remaining challenging substitute, illegal P2P networks, diminishes. With the industry situation in mind, certain key factors for competitive strategies in the DMP industry appear.

Competition on price is barely possible and will not create a competitive edge and there are numerous competitors fighting over consumers who face limited switching costs between the DMPs. Therefore, competitive strategies in the DMP industry should solely be focused on improving the performance and service offered to the consumer, as a wide assortment of music is simultaneously maintained. Based on the described state of the industry, the authors argue that creation of customer loyalty is necessary for DMPs to be competitive.

5.2 Customer loyalty creation in the DMP industry

5.2.1 Loyalty

Verona and Prandelli's (2002) model on how companies can create customer loyalty in an e-business setting was used to identify loyalty creation factors in the DMP industry. It combines affiliation techniques to attract the customer and lock-in strategies to foster repetitive purchasing behaviour (Verona & Prandelli, 2002). The model consists of five stages and this study will identify factors from the DMP industry suitable in stage one to four. Stage five is excluded as it considers future targeting of customers.

5.2.1.1 Targeting

Initially the model identifies target audience and according to the interviews the main target audience in the DMP industry is primarily viewed in two ways: anybody with an Internet access, or the music content offered attracts the relevant audience. Anybody with Internet access is regarded as the target audience of DMPs as Internet is necessary to utilise their service. Alternatively, target audience being decided by music content means that consumers will visit a portal that provides the music of their preference. If DMPs select their target audience as all Internet users in a specific region, then the competing portals will focus on exactly the same potential customers. If they however use music offering to dictate target audience, they compete over a large but similar customer segment as music offering is usually primarily based on content from the four major music labels. The authors argue that the targeting of these similar customer groups, highlight the importance for DMPs to focus on performance and differentiate themselves.

5.2.1.2 Affiliation

Affiliation activities focusing on content and community are used to target a selected target audience (Verona & Prandelli, 2002). Affiliation through content does not differentiate DMPs from competitors based on the similar music offering. However the authors of this study argue that differentiation of services can create affiliation. DMPs can create affiliation in terms of community by providing a foundation for user interaction. DMPs can create this foundation by providing the possibility for users to communicate, create and share playlists with other users, as suggested by several interviewees. Conversely, the authors argue that the user's actions of interacting with other users contribute to lock-in and not affiliation, which will be discussed under lock-in. Several DMPs present editorials, such as, information about the artists, album covers and upcoming industry news-related to artists in their catalogue. These factors are forms of informational affiliation increasing the customer attachment to an e-business, according to Verona and Prandelli (2002).

5.2.1.3 Tracking and profiling

DMPs can gather information from the mentioned affiliation activities (Verona & Prandelli, 2002) such as looking at music listening habits, purchasing behaviour and what editorials a user clicks on. Together, the increased knowledge of consumers' music habits and interest in editorials, builds up an accurate profile of the consumer. This enables the DMP to provide personalised music recommendations, which was argued in interviews as a value-creating factor. The authors of this study argue using established profiles for personalised activities towards customers further increases affiliation as the preference of the service as superior increases. Personalised activities can take the form of music recommendations and customised editorials.

5.2.1.4 Lock-in

To encourage repeat purchase behaviours Verona and Prandelli (2002) state lock-in techniques should be used. Examples in e-business settings are offering discounts to active users, personalised messages and subscriptions (Verona & Prandelli, 2002). In the DMP industry, subscriptions are evident in two of the three revenue models: free advertising supported service with option of paid-for-premium and subscription of a core product/service bundled with music. In the former, subscription payments are traded for improved content accessibility and elimination of advertising. It focuses on benefits for active users instead of discounts; for example, users can occasionally get access to albums before official release dates (Spotify, 2010). Personalised messages can be seen in the form of music recommendations, where users music behaviour has been profiled for appropriate suggestions. In the latter revenue model, it is a subscription of a product/service other than music that enables access to music. The music is then applied to increase the attractiveness of the core offering.

