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Abstract

This paper aims to discuss the concept of how businesses can build loyalty using media sharing websites such as YouTube. More specifically, this case study will discuss how Universal Music Group created a successful channel in YouTube, and how loyalty can be generated using such a method. This study will be implemented by reviewing relevant theory in loyalty and analyzing YouTube and Universal Music Group's content in its channel within. The content analysis method is applied in this study, as it is regarded as a major research technique for understanding the design and functions of websites (McMillan, 2000). Using media sharing websites such as YouTube enables businesses to showcase their products to a wider audience, creating awareness that can lead to exploration and the fostering of relationships. Based on loyalty theory, this information to gain a competitive advantage in offering product information to a wider audience, fostering relationships between themselves and the public, and building loyalty using online communities such as YouTube in particular. This paper addresses the concept of generating loyalty in media sharing websites. Such a concept is important as more and more businesses turn to the online environment to gain a competitive advantage.

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Loyalty in Media Sharing Websites: The Case of Universal Music Group

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Abstract

This paper aims to discuss the concept of how businesses can build loyalty using media sharing websites such as YouTube. More specifically, this case study will discuss how Universal Music Group created a successful channel in YouTube, and how loyalty can be generated using such a method. This study will be implemented by reviewing relevant theory in loyalty and analyzing YouTube and Universal Music Group's content in its channel within. The content analysis method is applied in this study, as it is regarded as a major research technique for understanding the design and functions of websites (McMillan, 2000). Using media sharing websites such as YouTube enables businesses to showcase their products to a wider audience, creating awareness that can lead to exploration and the fostering of relationships. Based on loyalty theory, this process consequently leads to the building of loyalty. Business practitioners can use this information to gain a competitive advantage in offering product information to a wider audience, fostering relationships between themselves and the public, and building loyalty using online communities such as YouTube in particular. This paper addresses the concept of generating loyalty in media sharing websites. Such a concept is important as more and more businesses turn to the online environment to gain a competitive advantage.

Paper classification: Conceptual paper

Key words: Internet, Loyalty, Media Sharing, Communication, YouTube

INTRODUCTION

Preamble

Advancements in Internet technology have enabled an unprecedented level of interaction and informational reach. Enabled by such technology, online video sharing website YouTube rose from its inception in 2005 to become the world's most successful video sharing website in just a year. Considering the growing number of media sharing websites engendered by the expansion of the World Wide Web, more and more business practitioners are seeking to gain a competitive advantage using this medium. Businesses can leverage the technology and reach of such websites to build loyalty.

Aims and Methodology

The concept of media sharing is recent, and there is still much scope for academic research in this area, especially in YouTube. More specifically, there is a paucity of research in the topic of building loyalty using such websites.

This study will be carried out by analyzing how Universal Music Group builds loyalty using YouTube, using the content analysis method. The content analysis method is regarded as a major research technique for understanding the design and functions of websites (McMillan, 2000). In this study, YouTube and Universal Music Group's content will be analyzed to identify how loyalty can be generated. The findings are expected to be useful for research, pedagogical, and practical purposes.

CONCEPTUAL FRAMEWORK

Loyalty

In recent times, brand loyalty has captured the interest of both academicians and practitioners within the field of marketing and consumer behavior (Jensen and Hansen, 2006). Sindell (2000) defines loyalty as the process of building a relationship with a customer in order to encourage the customer to repeatedly purchase your goods or services, focusing on developing an intellectual or emotional attachment between the company and the customer. Jacoby and Chestnut (1978)

offer a more precise definition of loyalty within a marketing context, defining loyalty as a biased psychological response that is expressed over time by a decision making unit with respect to one or more brands out of a set of similar brand. Firms that develop customer loyalty develop a sustainable competitive advantage against their competitors (Kotler, 1984). Loyalty helps create a positive word of mouth for the firm's offering and develops a greater resistance among loyal customers towards competitor's promotions (Dick and Basu, 1994). Vendors who develop loyal customers also experience higher profitability (Rowley, 2005) and lower costs as their customers tend to be less sensitive to price changes (Reichheld, 1996). Loyal customers enable firms to adopt brand extension strategies therefore reducing the possibility of new products failing in the market (Thiele and Mackay, 2001).

