MASTER’S THESIS

How technology changed the music industry

The new appropriability regime and its influence on artists’ commercialization strategy, business models and skill sets

Pieter Levels MSc
Rotterdam School of Management, Erasmus University

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PREFACE

EXECUTIVE SUMMARY

For almost a century, major record labels held a monopoly in the music industry. They controlled the most economically important assets to have power over in an industry: the means of production and distribution. In the last two decades, several significant developments have occurred that have changed the music industry environment completely. With the advent of personal computer technology, it has become possible to emulate expensive musical equipment and hardware such as mixing desks and synthesizers with low-cost or free software, as well as distribute the music made through the internet. The consequence being that major record labels lost their monopoly on production and distribution in the music industry. These developments have been covered well by literature, but there has been hardly any academic interest shown in studying how the technological developments affect the most central figure in the music industry: the artist. This explorative research strives to begin to fill this theoretical gap and create a better understanding on the effects of the new technological environment on the music industry's artists, with a specific focus on (1) the general industry changes for artists; (2) business models now used by artists and (3) the skill sets now required from artists. A multiple-case study is executed with semi-structured interviews with 12 participants in 4 industry groups: (1) artists; (2) artist agents; (3) record labels and (4) platforms. Emerging themes from the interviews, as well as mentions of new business models and mentions of skills now required from artists are analyzed.

Results indicate that due to easier access to the means of music production and distribution, the amount of artists participating in the music industry has increased substantially with a much higher competition among artists than before. Artists may now need to work harder than before to reach the same level of success. The audience appears to the beneficiary of this effect, since with more competition, the overall quality of music may be on the rise. However, it may also make it more difficult for listeners to find music they like, simply because there is so much music available now. Also due to easier to access to more music, listeners may have now become less loyal to artists since the switching cost of becoming a fan of a new artist is so low. It also appears that listeners are less susceptible to marketing because they have more access to real information on artists than before due to the internet. On the other hand, online communities and social networks like Facebook have made it possible for fans and artists to directly communicate with each other creating the potential for a more close artist-fan relationship than before. The worldwide reach of the internet has also given artist easier access to foreign markets. This may actually pose a challenge for them though. If an artist has 100,000 fans spread over 100 countries, performing in those foreign markets can quickly become a loss-making activity. With regards to the role of record labels, it appears that artists do not necessarily need them anymore to reach success. Artists can now operate more independently, but by far they can not operate completely independently nor should they. They may not have to contract themselves to a record label anymore, but they will still need third-parties such as promotion agencies, graphic designers,

music video directors and music pluggers to reach a larger audience than they can on their own. In addition, results show that most artists should in fact not strive to operate completely independently, since this will mean they well need to undertake many non-music tasks which distracts them from making music, which is more important than ever due to the high competition among artists.

With regards to business models, findings show that music sales as a revenue generating business model is no longer a viable model in the long-term, with most revenue now being generated by artists performing live shows. There are many new business models now, of which music streaming through platforms such as YouTube and Spotify appears to be the most promising. These platforms pay artists per play they receive and the platforms generate revenue from subscriptions and advertising. If the amount of revenue generated and the pay out to artists from these platforms keeps rising, it will become a very substantial revenue stream for artists in the future. Crowdfunding is also a viable new model as it allows artists to collect money from a large crowd of people for their music projects. However, artists do already need to be established and have a large following for this to be a substantial revenue stream.

As previously mentioned, artists should focus on making music primarily but it may help to have some non-music skills. One of the most important of these are business skills, which can help an artist to negotiate with third parties such as publishers, licensors or event organizers. Secondly, an artist that has some ability to market themselves may be beneficial because it appears that many labels have cut marketing expenses and may not market their artists or their music releases sufficiently. Finally, having social and networking skills to be able to talk to people that can further the careers of artists appears to be beneficial too.

The practical implications for artists are that because they face more fierce competition than before they will now need to focus on creating a higher quality product, e.g. great music, while not giving in to the need of trying to do everything themselves but instead outsource non-core tasks to third-party agencies. Artists should embrace new business models and try them, since there is not yet a definitive replacement for the core revenue model that used to be music sales. Finally, due to the high volume of music available, there appears to be a strong necessity now for filters to help listeners find the music they like. These filters can be in many forms such as websites, streaming music channels and other platforms. Creating such a filter appears to be a very interesting entrepreneurial opportunity.

KEYWORDS
Music industry, entrepreneurship, technology, artist entrepreneurs, independent artists, entrepreneurial opportunities, business models, skill sets.

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1. INTRODUCTION

1.1. BACKGROUND

For almost a century, major record labels held a strong monopoly in the music industry. They controlled the two most economically important assets to have power over in an industry: the means of production and distribution (Pfahl, 2001). The business model of the music industry seemed simple and it worked. Artists wrote music and if it deemed to have marketable potential, a record label would sign the artist and their works in return for a lump-sum of money. The label would invest in the professional production of the artist's music and would provide distribution and marketing for the music release. Production, distribution and marketing costs would often be shared between the label and the artist and the artist would get paid royalties on the sale and radio airplay of their music after the sunk investment costs would be paid off. Due to the scale of record labels, they would act somewhat like venture capitalists: betting on many artists, for only a few to succeed and pay back the loss of the others.

In the last two decades, several significant developments have occurred that have changed the music industry environment completely. With the advent of personal computer technology, it has become possible to emulate expensive musical equipment and hardware such as mixing desks and synthesizers with low-cost or free software (Hesmondhalgh, D., 1998). Subsequently, the personal computer revolution also made the rise of the internet possible which enabled the transfer of information goods such as music files (Shapiro & Varian, 1999). This caused the distribution of music to transform from the physical trade of music carriers such as CDs and vinyl discs through retail music stores, to the non-physical exchange of electronic music carriers such as MP3 files through online stores such as iTunes, free downloads on weblogs or transfers through peer-to-peer networks such as BitTorrent (promoting unauthorized file-sharing). The cost of music distribution decreased to almost zero for anyone with an internet connection and access to a personal computer for both the supplier and the receiver of the music (McLeod, 2005; Lewis, et al., 2005).

The effect of low-cost internet distribution and low-cost music production made it possible for anyone with a personal computer to produce and distribute their music to a worldwide audience. The result is that now music productions made in home recording studios on personal computers (Green, 1996) and distributed online and independently now compete for positions in the music charts successfully with productions recorded in expensive studios with production costs of up to 100 times higher (Spellman, 2000). In 2008, British rap artist Dylan Mills — who goes by the artist name of “Dizzee Rascal” — reached the #1 position in the UK Singles Chart with his track "Dance Wiv Me" produced by Calvin Harris (ChartArchive, 2012a) and released independently by Mills himself. The two never met each other once, instead collaborating over the internet and recording the vocals and producing the track in both of their home studios. His second single "Bonkers" also reached #1 and was produced in another home studio by Armand van Helden and again released by himself. In the industry magazine Clash Music (2009), Mills argued that a conflict with his record label regarding the musical direction of his career pushed him to self-release his music which turned out to be the most successful event in his career:

> “[my record label] didn’t decide not to take me up for this album. (..) I had an offer [from them] but it weren’t (sic) the offer I wanted. I did pretty much what I wanted on XL anyway, but it's mad that when it came to me making a progression towards pop music, they didn't get it. They were offered [the track] 'Dance Wiv Me', but they didn’t get it. I put it out myself and it went to Number One [in the charts]. It's turned out that I've done my biggest records [independently]. Of course it proves a point. It proves a big point. And it was the first independent number one [in the UK charts] in fourteen years, so it was an even bigger point. (..) And then I did it again.” (Clash Music, 2009, p. 1).