The strongest lock-in factor argued for by the interviewees was to engage the customers and give them the possibility to invest time in the DMP. Allowing consumers to become involved in the DMPs website or application can lock-in the consumer with non-financial costs of leaving the portal. The authors of this study reason non-financial switching are costs incurred when moving from one supplier to another that is not monetary. These engaging activities include when users create playlists and engage in community aspects involving communicating and sharing music with other users. If these customer loyalty creating activities are in place, the consumer will lose the time invested in the portal, connection with other users and community belonging achieved if they switch between DMPs. These factors are mostly evident where music is listened to as opposed to where it is acquired, unless it is combined into one service. Therefore, engaging the customer is best suited where music is listened to because that is where the consumer is most likely to spend the most time. This indicates a strong basis for loyalty-creation through engaging customers, if acquiring and listening of music take place in one service.

In the pay-per-download portals the music is purchased and then often listened to on a separate device. This indicates that the consumer spend time on two different services. In contrast, in the free advertising supported service with option of paid-for-premium the consumer can stream the music at the DMP's website or application. This provides a better basis for engaging the customer. By engaging the customers in a community with communication between users, enabling creation and sharing of playlists the users gets locked-in.

5.2.1.5 Reflections on customer loyalty creation

When evaluating customer loyalty creating factors in the DMP industry, according to Verona and Prandelli's (2002) model, it is clear that activities promoting affiliation and lock-in are evident. However, the industry differs compared to other e-business industries in terms of one major aspect. The focus on engaging the customer for loyalty-creation instead of purchase encouraging activities, in most DMP revenue models, set the industry apart from other e-business industries. The reason for this is income in the industry is not always based on purchases, but often time spent listening to music. The pay-per-download portals are more in line with Verona and Prandelli's (2002) model with the focus on fostering repeat purchase behaviour. However, the DMPs using revenue models focusing on time spent listening to music indicate an e-business industry differ from Verona and Prandelli's (2002) model. Successfully applying mentioned customer loyalty-creation factors would result in reduced customer price sensitivity amongst other things, according to Rowly (2005). This is of particular interest for DMPs because of, as the foregoing industry analysis highlighted, the difficulty to use price as a competitive factor and users being used to music being free. It would not suddenly establish price as a competitive factor, but DMPs could be able to maintain a loyal customer base despite potential price changes. This is of special interest in the DMP industry as the bargaining power of suppliers is strong where the four major music labels control the music content required for DMPs.

5.2.2 Value

According to Amit and Zott's (2001) model, value can be influenced by four main topics: efficiency, lock-in, complementarities and novelty. As the DMP industry demonstrates that it possesses low switching costs for consumers to switch, value-creating activities are imperative. Within these four topics several factors important for creating customer loyalty in the DMP industry is highlighted.

5.2.2.1 Efficiency

Sources of value were identified through many efficiency techniques, whereby efficiency is a primary value driver for e-businesses (Amit & Zott, 2001). Interviewees recognised editorials as a significant value-creating factor in the DMP industry. Editorial-related activities include providing up-to-date information on artists, weekly newsletters and a continuously updated home page, independent of use of website or application. Personalisation of applicable editorials, such as weekly newsletters, increases the value-creating effect. Usability was emphasised in interviews as a value-creating factor, which emphasises the need for the site to be simple and enables the consumer to navigate the website or application with speed. The assortment or selection range of the music and the music content itself was deemed as critically important to adding value, which gives the consumer more choice. These are all components that increase the transaction efficiency (Amit & Zott, 2001).

5.2.2.2 Complementarities

Complementarities provide more value when products are bundled together, rather than separately (Amit & Zott, 2001). Interviewees were able to identify the significance of complementarities in the DMP industry by stating that combining and bundling music with other products as a strong value-creating strategy. DMPs are found to have complementarities that aid value-creation in the use of cross-platforming. This creates a ubiquitous service for the consumer and creates value between technologies, which relates to the core product and adds to the value of it (Amit & Zott, 2001). One way is to include core products to which the DMP provides the service; TDC and Apple being two examples. As the interviewees indicated very limited profitability on music sales alone, this can increase the profitability of companies in the industry. Other ways presented by Amit and Zott (2001) are complementarities between online and offline offerings. Such activities are not common in the DMP industry as of now.