In an effort to sustain brand loyalty, Pearson (2006) recommends that vendors should attempt to build a meaningful and mutually beneficial relationship with the customer. Pearson (2006) also suggests that managers should adopt a long-term focus to developing loyalty by managing the consumers experience while developing insight into the consumers to understand the consumer's needs and the consumption process. In order to create buyer loyalty, Banasiewicz (2005) advises that marketers should focus on a few critical aspects within a structured framework. This mainly includes stating the programs end objectives keeping in mind that loyalty may help boost a brand's revenue thereon, selecting an impact measurement matrices such as repurchase as well as explicitly defining the programs target audience (Banasiewicz, 2005). To be successful, efforts to create loyalty should be tangible, real, and deliver a substantial value to the consumer (Duffy, 2005).

In line with Banasiewicz's (2005) suggestion of creating customer value, customer satisfaction is also often considered as a precondition to consumer loyalty (Hepworth and Mateus, 1994). Some researchers have also attempted to understand satisfaction at a deeper, multi-dimensional level arguing that the experience of satisfaction incorporates a cognitive element that relates to beliefs and expectations and an effective component that encompasses the consumer's emotions (Athanasopoulos, 2000; Liljander and Strandvik, 1997; Stauss and Neuhaus, 1997; Yu and Dean, 2001). Literature also indicates the existence of a significant positive relation between the satisfaction people experience while consuming a product or service and the loyalty they express

towards that product or service (Colgate and Stewart, 1998; Hocutt, 1998; Patterson and Spreng, 1997). Marketers are also increasingly turning towards developing a relationship with their customer by following up with them after the sale in order to increase customer satisfaction and generate loyalty (Belch and Belch, 2007).

While research suggests that it is five times less expensive to sell to an existing customer than it is to acquire a new customer (Palumbo and Herbig, 2000), attempts to increase customer satisfaction and develop customer loyalty are becoming a common sight (Gomez et al, 2006; Palumbo and Herbig, 2000)

Loyalty and the Internet

The advent of the Internet has changed the way customers shop (Kotabe et al., 2005). Greenspan (2004) suggests that a significant proportion of all offline purchases have been influenced by research done on the internet. The internet as a sales medium has therefore created several other opportunities for marketers to create loyalty. Based on traditional methods of creating loyalty, marketers in today's "dot com" age have managed to develop loyalty to their online portals mainly by building a relationship with their customer based on trust, quality and value (Pitta et al., 2006; Merisavo and Raulas, 2004, Gummerus et al., 2004; Fogg et al, 2002; Reichheld and Scheffer, 2000). Loyalty has been quoted as being the result of a successful and mutually beneficial relationship between a vendor and a customer in business (Groman, 1999). On the same lines, practitioners have often attempted to build and manage relationships with their online customers. Customer relationship management is a customer oriented approach of marketing that focuses on customer benefits and values thereby developing and strengthening the relationship between the customer and vendor over time (Newell, 2000).

Marketers can deepen brand loyalty by communicating actively with customers and developing a consumer-brand relationship (Merisavo and Raulas, 2004). The diffusion of the Email as a means of targeted and personalized communication helps marketers to develop and maintain a relationship with their customers at a relatively low cost (Merisavo and Raulas, 2004). Marketers are also increasingly adopting Email based techniques such as reward programs, newsletters and community building to develop a dialogue with their customer and maintain a

relationship with them (Brondmo, 2000; Roberts et al, 2001; Fournier, 1998). The repeated exposure the brand receives through Emails also enhances the attitude of customers towards the brand (Berger and Mitchell, 1989), while providing the customer with information reducing their search efforts (Merisavo and Raulas, 2004). However, Zeithaml et al (2000) argues that if the customer is bombarded with messages from the firm, it may negatively affect the customer's perception of the firm and reduce the quality they perceive in the relationship.

Trust is often considered as another important determinant of customer loyalty (Schlosser et al, 2006; Smith, 2002; Reichheld et al, 2000). Marketers offering services online will have to focus on creating a relationship based on trust in order to develop loyalty towards their website (Pitta et al, 2006). However, this is further complicated on a computer-mediated environment such as the internet (Naquin and Paulson, 2003). Relevant literature suggests that the design elements of a website facilitate the development of an online relationship (Pitta et al, 2006).

Economics of Information

In the traditional offline context, in order to obtain a particular video clip, one would have to search between locations such as shops or libraries. This requires the spending of time for travel to these locations and possibly additional time within such locations. Traveling to and between the various locations involves the concept of "reach" referred to in the Evans and Wurster (1999) model of richness and reach. Because there are practical limits to the number of locations that a researcher could visit in order to obtain the desired video, there are limitations to "reach". Given a period of time, increased "reach" could be achieved only at the expense of "richness". Such "richness" refers to the quality of the video collected defined by accuracy, relevance and adequacy. As Evans and Wurster (1999, p. 23) state: "To the extent that information is embedded in physical modes of delivery, a basic law governs its economics; there is a universal trade-off between richness and reach".