However, low-cost distribution has also made unauthorized file-sharing popular which some have argued has significantly decreased the sale of music in the United States at least (Michel, 2006).

Major record labels have thus lost their monopoly on production and distribution. They have become disintermediated in the transaction of music and the business model that was the base for the traditional music industry has begun to disintegrate (Dutta & Segev, 1999; Shapiro & Varian, 1999; McLeod, 2005). With this disintegration, opportunities to exploit the new technologies and find new business models have arisen for firms, individual entrepreneurs and artists alike.

1.2. PROBLEM STATEMENT

All of the developments previously mentioned have been covered well by literature. Scholars have discussed the effects of these technological developments decreasing the dominance of major record labels (Graham, et al., 2004), increasing the amount of independent labels (McLeod, 2005) and increasing consumer’s bargaining power (Lam & Tan, 2001). However, until now research has largely focused only on centralized media producers while the new proliferation of independent and self-produced media has largely evaded any systematic study by scholars, mainly due to the decentralized and fragmented nature of its creative landscape (Croteau, 2009). In the same line, no academic interest has been shown in studying how the technological developments affect the most central figure in the music industry, which is the artist. That is the focus of this thesis. I have several questions I would like to explore.

Artists now have the possibility of operating their music operations completely independently as a business; but will they? Will they instead *cooperate with* or continue to *contract themselves to* the traditional record labels (that might change themselves into management agencies) or other new types of music businesses? If they do choose to become independent, they will need to execute business models that fit the new music industry's technological reality to compete successfully; but what *business models* will these be? Additionally, when they choose to operate an independent music business, a different set of skills might be required from them than merely having musical abilities; but *which skills* will these be? This exploratory thesis strives to begin to fill this theoretical gap by answering the following questions regarding the music industry's new environment:

Question 1. How has the music industry changed for artists?
Question 2. How have the business models employed by artists changed?
Question 3. How has the skill set required of artists changed?

1.3. RESEARCH OBJECTIVE

The primary aim of this thesis is to explore and create a better understanding on the effects of the new technological environment on the music industry and subsequently on its artists.

Knowing when artists should remain independent and when they should cooperate or contract with record labels is relevant information especially for the start of their careers. Understanding which new business models are present now can be of practical use to artists to generate revenue and sustain income to continue their careers, as well as being relevant information for other industry entities to build complementary services support those business models (e.g. online music platforms). In addition, knowing which skill set is now required of artists is relevant because it can change the effectiveness of choices in which skills musicians choose to invest their time and other resources. Which entrepreneurial opportunities have arisen for artists to leverage now is important information for them to chose their career strategies. Finally, educational institutions training artists, such as music academies, can use this information to guide their future careers.

The scientific relevance of these three research directions is to make a beginning in filling the gap in the literature regarding the influence of the recent technological developments on the music industry's most central figure: the artist. By conducting exploratory research, this thesis can generate basic knowledge, clarify relevant issues and uncover information needs regarding this topic for future descriptive and causal research to build upon.

2. THEORY DEVELOPMENT

2.1. INTRODUCTION

I will now discuss several areas of the literature that are relevant to the topic of this thesis. The topics discussed will now rapidly broaden from concerning the music industry to concerning general economic and entrepreneurship literature regarding such concepts as intellectual property, business models and entrepreneurial skill sets. Entrepreneurship literature is used because it provides an insight into the operations of individuals pursuing business objectives (e.g. entrepreneurs), which can be applied to individual music artists operating independently. The insights from this literature will form my theoretical framework. Afterwards I will apply the theoretical framework to the topic of this thesis.

2.2. RELEVANT LITERATURE

There are three main subjects of focus in this thesis which are based on the three research questions. These are (1) the general industry changes; (2) business models and (3) skill sets. The literature discussed now is related to these subjects in the following ways:

Theory on appropriability discusses how companies can capture profits from innovation and protect it. This is related to the topic of this thesis since previous theory has shown considerable decline in the music industry’s ability to protect its music rights (McLeod, 2005). Consequences of this may be explained with appropriability theory. In turn, entrepreneurial opportunity theory can explain how artists may change their actions due to opportunities arising in this changed appropriability environment. Literature that discusses the influence of technology on business models may explain how music industry entities may change their activities to continue to generate business. Finally, the theory regarding entrepreneurial skill sets can present a foundation to analyze what the requirements of an artist-entrepreneur’s skill sets may be in this new environment.

2.2.1. Appropriability regimes

Teece (1986) defines "a regime of appropriability" as the environmental factors that govern an innovator's ability to capture the profits generated by their innovation. Dosi (1988) defines the appropriability regime of a firm as the extent to which its inventions, innovation and knowledge can be protected from being captured, copied and imitated by other firms and individuals. Following on those definitions, the way that firms deal with the protection of their intellectual property is subsequently called a firm's appropriability strategy.

A firm's appropriability strategy contains many mechanisms to achieve protection. Mechanisms include the use of intellectual property rights, copyright and patents (Cohen & Walsh, 2001; Hurmelinna & Puumalainen, 2005). Additionally, many technical appropriability mechanisms exist to protect digital information goods, including the use of passwords, digital signatures, cutting off access to files after a certain time and the use of copy prevention such as digital rights management (Davis, 2001).

As long as a climate of intellectual property protection is sustained by governments and the judicial system and technical means of protection are not circumvented, these appropriability mechanisms can create an appropriability regime that is tight, meaning that a firm's intellectual property are successfully protected from replication. A tighter appropriability regime results in a stronger ability for firms to leverage their intellectual property through the sale of products or licensing. However, when intellectual property protection is either unavailable or not effective and it is easy to replicate these intellectual property, then the appropriability regime becomes weak (Teece, et al., 1997).

2.2.2. Appropriability strategies

Almost always, Teece (1986) argues, the successful commercialization of intellectual property requires that it is used in combination with assets complementary to the intellectual property. When an industry has a weak appropriability regime and it is difficult for its firms to protect their intellectual property, the price of their core product will become irrelevant (due to replication) and profits may actually not accrue to its developers but instead to those owners of assets complementary to the intellectual property (Teece, 1986). These complementary assets can be goods or services such as distribution channels, specialized manufacturing, marketing, support and complementary technologies.

Teece (1986) proposes two strategies for owners of intellectual property (IP) to choose from depending on the appropriability regime. In a weak appropriability regime where protection is difficult, owners should integrate their IP, which means sustaining ownership and leveraging their IP by their own execution (of products). In a tight appropriability regime where protection is easy, owners should contract their IP to independent suppliers, manufacturers or distributors. Teece (1986) is not alone in this view as studies by Gans & Stern (2003) confirm his statements, arguing that when intellectual property protection is strong, new companies generate more return on their innovations if they choose to cooperate with incumbents than by competing directly with them. Gans & Stern (2003) add that it is the choice between remaining independent or cooperating.

As previously discussed, ever since the advent of the internet and unauthorized file-sharing, the music industry has suffered from the problem of copyright protection (McLeod, 2005). It has now reached a point where, according to Teece's definition, the industry can be considered to have become one with an extremely weak appropriability regime.