5.2.2.3 Lock-in

Value-creation can be enhanced by lock-in, which leads to repeated purchases and discourages users from venturing to competitors. Amit and Zott (2001) state that customers can experience lock-in through engaging with an e-business in terms of modifying services according to individual desires, which can be nullified if consumers are to switch to competitors' services. Engaging the customers is a notion which the interviewees believed to be important for customer loyalty and to lock-in, by which they recognised the positive correlation between engaging the customer and lock-in. However, depending on revenue model applied by the DMP repeat purchase behaviour might not be the goal, as previously analysed. Offering a unique service provides consumers with a service that is dissimilar to competitors, which therefore can lock them in to a website. Factors that can create this unique offering are value created around the music, which can be identified as ways of fostering customisation. It was argued that creating value beyond the artist's music content is the way to add value around the music. Factors mentioned that are relatable to loyalty also apply to lock-in. Loyalty programs are a way of rewarding customers with repeat purchases and are evident in pay-per-download portals.

5.2.2.4 Novelty

Due to the recent emergence of the industry, there have been several new and different ways of conducting business in this setting. As previously mentioned, different revenue models have appeared since iTunes success in 2004. Amit and Zott (2001) explain novelty as the way e-businesses innovate the structure of transactions and highlight it as a primary value-creating factor. In 2010, Spotify brought a new transaction structure, by adding a social community feature to their service which allows users to share music with other users and view other friend's playlists amongst other features. This has lead to new participants to become involved in the structure of transactions such as the social networking sites Twitter and Facebook (Sehr, 2010). This can therefore be argued as innovatively creating new value to the customer, as well as the DMP and the partnering firms. Novelty coupled with complementarities can also be seen in the transformation from DMPs becoming available on mobile phones and other Internet connected devices, which bring in new participants in the form of mobile phone network providers. Efficiency coupled with new structure content was argued to be an important relationship by Amit and Zott (2001). Considering the rapid developments within the industry and difficulty in predicting new upcoming transactions structure, being in the forefront of value-creation in terms of transaction structures becomes significant. This requires DMPs to be innovative and possess high levels of creativity in order to come up with new transaction structures. Both were aspects considered to be imperative by interviewees, together with being flexible. The authors argue that new transaction structures are of great importance in being competitive in the DMP industry, as it is changing rapidly. In interviews flexibility was also considered important as it enables a DMP to follow trends set by competitors, which can occur frequently in the DMP industry.

5.2.3 Trust

Trust was shown to be necessary and have a direct affect on loyalty in the e-business setting, as customers interact with the website rather than people (Ribbink et al., 2004). DMPs can counter the insecure environment that the Internet gives (Warrington et al., 2000), by creating a strong, trustful brand. Possessing a well-known brand was clearly stated as most significant in trust-building in interviews. However, as also expressed by interviewees, trust-building can be a lengthy process, in which Warrington et al. (2000) argue that one must build relationships for the consumer which can then be built into trust relationships and loyalty is created thereafter. Warrington et al. (2000) further state that to establish initial trust, one must employ secure money transactions for the first purchase. Safe payments were highlighted during interviews as necessary to achieve a trustworthy relationship.

As the DMPs operate differently, different levels of trust must be created. Services such as We7's require a user to give personal information, which forces the firm to foster a comfortable environment (McKnight et al., 2002). However, pay-per-download and subscription revenue models impel the user to give their credit card details, as they are paid services. These paid-for services effectively coerce the DMP to create a more trusting environment, as customers can be concerned when giving out their credit card details (Hoffman et al., 1999). Regardless of DMP, trust-building is not seen as a key contributor to competitive advantage in the industry, however a well-known brand coupled with trust is an integral part of customer loyalty creation.

6 Conclusions

The DMP industry has experienced a rapid development in growth, with innovative new services continuously being introduced, along with high competitive rivalry. Within the industry, DMPs provide a product offering that is fairly undifferentiated with competitors being easily accessible online, which results in low switching costs for consumers, who have full market information. Low switching costs, together with the limitation of price competition, coerces portals to focus on performance competition, rather than price to contribute to competitive advantage. DMPs need to focus on service-improving strategies to create customer loyalty, which coincides with value and trust-creation activities.