This trade-off between richness and reach consequently forces people to search in a hierarchical manner. In terms of theoretical expectations, people would begin their search by looking at various locations for videos, such as shops and libraries, and conclude by selecting a number of locations for a further search. Searching in a hierarchical manner takes time and effort, and risks

a sub-optimal result. The more locations a person visits, the less time is afforded for looking for the desired video at any particular location. Due to the limited number of locations the person eventually visits before obtaining the desired video, as a result of time and pecuniary cost constraints, it is unlikely that the researcher is able to maximize the effectiveness of the search. It can thus be said that physical information channels result in asymmetrical and limited information flows that could cause sub-optimal search results.

The application of information technology provides new and extended ways of transmitting, sharing, and processing information. The advent of the Internet enables the aforementioned trade-off between richness and reach to be diminished, as there is now an abundance of readily accessible videos on the World Wide Web (WWW), allowing people to more effectively and conveniently locate videos. This gives rise to a new “economics of information” (Evans and Wurster, 1999). YouTube allows users to obtain both richness and reach in their search for videos without the traditional costs associated with the trade-off. The dilution of the richness-reach trade-off consequently enables users to access a wide variety of videos (a high level of “reach”) and yet afford to obtain a high level of accuracy, relevance and adequacy.

DISCUSSION

Background of YouTube

Video sharing websites have become increasingly popular on the Internet, engendered by improvements in file compression technology and increased Internet connection speeds.

YouTube.com is such a video sharing website that owns the rare accomplishment of overtaking Yahoo Videos and Google Videos to become number one in the Internet video market when just a year old (Stone, 2006). According to Hitwise (2006), YouTube had a commanding 43 percent share of the online video market as of May 2006, exactly one year after it was launched – see Table 1.

TABLE 1
Ranking of Online Video Sites (Source: Hitwise 2006)

Rank	Name	Domain	Market Share	Average Visit Length
1	YouTube	www.youtube.com	42.94%	13:20
2	MySpace Videos	vids.myspace.com	24.22%	4:41
3	Yahoo! Video Search	video.yahoo.com	9.58%	15:02
4	MSN Video Search	video.msn.com	9.21%	2:58
5	Google Video Search	video.google.com	6.48%	7:44
6	AOL Video	us.video.aol.com	4.28%	6:41
7	iFilm	www.ifilm.com	2.28%	6:14
8	Grouper	www.grouper.com	0.69%	5:02
9	Dailymotion.com	www.dailymotion.com	0.22%	11:31
10	vSocial.com	www.vsocial.com	0.09%	7:14

YouTube is a free service that allows users to upload video clips onto its website for anyone to view. The quantity is unlimited - the only restrictions are that single videos cannot exceed 100 megabytes in size and content cannot be copyrighted or offensive. YouTube serves up over 100 million videos a day (The Age, 2006). Video clips vary from personal or home-made videos to clips of frequently copyright infringing television shows uploaded from their television set top boxes and other media. In dealing with copyright issues, YouTube removes copyright infringing videos where legitimate complaints are made.

YouTube provides streaming videos on demand. This means that any available video clip requested by a user can be streamed to the user's computer for playback. Streaming video is a file that is transferred over the Internet in a way that users can begin to playback the file before it has been completely loaded. It requires a reasonably fast broadband Internet connection, and was therefore not popular until the recent proliferation of broadband connections in offices and households. As a guide, only connection in the 20 - 50 Kbps range (achievable by a broadband connection) can handle video streaming (Hashmi and Guvenli, 2001). Another example of streaming video is news channel CNN.com's 'Pipeline', where videos can be viewed via a live feed or on-demand by users. Streaming video is more convenient than conventional non-streamed video files, where the entire file has to be downloaded before playback is possible. An

example of a conventional non-streamed video file would be downloading a video file in full onto a user's computer before it can be viewed, such as one attached in an Email.