Shane (2001) adds an interesting argument here. He empirically proves that in industries in which complementary assets in marketing and distribution are less important to sustain a competitive advantage, there is a higher likelihood that a new technology will be exploited by the creation of a new firm.

2.2.3. Entrepreneurship as a personal choice or as an opportunity

The path to take for an entrepreneur, being in Teece's (1986) case (1) integrating a product independently or; (2) contracting it with a partner, has a lot to do with personal choice and/or opportunity. A relevant discussion regarding this has revolved around the question if certain types of people are more likely to become entrepreneurs than others. Many scholars argue that those people that feel more comfortable in uncertain environments prefer to be entrepreneurs, while the opposite is true for wage employees (Khilstrom & Laffont, 1979). Others argue that individuals must establish themselves as nascent entrepreneurs in order to actually become an entrepreneur at some point (Erikson, 2003). Thus, being an entrepreneur is argued to be a personal characteristic and sometimes a preference.

However, more recent research argues that this person-centric approach to entrepreneurship may have not been successful in explaining entrepreneurial activity because entrepreneurial activity is episodic in nature and not apparent at all time in a person's career (Gartner, 1990; Carroll & Mosakowski, 1987; Eckhardt & Shane, 2003). Entrepreneurial behavior can therefore not be explained because at one moment a person can be running their own business, while in the next moment the same person can have become a wage employee. The focus of the entrepreneurial research has since shifted somewhat from Erikson's (2003) person-centric to Shane's (2000) opportunity-centric view. This view argues that prior knowledge of a person and the knowledge of opportunities present around a person may incentivize them to change from non-entrepreneur (such as wage employee or contracted individual) to an entrepreneur. The process of opportunity discovery includes investigating if a potential opportunity has value, and that the future value of this opportunity will exceed the costs of investment in exploiting it and that future demand will exist (Eckhardt & Shane, 2003; Shane, 2000).

Currently however, no conclusive agreement is apparent in literature about entrepreneurship being either a choice or an opportunity and it might in fact be a combination of both.

2.2.4. Technology's influence on business models

There is a wide variety of definitions of the business model by scholars. Amit & Zott (2001) describe the business model as a model that depicts the design of the transaction content, structure and governance to create value through the exploitation of opportunities. Chesbrough & Rosenbloom (1998) describe the business model as the heuristic logic which connects technical potential with economic value realization. A business model mediates the value creation process and one of the most important parts of the model is the so-called "architecture of revenues". This describes how the value created by the model is shared between customers, firms and suppliers, how much is charged and in which way a customer will pay. Potential architectures include charging by sale, renting, licensing, advertising models, subscription models and giving away the product for free to later charge by complementary services such as after-sales support. Chesbrough & Rosenbloom (1998) present an elaborate list of functions of the business model, which consists of (1) articulating the value proposition; (2) identifying a market segment; (3) defining the structure of the value chain; (4) estimating the cost structure and profit potential; (5) describing the position of the firm within the value network and (6) formulating a competitive strategy to hold advantage over rivals. These six functions are relevant to this thesis, because they are much more precise than most literature on business models and can be practically applied to the research. Magretta (2002) defines the business model in a more simple way. The business model is a story "that explain(s) how enterprises work". The business model describes who the customer is, what the customer values (or demands) and what the underlying economic logic is that explains how a firm delivers value to its customers, thus how it generates revenue from delivering that value.

Although there is no consensus yet in literature on what a business model is, most definitions of business models do overlap in that they include the activities of a firm as an important part of the definition and that they seek to explain how a business captures and creates value (Zott, Amit & Massa, 2011).

Business models are directly affected by the technological environment in which firms operate. According to Schumpeter (1934), when new technology is invented it creates so-called "exogenous shocks" that create disequilibria in markets. A new technology changes the equilibrium value of resources creating the opportunity to recombine resources in new ways that generate profits. Thus, entrepreneurs are those economic agents who exploit opportunities to recombine resources after new technology has caused exogenous shocks. If conditions are more favorable to that type of technology exploitation, new firms are created by those agents. Other scholars agree, as Highfield & Smiley (1986) argue, technological developments attract entrants that want to exploit new products or processes.

One considerable "exogenous shock" has been the introduction of the internet. As an electronic network, the internet makes it possible for virtual markets to be created which sell information goods that are transferrable over the internet; as well as more traditional physical goods. Due to the rise of the internet, traditional intermediary businesses are increasingly circumvented, and thus disintermediated, and the business model that is the base for many traditional industries has begun to disintegrate (Dutta & Segev, 1999; Shapiro & Varian, 1999). However, with disintegration, new methods of creating value are created by connecting buyers and sellers over the internet. Firms can exploit these new methods with new business models that fit the new technological environment. As Amit & Zott (2001) explain, after disintermediation of the old market, the process of re-intermediation occurs when new business models show to be successful and new types of economic transactions take place.

The force of disintermediation has created serious pressure on incumbents in many industries to change their business models to fit with new technology; one would expect them to do so. However, Dutta & Segev (1999) show that many firms have merely "transplanted" their existing traditional business model over to the internet while completely ignoring any new technological opportunities that have arisen, leaving a huge gap for agile new entrants to fill. The reason for this is that traditional large organizations are more organizational in nature than being technology related and that they are often hostage to the legacy of their own success (Dutta & Segev, 1999). Why should they change their ways if they have been successful in the past? Thus, when new technology arises, incumbent firms often show considerable lag to adapt to new business models, or fail to adapt at all and perish.

There are valid reasons for this lag. Incumbents are often vertically integrated and this is the preferred mode of operation in stable environments and creates serious barriers for new entrants because they do not have the resources to build an entire vertical value chain. However, with technological change comes environmental volatility and this vertical integration quickly becomes a liability (Dean, et al., 1998) because it severely decreases strategic flexibility (Harrigan, 1985) and makes incumbents respond slowly to new opportunities, if at all, leaving a welcoming gap for new entrants. Additionally, firms have great difficulty responding to technological innovations that fall outside of their previous experience, one in which their previous beliefs and practices do not necessarily apply. A firm will be constrained by its dominant logic, which it derives from its existent business model and this causes it to preclude the identification of business models that are substantially different from the firm's existing business model. (Chesbrough & Rosenbloom, 2002). But even if an incumbent does recognize the technological change and the new business models it offers in time, and if it produces timely investments in these new technologies, evidence shows that the incumbent will still be handicapped by its prior experience which influences its approach to developing the new technology product in a negative manner (Tripsas, 1997). Thus, new entrants have considerable advantages in this respect since they start from scratch.

The ability for new entrants to enter industries is highly dependent though on the type of industry firms are active in and their product differentiation. For example, Dean & Meyer (1996) argue that industries with high amounts of product differentiation can present niche opportunities for entrepreneurs that offer unique variations in their products. Dean & Meyer (1996) continue that if growing niches are present due to this environment, it may signal ripe opportunities for the formation of new firms with resources that consist of flexibility, speed and niche-filling capabilities.

Shane (2001) adds that the creation of new firms is the preferred way of exploitation when technologies are still young and new. However, he does argue that the new firms do not possess the advantage that incumbents hold such as economies of scale, learning or complementary assets.