Trust was found to not be contributing to competitive advantage, but necessary as DMPs operate in the online environment where buyers and sellers are physically separated. A well-known brand is the most significant factor in establishing trust. Employing value-creating strategies allows DMPs to create customer loyalty. This study identifies the most important factors for creating customer loyalty which contributes to competitive advantage in the DMP industry. The authors argue these factors locks customers in through increasing switching costs of non-financial character, as they would be lost if customers switch DMP. The factors are grouped into three concepts:

New Transaction Structures - To be able to compete and create value, there is a heavy focus on the development of innovative services and new transactions structures. Connecting formerly unconnected actors, develop new commercial transactions and decrease buyer-seller inefficiencies are ways of creating new transaction structures. It requires DMPs to be innovative, creative and in the forefront of industry developments. Cross-platforming was a formerly new transactional structure now established as a key value-creating factor. Constantly pushing development through establishing new transactional structures is identified as one of the most important factors in customer loyalty creation.

Customer Affiliation - Affiliation enables increased customer attachment to a DMP's website or application. The most important factors in increasing customer affiliation are usability, editorials and music recommendation. Usability regards the ease-of-use and speed in which the user can navigate around the portal. Editorials relate to informational affiliation such as presenting news, articles and artist information. These usually take place on the DMPs front page and regular and relevant updates are essential. Music recommendations are given based on DMPs profiling of users music habits. Both editorials and music recommendations can be enhanced through accurate profiling of customers music habits, enabling customised individual editorials such as newsletters and improved music recommendations.

Engage the consumer - Engaging the customer into DMP's services is found to be essential. It provides a platform for the user to invest personal time in the portal. Factors engaging the customer include creation of playlists and community aspects such as interacting and sharing playlists with other users. The cost of switching from a DMP with these factors in place constitutes of the time invested in playlist creation, the DMPs profile of the customer's music habits and the following recommendations lost and community belonging with connections to other users lost. The possibility to engage the customers using these factors is heavily increased if the DMP is both a music store and music player application in one. The DMP can then capture all of the user's music-related activities in one place.

Implementing these factors will enable DMPs to create customer loyalty. Furthermore, if DMPs can outperform their competitors on these factors, it will greatly contribute to achieving competitive advantage. That being since customer loyalty is identified as an important factor contributing to competitive advantage in the DMP industry.

7 Discussion

The use of a qualitative research strategy is now after the conclusion of the study still considered the appropriate strategy. Qualitative interviews enabled access to the insights deemed necessary by the authors. Especially the semi-structured method became valuable, allowing the interviewed industry members' perspective of important factors to guide the interviews in the appropriate direction. It is primarily those directional changes during the interviews that stand in favour of the method, in comparison to a quantitative one. It would not have enabled the same open mind which the authors believe greatly assisted the data collection and ending conclusions. In terms of questions used in interviews a broad approach was taken. It enabled evaluation of what was considered important in contributing to competitive advantage and a focus on the most applicable factors in the industry. However, having focused solely on customer loyalty-related questions could have deepened the knowledge of the subject. The authors firmly deem the same factors for customer loyalty creation would have resulted from this, but more detailed managerial implications could potentially have been drawn from it. This belief is strengthened by industry developments occurring during the later stages of the writing process. The launch of Spotify Next Generation is a key example of this, combining community and user engaging activities as the conclusion of this study also suggests. This provides assurance that the authors' conclusions are correct and credibly applicable to the industry. For the same reason do the authors not only believe they answered their purpose, but that they answered it accurately as well.

An interesting alternative approach would have been to conduct a case study on a specific DMP. It would have allowed the authors to gain a deeper and more specific knowledge of customer loyalty factors relating to a specific portal, allowing for detailed managerial implications. However, it would have left the authors with an isolated situation from one DMP with a specific kind of revenue model. The authors argue that the industry approach chosen allowed for results that to a great extent can be generalised to DMPs having different revenue models in different countries. This broadened the authors' knowledge and allowed for a more accurate analysis regarding customer loyalty creation in this industry. To be noted is also that the busy schedule of the interviewees eliminated the possibility of conducting a case study.