How YouTube Started

YouTube was started by ex-PayPal employees Chad Hurley, 29, and Steve Chen, 27, in a garage after complaining about the clunky experience of watching video on the Net (Stone, 2006). Steve Chen programmed YouTube to convert uploaded video files into an optimized Adobe Flash (.flv) format. This enabled YouTube to gain an important technological advantage by offering a more efficient viewing experience compared to more traditional video websites. The domain name 'YouTube.com' was activated in February 2005 and the website was launched in May 2005. Within just six months, in November 2005, Sequoia Capital saw the potential in the website and invested in YouTube with \$3.5 million in venture capital. That funding went towards feeding a growing infrastructure, hiring new workers and other marketing efforts (YouTube: Sharing Digital Camera Videos, 2006). YouTube has since grown to a company of 60 employees (Caswell, 2006).

In November 2006, YouTube was already leading the Internet video market by a wide margin. This prompted Internet search leader Google to purchase YouTube for \$US1.65 billion (via 3,217,560 shares), setting a new record in the valuation for user-generated media sites (The Age, 2006). YouTube was by then a highly accomplished website, with Google's CEO Eric Schmidt naming it "the next step in the evolution of the internet" (Kloer, 2006). Additionally, YouTube was named Time magazine's '2006 invention of the year' (Time, 2006).

YouTube's Functionality

Mohammed et al (2004) outlines usability and ease of navigation, speed, reliability, security, and media accessibility as elements of a functional website. At a basic level, YouTube's website must be able to function effectively with maximum uptime and without lag, despite the heavy data transfer loads handled by their servers.

Notable usability features in YouTube's homepage include:

- Memorable domain name
- Simple layout with a white background
- Clearly tabbed links
- Prominent search field
- Direct links to viewing and uploading videos
- A featured video that can be played in ‘one click’

YouTube’s domain name is short and memorable, and has relevance to its purpose; ‘You’ referring to the user, and ‘Tube’ referring to television. Its website is not cluttered, well laid out, and easy to navigate. Its main page has a tabbed layout that allows users to easily navigate the site. Sub-categories are also easily accessible. For example, in the ‘Videos’ category, users are able to sort videos under useful categories such as Most Popular, Most Discussed, Top Rated, and Most Recent, among other categories on the left of the page.

According to Yeung and Lu’s (2004) list of metrics for website functionality, the four types of functionality are Information, Communication, Downloading, and Transaction (see Table 2).

TABLE 2
YouTube's Metrics for Functionality (Adapted from Yeung and Lu, 2004)

	Metric	Description	YouTube
1	Information	A metric for information functionality is the number of video clips.	YouTube hosts the largest number of videos as the market leader (Hitwise, 2006).
2	Communication	A metric for communication functionality is the number of point-to-point and broadcast channels.	YouTube's users can choose among the communication roles of: (1) original broadcaster, (2) receiver-broadcaster, (3) receiver-sender, or (4) receiver. This represents Hoffman and Novak's (1996) one-to-many-to-one model of communication.
3	Downloading	A metric for downloading is the volume of downloadable files.	YouTube contains a large number of video files that are efficiently streamed to users' personal computers via Flash-based technology.
4	Transaction	A metric for transaction is the number of online applications.	YouTube's system is capable of handling a large number of video uploads and downloads.

Registration is not necessary to view the videos in YouTube (with the exception of those rated for adults only). Users may be unwilling to register as it may be perceived to be a hassle. By allowing viewing without registration, YouTube enables trailability, which is a key factor in innovation adoption (Rogers, 1971). Users may then be inclined to register after a positive viewing experience. YouTube's registration is fast, free, and easy. It asks for the user's Email address, username, desired password, country, postal code, gender, and date of birth. It does not require more specific contact information such as a phone number or address, which some users are unwilling to divulge due to privacy concerns. Registered users are able to log in using a username and password to access a wider range of features, such as uploading videos, posting comments, and joining specific interest groups. Users can start by browsing videos that are displayed on the main page <<http://youtube.com>>. After a video is viewed, links to related videos are suggested, enabling virtually non-stop viewing should the user continue to watch. Users can also browse by searching for a video. Search boxes in YouTube are located at the top and bottom of every page. They are used in the same way as conventional search boxes (for

example, google.com), where the user types in keywords relevant to the video being searched for. Users can also browse videos by clicking on preset categories in the 'Videos' tab. Such functionality makes YouTube an excellent platform for companies such as Universal Music Group to set up a channel to deliver its video content.