2.2.5. Entrepreneurs and their skill set

The relation between skills and capabilities and entrepreneurs has been studied by several scholars of which Lazear has been the most prolific and cited. Lazear (2004; 2005) introduced the basic idea of the "jack-of-all-trades" model, which focuses on the importance for entrepreneurs to have a wide set of skills. For example, entrepreneurs often need to be apt at general business administration, finance, marketing, customer service and many other competences to succeed. He finds that entrepreneurs are generalists. In the jack-of-all-trades model, the risk of having a wide set of skills is that entrepreneurs will suffer from deficits in any skill with which they need to run their business. Because of this risk, an entrepreneur's income is dependent on their skill that is most limited (or weak). Therefore, entrepreneurs will pursue to develop a balanced skill set by investing in specific skills that they have a deficit in. Wage employees instead invest in an already strong skill to increase their specialization. Lazear (2005) adds that entrepreneurs will only be as successful as their lowest skill level will allow. Åstebro & Thomson (2008) and Wagner (2003) both empirically tested Lazear's (2004) model on different data sets and found support for the statements that people with a more balanced skill set have a greater likelihood to become entrepreneurs and that an entrepreneur's income will be higher the more balanced their skill set is.

2.3. APPLICATION OF THEORY TO THIS STUDY

As previously mentioned, there are three main subjects of focus in this thesis which are based on the three research questions. These are (1) the general industry changes; (2) business models and (3) skill sets. These three subjects are interrelated as the general changes in the industry directly affect the ability of business models to function and the invention of new business models to work in a new industry environment. Finally, since this thesis looks at the artist specifically, new or changed business models may require different skill sets from those that pursue them.

2.3.1. General industry changes

Using Teece's (1986) argument, it would be expected that due to a weak appropriability regime (due to music piracy), entities in the music industry would focus on appropriating complementary assets in marketing and distribution. In fact, they do. However, with the cost of distribution having decreased to almost zero (McLeod, 2005) and marketing being able to be executed in a do-it-yourself manner by artists (Croteau, 2006), these two complementary assets have become less important. Subsequently, Shane (2001) argues that industries in which complementary assets in marketing and distribution are less important to sustain a competitive advantage have a higher likelihood that a new technology will be exploited through the creation of new firms and influx of new industry entrants.

Now, combining these arguments, an interesting question comes up. Are artists increasingly becoming more independent by starting new firms and becoming artist-entrepreneurs to compete with incumbents (e.g. major record labels)? And will artists choose to either become "integrated" and "independent" or remain "contracted" and "cooperative" (Shane, 2001; Teece, 1986; Gans & Stern, 2003)?

As previously mentioned, Dean & Meyer (1996) argue that volatile industries with high product differentiation and vertical integration will be more liable to new entrants because they present niche opportunities for entrepreneurs that offer unique variations in their product. Major labels are vertically integrated and thus may be less flexible and less able to innovate as quickly. Due to its creative nature, the music industry revolves around musical innovation (and thus product differentiation). Labels and publishers try to predict the style and artists that will become popular in the future to profit from them. This offers opportunities for new entrants to be able to innovate faster than its major counterparts.

Concluding, high product differentiation combined with a high environmental volatility (due to recent technological developments) and high amount of vertical integration of major record labels should make them liable to new entrants. These new entrants may be artist-entrepreneurs operating independently.

2.3.2. Business models

Over the years, major record labels have shown they suffer from the exact lagging effect which Dutta & Segev (1999) observe. It took years since the introduction of unauthorized file-sharing of music (e.g. Napster) for the record labels to agree on terms and licensing that made it possible for consumers to buy music online. The major record labels were primarily focused on copyright litigation: suing individuals and websites that took part in unauthorized file-sharing, instead of adapting new business models that fit the new technological environment. Zach Horowitz, the president of Universal, one of the four major record labels, admits that they were slow to change their business model to the sudden introduction of unauthorized file-sharing platforms: "There definitely was a cautiousness born out of a concern that we were dealing with things we didn't fully understand" (Goldstein, 2003). Universal's chairman Doug Morris mentions "We didn't have anyone who understood technology, (..) we had lawyers involved who'd only read about technology in books" (Goldstein, 2003). Major record labels have now finally made it possible for most of their music catalog to be sold online but in a sense this is exactly Dutta & Segev's (1999) example of a traditional business model being "transplanted" to the internet; it is not the actual exploitation of new technology by adapting to a new business model as suggested.

With the record labels' monopoly on production and distribution disbanded (Pfahl, 2001), their business model disintegrating (Shapiro & Varian, 1999), their adoption to new technology lagging due to the legacy of their own success (Dutta & Segev, 1999) and the music industry's environment considered volatile with high product differentiation signaling it is ripe with opportunities for new entrants (Dean & Meyer, 1996), those new entrants may be artist-entrepreneurs who would like to compete with record labels as independent artist-entrepreneurs while using new business models that embrace the technological developments which the record labels are too slow to respond to.

2.3.3. Skill sets

Considering Eckhardt & Shane's (2003) opportunity-centric view of entrepreneurs, the opportunities that have opened up to become “independent” may influence music artists to actually become artist-entrepreneurs. In additionally, it is shown that people with a more varied skill set are more likely to become entrepreneurs (Lazear, 2004; 2005; Åstebro & Thomson, 2008; Wagner, 2003;).

If independent artists enter the music industry as new entrants and are enabled or forced by the changed environment to set one-self up for an entrepreneurial career for musical success, will this affect their required skill set and will they need more skills than merely musical abilities? And based on Lazear's (2005) point of view, are the people that already have a more balanced skill set more likely to succeed in the music industry, because that is necessary due to the independent entrepreneurial environment the music industry may have become? Or will it depend on their personality (Khilstrom & Laffont, 1979)?

2.4. CONCLUSION

The theory shows that it is expected that there will be an increase in new firm formation, deducing that many artists will now enter the industry to compete directly with major labels (the incumbents) through the vehicle of firm formation instead of contracting, in essence becoming independent entrepreneurs. Continuing, that new business models may be pursued by artists and leveraged if they turn out to be successful. Finally, based on previous literature on entrepreneurial skills and capabilities, I expect that artists will need a balanced skill set much wider than just being able to write or produce music. These skills may include general business competences such as marketing and management.

3. METHODOLOGY

3.1. INTRODUCTION

Due to the lack of academic interest on the influence of technological developments in the music industry on the artist, there is a gap in literature. Therefore, it is necessary to investigate the key developments in the music industry. This chapter presents the detailed research design, the methods of data collection and selection of a wide range of study participants which consists of relevant entities in the music industry. Finally, the interview design is presented and the process of the interview sessions is reviewed.

3.2. RESEARCH DESIGN

The aim of this thesis is to make a beginning in filling the gap in the literature regarding the influence of the recent technological developments on the music industry's most central figure: the artist. By conducting exploratory and descriptive research, this thesis can generate basic knowledge, clarify relevant issues and uncover information needs regarding this topic for future descriptive and causal research to build upon.

The research design for this thesis was based on exploratory and descriptive methods because they were deemed to fit best (Akcroyd & Hughes, 1981; Maccobby & Maccobby, 1976). Exploratory methods are used due to the nature of the problem statement and because the state of literature on this topic is still quite scarce. Descriptive methods are employed to obtain qualitative data from a number of semi-structured interviews with relevant industry entities.