The selection of theories relating to both industry and customer loyalty gave grounds for elaboration. The reason was to gain an in-depth understanding of the industry situation in order to analyse how key industry forces affect important contributors towards competitive advantage, and consequently competitive strategies. This knowledge greatly assisted the authors to identify customer loyalty as the primary aspect of competitiveness in the DMP industry. Furthermore, it assisted an identification of what value- and trust-creating factors were of greatest significance in this specific industry, in regards to achieving customer loyalty. Therefore this selection of theories greatly aided the authors in fulfilling the purpose, although the link between the theories might seem peculiar at first glance.

The results of this study can be generalised to DMPs in many countries as the industry structure is similar in many countries: music content primarily from the four major labels, same or comparable revenue models and collecting societies acting for artists. This is supported by Porter's (2008b) discussion on geographical scope and some interviewees arguing for international competition. In terms of credibility the authors argue the independent coding of the interview transcriptions contributed to the reliability of the interpretations of comments uttered. One factor that could potentially have decreased the credibility was that step one in Auerbach and Silverstein's (2003) six step process was not fully conducted. After the interviews, the authors transcribed the recorded data, focusing on the most relevant data, filtering out information considered irrelevant, instead of transcribing everything said. This can to some extent seem to have biased the credibility of the study. However, the authors do not see this possible bias to have affected the results and analysis of the thesis.

As mentioned, no previous studies on customer loyalty factors in the DMP industry have been conducted, to the authors' knowledge. Although no such study have been conducted, research on factors important for DMP success highlighting certain aspects also stressed value-creation factors as presented in this study (Landegren & Liu, 2003). This mainly revolved around the use of usability as a value-creating aspect. The authors of this study argue this paper brings new knowledge to the research field of customer loyalty, as it is not tested in the DMP industry before. It is firmly believed that future research regarding competitive strategies and customer loyalty in the DMP industry would find this study rewarding to look into. In terms of business-related practical use of the findings, managers in DMPs are most likely aware of that these highlighted factors are important for their competitive strategies. This is indicated by the mentioned recently occurring industry developments. However, the combination and focus on specific factors presented in this paper can bring new insights to managers. This is indicated by the scattered opinions on factors deemed important presented during interviews, although all interviewees were not directly involved in DMPs.

7.1 Further research

As the study is founded on qualitative data, a deeper understanding of customer loyalty creation would be facilitated through a research focusing on quantitative data. That would examine the actual users of DMPs, by identifying customer attitudes and perceptions towards loyalty, rather than looking only at customer loyalty creation from a firm and industry perspective. Then DMPs would be able to determine how they can actually increase performance, lock-in customers and make them loyal, which is imperative due to the steady industry growth and transaction structure improvements.

Another area interesting for future research would be to look into the DMP industry from a wider geographical scope, rather than from only three countries, and examine DMPs in different geographical areas and continents. Since DMPs are deemed to compete within the same industry when having a similar industry structure (Porter, 2008b), it can be generalised on a broader scale. Looking at other countries would be interesting and further investigate if this assumption of generalisation is actually true, or if there are opposing views, which would verify if the results from this study are in fact equivalent in other settings having comparable industry structures.

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Appendix 1 – Definitions

Collecting society
We have chosen to use the definition of the Swedish performing rights society STIM. Its purpose is to '*protects the interests of authors and publishers of music*'. Further, they '*administers and licences rights to music and text*' (STIM, 2010). Different countries have their own collecting society and their structure may differ, but their purpose surrounds the mentioned activities.

Digital music
The authors define digital music as an intangible product that can be consumed and transferred electronically.

Digital music portal (DMP)
The authors define a digital music portal as an e-business whose core service is to legally offer digital music by means of stream and/or download. Also referred to in literature as digital music outlet and digital music distributor. In the paper it will also be named portal.