Universal Music Group

Universal Music Group (UMG) is the world's largest music recording company with 25.5% of the market share of record labels. UMG has most of the world's most successful music artists including Mariah Carey, Bon Jovi, Elton John, Eminem, Guns N' Roses, Luciano Pavarotti, and U2. Since August 2006, UMG set up a presence in YouTube in the form of a channel. UMG has its own website <www.umusic.com>, but only places its video content in its YouTube channel. Its channel on YouTube is very popular, being the second most subscribed of all time with over 302,000 members and over 11 million channel views.

Building Loyalty

YouTube is the video sharing site with the largest market share by a considerable margin. Video content in YouTube is highly exposed due to its ubiquity. This ubiquity allows observability, which is important in the adoption of innovations (Rogers, 1971). For example, a particular video clip showing footage of the Minnesota bridge collapse was viewed over 120,000 times within one day of its posting. YouTube contains largely 'unrestricted and uncensored' clips of political and other affairs that can reveal hidden truths, such as clips that are recorded by US soldiers in Iraq, conspiracy theories of the 9/11 attacks (for example, one entitled 'Loose Change'), and human rights issues between China and Tibet, among others. Even the known terrorist organization Al Qaeda uses YouTube to spread its messages using a production unit named 'Al Sahab' (Naim, 2007). The ubiquity of YouTube makes it an ideal platform for companies to create a channel, where its content can be exposed to a very wide audience.

As introduced in the foregoing, UMG's channel in YouTube was set up in August 2006 and has since grown to be the second most popular channel in YouTube with over 302,000 subscribers. Considering the popularity of UMG's music video clips, many YouTube users who view them (be it by their own initiative or recommended by other users) are likely to gain awareness of

UMG. The large number of subscribers can help in the perception that it is an attractive site based on the concept of social validation (Cialdini, 1998). The channel's homepage is set in the context of a typical YouTube channel with channel information such as when it was started and how many have subscribed. The channel is set in a black background with the UMG logo, with a large banner on top containing information on its latest release. It has links to its own music videos, playlists, and groups. The homepage contains the following text information about the company: "Universal Music Group is the world's leading music company with wholly owned record operations or licensees in 75 countries. Its businesses also include Universal Music Publishing Group, one of the industry's largest global music publishing operations."

A self-playing video of one of UMG's latest songs is featured in the homepage, along with other on-demand videos. Such videos can draw visitors to further explore the channel by offering a continuous viewing experience. Visitors can choose to play or share the playlists available on the homepage, and join interest groups consisting of videos relating to a common topic. Such actions create a mutually beneficial relationship between users and UMG by building an intellectual or emotional attachment, which according to Sindell (2000), defines loyalty. Further, Pearson (2006) also recommends building a meaningful and mutually beneficial relationship with the customer to develop loyalty.

In explaining this using a different example in the form of a tangible product such as a car, users who search for a video clip of a certain make of car in YouTube can be led to that car manufacturer's channel where exploration and commitment can take place. In the case of UMG, it has the added advantage of using YouTube as a platform because its music videos are popular search terms. Search keywords such as the names of music artists and songs are popular and can lead to more visits to UMG's videos in YouTube. In this way, UMG attracts users leveraged by popular culture, and shares the loyalty attributed to individual artists and bands recorded by UMG.

Interactivity

UMG benefits from the technology available in YouTube that enable interactivity among registered members. For example, registered members are able to:

- Contact other members via a messaging system built within YouTube. This allows members to send messages and videos to one another.
- Post comments on videos and respond to the comments of other members. Responses can be made using text or video.
- Rate the quality of videos posted by other members. Videos can win honors based on the frequency of viewing, its rating, or the amount of discussion it generates.

Such features allow members to rate and exchange comments regarding UMG's videos. Allowing members to share their opinions in the form of comments may foster an environment where members can defend their favorite videos from negative opinions of other members. This can be viewed as a manifestation of loyalty, in turn leading to increased loyalty towards UMG for supportive members. Members posting their opinions can identify others with similar preferences and opinions. This can develop relationships between members and facilitate the development of an alliance with UMG.

Complementary to interactivity is individualization. To meaningfully interact with others, it is essential to first establish an identity that defines the user's individual preferences. YouTube offers users individualization by way of options that are accessible via links in the 'Account' page when logged in (see Table 3). Such individualization allows members to subscribe to UMG's channel, join UMG groups, mark favorite UMG videos, and create playlists of UMG videos.