Semi-structured interviews are employed from multiple cases, which allows a replication logic whereby cases are used as a series of experiments to prove or disprove inferences drawn from the others (Yin, 1984). Eisenhardt & Graebner (2007) argue that case studies are one of the best bridges from rich qualitative to mainstream deductive research. Semi-structured interviews are a fitting method for qualitative data collection for this research since it makes it possible to obtain rich explanations and descriptions of processes and makes it possible to see exactly which events have lead or lead to certain (Miles & Huberman, 1994). The interview structure used is the general interview guide approach (Patton, 2001). Using an interview guide to lead the interview, this approach dictates a common topic to all the interviews (as in, the subject of this thesis), yet its conversational style allows for flexibility for the researcher to be responsive to unexpected directions that the participant may lead the interview to and makes it possible to find unexpected discoveries.

3.2.1. Selection of study participants

Since the primary aim of this thesis is to explore and create a better understanding on the effects of the new technological environment on the music industry and subsequently on its artists, a broad perspective on the music industry is necessary which needs to include a wide range of industry entities that are relevant. The sampling should thus be a cross-section of the music industry for the purpose of observing the situation from different perspectives and aim for a balanced sample selection which can present more objective insights and limit bias in interview data (Eisenhardt & Graebner, 2007). Therefore, I have chosen to select artists, agencies, record labels and platforms to interview for this study. These groups represent a cross-section of the music industry and cover a wide segment of different perspectives. Sampling will consist of a preliminary set of participants based on people I personally know in the music industry and will continue by finding more participants via snowball sampling.

I will now discuss the relevance of the individual categories of industry entities to the study.

1. Artists

Artists are at the core of the music industry. They create the good that the industry revolves around. Their music and their choices on how to leverage their music are influential in shaping the structure of the industry. Music artists can be categorized in three modes. (1) Artists can be independent, which means they operate their own business; (2) Artists can choose to contract to or cooperate with independent labels, which still gives them a high amount of independence, e.g. they might still organize their own show bookings; or (3) Artists can choose to contract to or cooperate with major labels, which depending on the type of contract or cooperation gives the major label a strong influence on their career and music, e.g. the major label will take care of most operations for the artist.

2. Agents

Artist agents, also called artist management agencies generally take care of operations ranging from outlining and consulting an artist in the path of their careers, promoting their music to the press, to such specifics as handling show bookings and leading negotiations with record labels. They are essential in taking work of the shoulders of the artist or label and taking care of their non-artistic business interests. Artist agencies are more present with independent artists and with independent label contracts because major labels usually have internalized their artist management agencies as part of their whole scala of operations for the artist (Gilenson, 1990).

3. Record labels

Record labels have the task of finding new talented artists (the so-called artist & repertoire or A&R function), often paying artists a production advance (a lump sum of money) to sign with the label, investing capital in the artist's recording and production of their music release (such as a CD album) and investing in promotion of the release.

4. Platforms

Platforms include all current channels through which music is brought to listeners. This includes digital music stores, streaming music channels, websites that allow music publishing and other media channels. Digital music stores provide the distribution and vending platforms for music to be sold online. They operate legally and in return for taking a share (ranging from to 40 percent of the selling price) provide distribution and the opportunity to reach the music store's customers. Stores provide the music in digital audio formats such as MP3 and more premium high-quality formats such as WAV and FLAC. Examples of prominent stores are iTunes and Beatport. Streaming music channels include websites that attain to an audience and stream music to them. Streaming music channels allow people to listen to music while not directly downloading and storing it, these channels bring content to large audiences that follow them on platforms such as YouTube. Media channels are classified as individuals or groups that search, find and select music to promote through their channels. Their audience consists of thousands to millions of followers who trust them for their selection of good music. For listeners, it is a way of filtering through the huge amount of music that is now produced. These channels have taken multiple different forms and can be in the form of weblogs, Twitter accounts, Facebook pages and YouTube channels.

3.2.2. Study participant roster

The sample of study participants consists of a total of 12 participants in the previously mentioned 4 categories, with at least 3 participants in each category. To remain their anonymity, only the participant's first names are used when they are mentioned.

Description of study participants

ID	Category	Location	Description
1	Artist	Amsterdam, The Netherlands	Hip-hop and rap artist
2	Artist	London, United Kingdom	Electronic music artist
3	Artist	St. Petersburg, Russia	Electronic music artist
4	Agent	Moscow, Russia	Booking agent and artist manager
5	Agent	Amsterdam, The Netherlands	Booking agency and artist management
6	Agent	Toronta, Canada	Marketing agent and artist manager
7	Label	London, United Kingdom	Record label founder and owner
8	Label	Oakland, CA, United States	Record label founder and owner
9	Label	London, United Kingdom	Record label founder and owner
10	Platform	London, United Kingdom	Digital music store founder and owner
11	Platform	London, United Kingdom	Founder of live show streaming website
12	Platform	Beit Shemesh, Israel	Founder of popular YouTube music show

3.2.3. Interview process

Before the interview, I briefly explain my research without expressing the direction of it to avoid influencing the participants. To strive to collect a range of data that is as broad is possible, the interview starts off with questions about who the participant is and what his activities in the music industry entail and the story of their careers up until now. This also helps to keep any influence or direction from questions away from the participant by letting them tell their own story and gives the participant time to become comfortable for when the more important parts of the interview are conducted. If certain important subjects have not been brought up by the participant after a while, I will pose open questions related to these subjects. Also, because the interview is semi-structured, it is expected and allowed that the interview moves outside of the structured range of questions posed. This way, a broader range of data can be collected with more information to be extracted which fits the nature of the exploratory and descriptive research method of this thesis.

3.2.4. Interview guide

I chose to have some degree of standardization in the interview design and data collection to strive for samples that can be compared with each other.

Since there are 4 different categories, there will be 4 different interview guides tailored to each individual category of industry entity. Each of the four different interview groups are posed a slightly different set of questions, which are as follows:

1. Artists

1. How did you become an artist?
2. How did your career develop after?
3. Are you currently operating independently or contracted to an independent or major label?
4. How has the industry changed in the last 10 years?
5. In what ways do you currently generate income? How has this changed in recent years?
6. How do you see yourself generating incoming in the future?
7. Are there non-music skills you learnt for the benefit of your career?
8. Where is your music career headed? What are your plans?

2. Agents

1. How did you become an artist agent?
2. How did your career develop after?
3. How has the industry changed in the last 10 years?
4. How do your artists currently generate income? How has this changed in recent years?
5. How has the status of artists as independents changed and why?
6. How do you see your artists generating incoming in the future?
7. In what ways do you and other agents currently generate income? How has this changed in recent years?
8. How do see yourself and other agents generating incoming in the future?
9. Are there non-music skills your artists have and non-music tasks they undertake for the benefit of their career?
10. What are your agency’s future plans currently?

3. Labels

1. How did you career in the music industry begin?
2. How did your career develop after?
3. How did your record label start? *(only applies to self-owned independent labels)*
4. How has the industry changed in the last 10 years?
5. In what ways do the artists signed to your label currently generate income? How has this changed in recent years?
6. How has the status of artists as independents changed and why?
7. How do you see the artists signed to your label generating incoming in the future?
8. In what ways does your label currently generate revenue? How has this changed in recent years?
9. How do see yourself and other labels generate revenue in the future?
10. Are there non-music skills your artists have and non-music tasks they undertake for the benefit of their career?
11. What are your record label's future plans currently?

4. Platforms

1. How did you career in the music industry begin?
2. How did your career develop after?
3. How did your platform start and what are your future plans with it? (*only applies if self-owned or founder)*
4. How has the industry changed in the last 10 years?
5. Do you enable artists to generate income through your platform? If not, will you in the future?
6. How has the status of artists as independents changed and why?
7. Can artist operate independently from labels and only use platforms like yours to succeed?
8. How do you see the artists and labels in your platform generating incoming in the future?
9. In what ways does your platform generate revenue except for music sales? How has this changed in recent years?
10. How do see your platform generating revenue in the future?
11. Are there non-music skills the artists on your platform have and non-music tasks they undertake for the benefit of their career?
12. What are your platform's future plans currently?