Digital music portal industry
This is the industry in which digital music portals compete.

Downloading
The process of transferring digital content from an online source to an Internet connected device, such as a computer or a mobile phone.

E-business
The authors refer to e-business as the conduct of business online. In this paper the word e-commerce will also be used as a synonym. E-business can also relate to a specific company operating online.

Editorial
The authors define editorials in the digital music industry as journalistic efforts, such as news, articles and artist information shown on a portal's website, often the front page. Editorials are of journalistic character and are not advertising material.

Free advertising supported service
This term refers to a revenue model where consumers can access digital music that is advertising-funded for free.

Licensing deal
A licensing deal give the licensee the right to reproduce and broadcast the copyrighted material the license relate to. Its purpose is to ensure artists get paid for their work.

Pay-per-download
This term refers to a revenue model where consumers can purchase single songs or albums, for which they pay-per-download.

Publishing deal

This term refers to the contractual agreement between music publisher and artist where the artist give up all or part of the music copyrights in return for commercial exploitation of the music.

Revenue model
In this paper referred to the different income strategies employed within the DMP industry: pay-per-download, subscription of a core product/service bundled with music and free advertising supported service with option of paid-for-premium.

Right holder
A right holder is the owner of a piece of music and has the potential to earn a living from it. It gives the holder the power to decide how to use and distribute the music (IFPI, 2005). Also referred to in literature as copyright holder and content holder.

Subscription
This term refers to a revenue model where consumer can access a music library when signing up for a subscription, generally a monthly subscription (Fox, 2004).

Streaming
The definition used in this paper state that streaming is '*a technology for transferring data so that it can be received and processed in a steady stream*' (Dictionary.com, 2010). In other words meaning you can listen to a music track without fully downloading it, in contrast to downloading.

Appendix 2 - Interviewees

Søren Tvilsted
Co-founder of B2Btones, Denmark.
Relevant past: Head of TDC Musik at TDC and Head of development at TDC (LinkedIn, 2010).

B2Btones is a micro-sized company providing solutions for content download shops to mobile telecoms. Their catalogue includes, for example, ring tones, games and applications (B2Btones, 2010).

Christina Gadegaard
Program Manager for TDC Musik at TDC A/S, Denmark (LinkedIn, 2010).

TDC is the market leading provider of communication solutions including telephony, Internet, TV services, mobile telephony and data services in Denmark (TDC, 2010). TDC Play gives customers of TDC mobile and broadband services free access to over 6 million songs, which they can download unlimitedly (TDC Play, 2010).

Henrik Fuglesang
Digital Manager at Disco:Wax, Denmark.
Relevant past: Digital business manager at Warner Music Denmark and 3G/Coordinator (music) at Sonofon (LinkedIn, 2010).

Disco:Wax is the leading Scandinavian club record label with licensee of e.g. Bob Sinclar, Axwell, Pitbull, Armand van Helden and Hampenberg (Disco:Wax, 2010).

Morten Dahlgren
VP sales and Marketing at 24-7 Entertainment, Denmark.
Relevant past: Head of Edel Scandinavia at Playground Music Scandinavia, Managing Director at EMG Music AB and Division Manager (music) at TV-Shop Europe AB (LinkedIn, 2010).

24-7 Entertainment specialises in mobile and online distribution of digital media and is the leading technology provider in those areas (24-7 Entertainment, 2010).

Steve Purdham
CEO and Founder Investor at We7, the U.K (LinkedIn, 2010).

We7 offers a free music streaming service with over 3 million songs where customers can listen to and share advertising supported music. The possibility to download the music is also made possible (We7, 2010).

Jamie Turner
Works for the Music Consultancy, artist consultant (J. Turner, personal communication, 2010-04-21) an Director of Hamfatter Ltd, the U.K.
Relevant past: MD at Jamie Turner New Music, Owner at Listen2Listings and Vice Chair at Strawberry Fair (LinkedIn, 2010).