TABLE 3
YouTube's Individualized Links

Link	Description
My Account	Shows the main account page where the user can edit their account information. This page contains the below links.
Subscriptions	Shows the video channels subscribed by the user
My Videos	Shows the videos uploaded by the user, favorites, and play lists
My Channel	Allows the user to organize videos on his/her own channel
Groups	Options to form or join an interest group/s
Inbox	Shows messages and videos received from other users

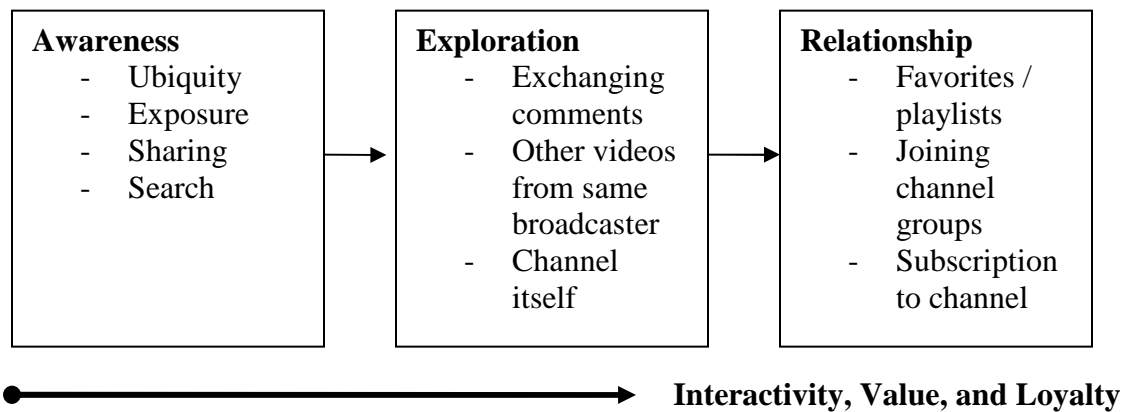
The use of playlists also allows the user the find other videos with similar features or attributes. Combining the use of playlists and videos allows the visitor to get information on what is the latest within the music video industry while encouraging the visitor to revisit to watch other videos based on the preferences expressed. Through the use of a 'Share' function, UMG's channel allows its users to share its content with other users. This can increase the awareness and exposure of the UMG channel among members, and is important as it can occur in as exponential fashion.

Value

Delivering substantial value to consumers creates loyalty (Duffy, 2005). UMG's channel on YouTube offers value to visitors in a variety of ways. UMG's videos are available to all YouTube viewers without charge, accessible via a simple search using the name of the song or artist. This enables observability and trailability of UMG's products, which are factors leading to adoption (Rogers, 1971). It reduces the risks involved in purchasing the product in terms of information, financial and uncertainty risks. This also applies to products of a different nature. In the example of a business selling cars, viewers can watch reviews and demonstrations of a certain model in YouTube therefore reducing the risk of purchase.

Newsletters and other services available to subscribers of UMG's YouTube channel offer value in terms of more complete information about the company and its products. Joining groups in UMG's channel enable visitors to participate in discussions of similar scope. This adds value by facilitating a relationship and participation among group members. Technology has enabled people to be innovative and choose to do things their way rather than relying on businesses to initiate conversation (Prahalad and Ramaswamy, 2000).

FIGURE 1
Model of Loyalty Building using YouTube:



CONCLUSION AND IMPLICATIONS

Based on existing theory and a review of YouTube and UMG's channel, the preceding analysis demonstrates how UMG can build loyalty using a channel in Youtube. The foregoing model (see Figure 1) identifies the factors involved in the building of loyalty. Such factors promote awareness, exploration, and the building of a relationship enabled by technological functionality available in YouTube. Awareness of videos is primarily leveraged by the ubiquity and exposure of YouTube, and the ability to search and share content. Exploration is leveraged by the ability to communicate among users by exchanging comments, the availability of related video content, and access to broadcasters' channels where available. Relationships are built as users further the involvement between themselves and the broadcaster by adding favorites, playlists, joining groups, and subscribing to channels.

Information from this study is expected to be useful for research, pedagogical, and practical purposes. Researchers can use this information in studying how websites can influence customer loyalty. Considering the growing number of media sharing websites engendered by the expansion of the World Wide Web, business practitioners can use this information to gain a competitive advantage by showcasing their products to a wider audience, fostering relationships

between themselves and the public, and building loyalty using media sharing websites such as YouTube in particular.

Further research is recommended to empirically measure the significance of factors leading to loyalty in media sharing websites. This can provide an improved evaluative dimension for business practitioners.

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