3.2.5. Participant acquisition

Potential participants were emailed with a personal message explaining the nature of my research, why they were relevant to it and requesting them to participate. A template of that message is included in the appendices of this paper. If they agreed on being interviewed, appointments were made with them or their personal assistant. Appointments were rescheduled numerous times by the participants because they were busy or had other obligations. Some appointments were cancelled definitively and I was not able to contact them again.

3.2.6. Interview conducting review

Interviews were conducted from early July to early August 2012. Due to the international nature of the selection of study participants, most interviews were held over Skype voice-calls. A minority of study participants was located in Amsterdam and those interviews with them were conducted in public cafes and restaurants. The interviews ranged in length from 30 to 120 minutes, some participants were very expressive and broad, while others were fast, to the point and/or had short answers. Nonetheless, I have tried to get all my questions answered which for the most part has worked out well.

After the introductory question in which participants were asked to tell about their careers in the music industry, many of the participants would need few guidance to quickly start talking about everything that changed, their role in those changes and how they perceived it and would quickly begin answering the questions I had prepared. If they did not get to my questions, I would direct them there and ask those questions explicitly.

3.3. METHOD OF ANALYSIS

The general approach to this analysis is to move from a specific to an abstract level by using the interview data.

3.3.1. Transcribing

Every interview was recorded with permission on my iPhone voice memo recorder, than transmitted to my personal computer and fully transcribed after in a text editor. Everything said in the interview was transcribed including sections that did not seem relevant to the study. After transcribing, participants were sent a text copy of the interview transcript by e-mail and were requested to comment on any incorrect data. Most participants that replied were interested in reading the transcripts, some were surprised by reading their own style of answering, but none required any corrections.

One interview was conducted in Dutch due to the participant's preference and was translated to English afterwards. Some participants requested to maintain anonymity to be able to freely speak. These requests were granted and they were assigned pseudonyms, these are marked in the description of study participants in the analysis section of this thesis. Relevant quotes from the interviews are presented in the analysis to add to and argue findings.

3.3.2. Analysis process

Analysis was conducted through an iterative process of reading the interview transcripts repeatedly to find similar constructs and relationships across multiple cases (Eisenhardt, 1989), identify these as emerging themes and categorize relevant pieces of the transcripts into sub-categories. This allowed for greater discrimination and differentiation of the interview data (Taylor-Powell & Renner, 2003). I used a preset of main categories as parents to the sub-categories based on the 3 research questions of this thesis. These main categories are (1) general industry changes; (2) business models; (3) skills sets.

4. RESULTS

The primary aim of this thesis was to explore and create a better understanding on the effects of the new technological environment on the music industry and subsequently on its artists. There were three categories that were the focal point: (1) general industry changes; (2) business models and (3) skill sets. I will now present these categories and discuss the emerging themes from the data as sub-categories. At the end of this chapter, I will summarize the findings in a table showing the emerging themes, business models and skill sets mentioned.

4.1. GENERAL INDUSTRY CHANGES

Using data collected from the interviews, the general changes in the music industry that affects artists are discussed with relevant quotes from study participants.

A table of the emergent themes mentioned by study participant is shown first to give an overview of the results. This table is not necessarily of quantitative value but can give some insight into and overview of the overlap in themes mentioned by the participants.

General industry changes: emergent themes mentioned by study participant

No. Category Emergent theme	1 Artist	2 Artist	3 Artist	4 Agent	5 Agent	6 Agent	7 Label	8 Label	9 Label	10 Platform	11 Platform	12 Platform	Amt. men-tions
Lower barrier to entry for artists		x	x	x					x		x	x	6
More access to more music	x						x						2
More competition among artists		x			x		x		x	x	x	x	7
Higher quality music	x		x				x		x		x		5
Listeners have become less susceptible to marketing		x		x	x	x			x				5
More necessity for curation				x			x	x	x	x			5
Decreased fan loyalty	x	x			x								3
Better means of artist promotion and direct interaction with fans		x		x			x	x		x	x		6
Artists now have access to a worldwide audience	x					x					x		3
A middle class of artists has arisen	x				x					x			3
Traditional channels have remained important			x	x	x				x		x		5
The role of labels has diffused		x		x	x				x	x	x	x	7

Note: "Artists can be more independent" is excluded from this table since the theme was too dynamic to be simply counted by mentions

4.1.1. Lower barrier to entry for artists

As was expected from the literature, the availability of low-cost music production software (through the internet) and low-cost personal computers has significantly decreased the cost of music production. This decreased cost has lowered the barrier to entry for music artists to start recording music. In addition, the software has become easy to operate.

> "I think as more technology comes available, it breaks up the barriers for people to enter the industry. Before, in order for you to produce a record, you needed a full studio set up which cost you 15,000 to 100,000 dollars. Now, with technology like Ableton, Logic and Reason allows people for the cost of 2000 euros, you're able to create music (..)" -Respondent 11 (platform)

> "The internet has made it really easy for people to acquire the tools to make music, like software, even for free. (..) now everyone can just get a computer, download the music software online and the software has become super easy too." -Respondent 4 (agent)

> "It is completely different from ten years ago. These days, there is so many people making music because anybody can start doing it." –Respondent 2 (artist)

> "Now you don't need expensive gear for producing amazing music. You just need a program, a pair of good speakers and that's it and you can produce your own music. I think that is a really great thing because now everyone can do that. There's a lot of competition now though." –Respondent 12 (platform)

4.1.2. More access to more music

Beside production costs, the internet has also made the cost of distributing music practically zero and has put distribution channels in the hands of artists. The effect being that it is now easier than ever to publish and listen to music and with that bringing a large increase in the amount of music works available.

> "And then things changed because there was more people that realized that you don't need to rely on these big publishers and distributors and you can actually do your own thing. (..) there's no point playing by [the label's] rules anymore, because the rules have changed in different areas. (..) You now have the opportunity to distribute your music as far as you want it to go really." -Respondent 7 (label)

> "I think before the internet, there was just as much music being made, but now amateur musicians also have the ability to share their work via the internet." -Respondent 1 (artist)

Additionally, with mobile devices adoption high, listeners can now listen from almost anywhere as well.

"I think people are more busy with music nowadays because they have it on everywhere. They have it on their computers, their iPhone, on all their devices. Digital music has given an opportunity to easily obtain music for everyone." -Respondent 4 (agent)

4.1.3. More competition among artists

With access to more music becoming available to listeners, the level of competition appears among artists appears to have increased significantly.

"(..) yes, it's much easier for you to get your works out there, but it's also because there's more work being put out there, it's much more difficult to be seen and heard." -Respondent 11 (platform)

"And as a consequence of everything happening on the internet now, it means that a lot more artists become visible, and that means that the mutual competition has grown. (..) So if you [make] a [popular] TV series (..), it has become easier to say 'For you, there's 10 other artists'" -Respondent 5 (agent)

With digital file transfer enabling artists to send demos to record labels at practically zero cost, record labels are presumably also receiving much more demos as a consequence increasing competition for record deals.