The Music Consultancy is specialised in the music business and its different aspects. They act as consultants for their clients and their experiences include marketing and promotion, distribution, licensing, label deals and artist management (The Music Consultancy, 2010). Hamfatter is a U.K. based indie/pop/alternative band (Hamfatter, 2010).

Andreas Stighäll
Business Area Manager, Digital at CDON.com (MTG), Sweden.
Relevant past: Business Developer Homeenter AB (LinkedIn, 2010).

CDON offers over a million products for sale, such as books, CDs, games, home electronics, DVDs and downloads on demand. Customers can download music as single tracks or albums (CDON, 2010).

Thomas Fearn
Director at OOiZit Plc, the U.K.
Relevant past: Digital Marketing Manager at Associated Northcliffe Digital (LinkedIn, 2010).

OOiZit.com assists bands in increasing their U.K. fan base and developing digital marketing strategies, as well as providing a platform where they can promote themselves. On their portal users can stream for free or purchase music (OOiZiT, 2010).

Mark Meharry
CEO at Music Glue, the U.K (LinkedIn, 2010).

Music Glue assists artists in trading detailed fan data information including e-mail address and location of the fan in return for their music content. The artist can control how the customer uses the content, e.g. restrict number of plays of a song and get revenue from P2P sales (Music Glue, 2010).

Lasse Westi
Digital Business Director at Sony Music Entertainment, Denmark.
Relevant past: Web developer at Egmont (LinkedIn, 2010).

Sony Music Entertainment is a worldwide music label with a long music history. Many labels are represented, such as Epic and Columbia (LinkedIn, 2010).

Lars Wallin
Director at Wallin Limited and consultant for True Content, the U.K.
Relevant past: Worked in the real time dissemination of Financial and Media assets for 25 years and the media distribution business since 2003 (L. Wallin, personal communication, 2010-05-05).

Wallin Limited offers consultancy services to major and independent Music labels of the technologies and revenue models applicable to the media business on IP networks involving the entire value chain from artist to end-users, this includes media distributors (ISP and mainstream portals), Telco's and main communication operators (including mobile), government legislation and copy right protection and media asset owners. The company has operated since 2008 in its current form (L. Wallin, personal communication, 2010-05-05).

Appendix 3 - Questions

Question 1. Is being a small to medium-sized enterprise beneficial in the digital music portal industry? Advantages and disadvantages in comparison with larger players?

Question 2. What competitive advantages do you believe are most important within the digital music portal industry? What resources do you believe are necessary to achieve this?

Question 3. What competences are needed to utilise these resources? In other words what skills and abilities are needed to effectively utilise the resources.

Question 4. The industry uses a variety of revenue models such as, monthly subscriptions (stream or download), pay-per-download (single files or albums/compilations) and free of charge with advertisements. Which do you believe to be the most profitable one and why? Is it a single or a combination?

Question 5. Do you believe digital music portals need to be flexible and change often in this industry? If so, why?

Question 6. Do you believe that creativity and innovation is important for digital music portals? What do you believe music portals do to encourage creativity and innovation and in what business areas? Are there limitations that hinder creativity or innovation?

Question 7. When consumers shop or become frequent visitors of a particular website, they often look for value and trust. What do you believe creates customer value and trust in digital music portals?

Question 8. Consumers can easily switch between digital music portals at a low cost, what do you think is the best way to create customer loyalty?

Question 9. Who do you believe is the main target audience for digital music portals today? Why?

Question 10. Do you believe digital music portals can compete with the 'experience' that a physical product offers? E.g. buying a CD, putting the CD in the player, enjoying the extra material, placing it in your CD library and so forth. If so, how?

Question 11. Do you think illegal P2P file sharing is a big problem today? Why? Are there motivations for P2P users to switch to online music portals? Why/Why not?

Question 12. Apart from P2P file sharing, what are the main problems/threats within the digital music portal industry?

Question 13. Are there any obstructing factors for new digital music portal companies to enter the market? For example capital, knowledge etc.

Question 14. How would you evaluate the competitive state of the digital music portal industry, considering factors such as the competition for market share, differentiated offerings and size, number of competitors etc.?

Appendix 4 – Coding results