"In comparison to maybe years ago sending CDs was a lot more difficult, because people would get these stacks of CDs that they wouldn't even wanna go through. Now they can just click through tracks in like ten seconds and just carry on, right? (..) I think it's more accessible" -Respondent 7 (label)

This increase in competition also has effects on artists being booked for live show bookings.

"(..) there is now such a level playing field for entry level people to come into the marketplace and bring their products to market that they have created in their bedroom, it means that there are the same number of gigs, but twenty times as many people pursuing them." -Respondent 10 (platform)

It has now become more difficult for artists than before to rise up the ranks of the music industry because with the internet, competition is not per se tied to geographical limits anymore and so artists are competing in a much bigger pool than before.

"(..) the web does allows you to amplify anything that you're doing to a very very large audience (..)" -Respondent 11 (platform)

This pool is also more dispersed. Where before an artist may have had 100,000 fans in the UK, that artist may now have 200,000 fans but dispersed in tinier pockets of people all over the world.

"Let's say you have a worldwide buzz, where in 163 countries, in their capitals, you can get a 100 people to a show. Then you'd be like "Wow, that's really cool". In every city in the world, you have a 100 people coming to a show." -Respondent 5 (agent)

4.1.4. Higher quality music

As economics has taught us, competition is not so great for producers since it puts pressure on profit margins, but it is very beneficial for the end-consumer, since the quality of the product or service usually increases with more market participants. The same appears to be happening with music.

> “But now, because there's so much competition and the standard is so high and everything is so almost already been done that when you do come a long, you've got to be an amazing musician and you got to have been doing magic tricks and back flips” –Respondent 9 (label)

> "(..) now there's a new middle class with semi-professional musicians and independent labels that do no make very large investments but do come very close in quality to the class of top artists. That in itself, is a major game changer." -Respondent 1 (artist)

> "[this] opens the playing field and makes better music because now that more people have access to this, there's just more competition and with competition, it just makes the output of the productions better." -Respondent 11 (platform)

One participant argues that the style of music may become less homogenous too because there is less need to conform.

> "I think due to digital production, there's more influences in music now and it's good because people at the top don't dictate [things] anymore." -Respondent 7 (label)

Other participants believe music has not become better or worse now, but that there is simply more access to music that would not be heard before.

> "I think it's more accessible, but I don't think it's changed anything in terms of quality. It's kind of a debate, when there's more music, you get more [bad music]. I see it as a disproportionate. It just kind of phase shifts, so it doesn't stop you from discovering any good quality music." -Respondent 7 (label)

4.1.5. Listeners have become less susceptible to marketing

Before the internet, listeners were limited in the information and media feed they could receive about an artist as the channels available were mostly forms of marketing, such as radio, music television and magazines.

> "When I was 14 years old, you didn't even know how an artist looked like, you'd look in the album booklet on the small blurry photos to get an idea and internet wasn't really there in that way. So the only way to get information about your idols was in magazines and those kinds of things and going to the show. Or become a member of the fan club." -Respondent 5 (agent)

And even in the early days of internet adoption by artists it was difficult to find anything about artists.

> "(..) if you go back to 2006, it was very wild west kind of unprofessional, very random, nobody had websites, nobody had fanpages, people didn't have pictures of themselves, it was very underground and disorganized." -Respondent 6 (agent)

Now, the internet provides access to a huge amount of information and media on music artists from biographies, weblogs and news articles, to photos the artist has tweeted live from Twitter and live show videos on YouTube.

> "It's become more difficult to make music now without soul. Because with the internet people see fakes. They see if someone is just trying to make money. There is more information. I can say that people find deep information about artists now. (..) So yes, you can put some money to marketing to get people to see that. But what's the reason to do that, if people won't like your product? If they will never come back to you. You need to work for your product and connect it to an audience. The quality of the product that the artist makes. " -Respondent 4 (agent)

Because of this abundance of information, people appear to have become less susceptible to and more wary of music being marketed to them. Combine this development with the increased access to a larger volume of music and the quality of the product has become even more important than it was before.

> "Marketing doesn't work anymore. Before you used to put up billboards of an artist, but nobody looks at those anymore. So spending money on that, isn't much use anymore. (..) Before, it was, if you would hang up enough billboards of an artist, then there would be 100,000 people buying that record. (..) nobody watches TV anymore, nobody watches billboards and it has become much more organic and that has very positive sides like for example that artists which you or me have never heard of can suddenly sell out Paradiso." -Respondent 5 (agent)

4.1.6. More necessity for curation

Listeners may have stopped surrender to forms of marketing, but they have not stopped listening to sources that filter out the music for them. The process of filtering this music for people and picking out music that listeners like is called *curation*. And actually, with a higher volume of music available now, it has become more difficult for people to find the music they like requiring more curation than before.

> "There's more music and less curation than ever before. It's no wonder people are confused or people go the easy route and just check out what [the popular online music magazine] Pitchfork is talking about. You kind of get 90% there in a way." -Respondent 8 (label)

> "(..) because there's so much more music, that means quality music is harder to find." -Respondent 7 (label)

> "Now, lots of people start thinking "Oh making music is not really hard work, so I can do everything on my own". I mean it is nice but because of that now we just need to have more filters for it. And we have those filters." -Respondent 4 (agent)

Curation appears to have become necessary in this new realm. One participant is considering changing his store to a platform for people to find music recommended to them since that seems to be a more attractive proposition to listeners than selling them music.

> "(..) our store's business model [may change] from making money from trying to sell the tracks individually to making money as a hub, as a trusted source, who is going to give you the tip-offs as to what the latest sounds and styles are and create revenue through advertising and stuff like that. That could possibly be where people like us are heading. (..) I think the future will be people going to places and having things recommended to them" -Respondent 10 (platform)

One thing records labels have traditionally been good at has been scouting new talent in the form of A&R departments. With the decreased relevance of labels, there me be a role for them in curation.

> "I think it's a very realistic path forward [for labels to just become curators], I think people still appreciate the idea of a person or a group of people who have a specific set of taste that you can trust, and have an esthetic you resonate with. (..) I can make a record today, put it up on TuneCore, put up a link on Facebook and I'm done. But people still need some kind of construct around that, to help them find things, to help them make sense out of it." -Respondent 8 (label)

> "I guess that's it then, isn't it? The role of a label is now like a filter. If there was only one label in the world and everyone could put their music on it, it would just be chaos. You need some kind of filter. You know if there's a certain song from a certain label you like, you're checking it because it does decent stuff." –Respondent 9 (label)

Others argue they have already become exactly that: filters for good music.

> "Yes, [record labels have become] like filters now because everyone can distribute their own music now themselves. So they have become filters. People come to a label to find good music." -Respondent 4 (agent)

4.1.7. Decreased fan loyalty

Before the switching cost for a listener to become a fan of a new artist would be high, due to the limited access to music and high cost of acquiring music. For example, before a fan of an artist would have to invest time to actually find the artist's music in record stores and spend money on it.

> "In the old days, people would be fan and they would be a bit forced to become a fan because if you had a physical CD you would listen to it and if you didn't have a CD you couldn't listen to it, so the CD you would have you would listen to that one a lot. If you hear something so many times, at some point you'll think you're a fan automatically, and that you'll like it because you can sing along to all the

songs. (..) So because of that, before people would go to the same artist more often, and would be like "That artist is really fantastic". As opposed to now, when you ask someone what music do you really like and you ask them again the same thing next month, they'll tell you something different. Six, or seven years ago, if you'd ask people that, they would say the same [artist] a month later." -Respondent 5 (agent)

Thus, with more access and a decreased cost of music, the loyalty of fans has also decreased since the switching cost is now practically zero. Listeners are now exposed to so much music and can pick and choose as they want due to easy access to music online. In addition, the length of time that a music song is popular used to be much longer than now, again due to easier access to music.

> “Before it was hard to get music, like you had to find a shop that had the music you liked in your town, so you would not get as much music every month as now. And so you would be a fan of the artists you could find the music for. Now, there is a new artist every month you find on YouTube and everybody just switches faster from one to the other. The time that a track is popular is so much shorter because of that too.” –Respondent 2 (artist)

Again, it seems to be better for the listeners since they can now judge every song on its own without needing to build a fan relationship with the artist

> "Now, you find a nice song and you click on it on YouTube or Spotify or you buy it on iTunes (..). But you're not going to listen to an entire album, you only listen to that one song which you like and after that you go and listen to another song." -Respondent 5 (agent)

It may have therefore become difficult to build a fanbase that remains with you for a longer time.

> "And it’s harder to work with that and build a dedicated base of fans because everybody jumps from track to track and from artist to artist. So they don’t care so much who you are, but care about if the track is good or not. It’s really difficult." -Respondent 1 (artist)

This may have consequences for the longevity of an artist's career though. Where before if an artist had recorded some great tracks and then released a less successful album, the majority of fans would often stay loyal to that artist. Now however, artists need to keep recording great tracks every single time since there is less or no loyalty to them individually.

> "Now you can suddenly have a breakthrough as an artist as a lucky shot. But to stay on that level, appears to have become very difficult." -Respondent 5 (agent)

There is also the issue of legacy music artists from decades ago who are selling out stadiums when recent acts are not able to do the same at all. This may show a generation difference, where the legacy artists mostly attain to an older generation that is quite loyal, recent acts are more quickly forgotten with hardly any reaching the same level as those legacy acts.

> "(..) it is scary that if you look at the bigger touring artists, that 90% to 95% are acts from before the eighties. Rolling Stones, U2, Bob Dylan, Leonard Cohen, those are the big tours. The Arctic Monkeys

and those kinds of acts are decreasing again, they've never been at the top like those acts, in which they filled up stadiums like acts would do in the old days." -Respondent 5 (agent)

4.1.8. Better means of artist promotion and direct interaction with fans

With the potentially decreased effectiveness of marketing in music, there is one great tool that may have replaced some of its function: online communities. These communities can be internet forums or social networks such as Facebook.

> "An example of something that has complemented [our marketplace] what we do, would be Facebook I think. Facebook has enabled us to really kind of communicate at a level that we could have sort of only dreamt of when we were sending out an HTML newsletter, that was sort of our way of communicating once a week what was going on. " -Respondent 10 (platform)

The ability to directly communicate with their fans has been a valuable development for artists as it allows them to get feedback on their music much faster and therefore can create a product that matches their audience tastes and demands better.

> "The internet has created great communities to connect with artists like VK.com, Facebook, Twitter and YouTube. (..) If you properly know your audience, you can receive feedback from them directly on your music and make music for them as a response and because it's all real-time online, this can happen in hours. It's magical and never been like this." -Respondent 4 (agent)

> "Now you can increase the strength of [your] community by actually communicating with them directly through communities on the internet. You can actually know your fans." -Respondent 4 (agent)

> “(..) fans can now directly send messages to artists through like Facebook and Twitter, so it is much more direct now than before.” –Respondent 2 (artist)

Apart from social networks like Facebook, there are many other tools popping to help artists operate more efficiently. These tools can help artists in easily promoting their music online like SoundCloud. Or services that quickly allow artists to sell their music online like Bandcamp, that is much quicker and easier to sign up to than conventional stores like iTunes. What is especially interesting is that these tools do not require artists to have much technological skills as they are mostly guided through the process by the websites.

> "Now we also have a lot of other avenues on the internet to promote stuff and it's pretty easy to get on Facebook and post a link to your Bandcamp page. There are a lot of tools out there for small indie bands and small indie labels to get there stuff in front of people." -Respondent 8 (label)

> "That being said, there's a lot of free tools out there that you can use like SoundCloud that allow you to get your music heard by a lot of people without any understanding of how the digital landscape works." -Respondent 11 (platform)

It may become a hassle for artists to keep up with all these new services launching to promote their music though. If an artist signs up to a new social network

> "(..) the platforms, the social networks, the video channels like YouTube, Facebook, MixCloud and you have all these things popping up and you just got to stay with the times, and keep moving with them and it's all on the internet." -Respondent 7 (label)

4.1.9. Artists now have access to a worldwide audience

Where artists before would be more geographically tied to a location, the internet has enabled artists to extend from their national borders to reach a worldwide audience with their music in a matter of seconds.

> "I know that what the web does allows you to amplify anything that you're doing to a very very large audience. So rather than, trying to get a gig for a thousand people, which is a big gig, with websites like Be At TV you can get an audience of a million people." -Respondent 11 (platform)

With a more geographically dispersed audience, artists may now have more fans than before but these fans may be more dispersed in tinier pockets of people all over the world.

> "So outside of the UK which obviously is a massive market, it was very limited right? It was harder for people to discover drum and bass. (..) [now] it's a completely different culture, so in terms of a global scale, back then it was so much harder to get your music out there [globally] (..) In terms of an artist, your average artist might be making less on the music, but it's getting out to a wider audience which for them can be beneficial. Because obviously as a producer and DJ, your main income is going to be your DJing. " -Respondent 6 (agent)

> "I think you can also reach much more people now than before, like we have comments on our music on YouTube from people from here [the Netherlands] but also from England because that's kind of the style of music we make and that they like and we get messages from people from Indonesia who listen to our tracks, because that's where our heritage lies. We are not superstars but we still have a worldwide audience, I think that's become more possible now." -Respondent 1 (artist)

4.1.10. A middle class of artists has arisen

Where before, there was an upper class of top artists and a lower class of amateurs, there may now be a huge class of semi-top artists in the middle.

> "Before, you had an upper class with top artists backed my major record labels with lots of money, and you had a lower class of with amateurs with no money. But now there's a new middle class with semi professional musicians and independent labels that do no make very large investments but do come very close in quality to the class of top artists. That in itself, is a major game changer." -Respondent 1 (artist)

The question is if they can earn enough money from music to make a living though.

> "I don't think that middle class earns their living from it. I think it might have even become more difficult to make money" -Respondent 5 (agent)

Many of these new middle class artists are caught in in the middle, they may not be good enough to hit the top stage, but they are good enough to reach a certain size of fan base. Many of these decide to self-publish out of frustration that they cannot get shows or on to a big label.

> "Yeah, a few [artist have switched to operating independently]. Like Radiohead is a well-known example. And with smaller artists you see it increasingly. But that's also because they can't find a home nowhere else and really have no choice to do it themselves." -Respondent 5 (agent)

This often does not work out and may be the wrong motivation to start a record label.

> "Over the years, we see a record label bursting full of excitement and enthusiasm (..) but for the most part after a period of time where perhaps they start to get their royalty statements, or they get frustrated that the music they are releasing isn't necessarily getting them lots of gigs and stuff that was probably their prime motivation." -Respondent 10 (platform)

4.1.11. Traditional channels have remained important

Going against expectations based on the theory, traditional top-down dominated channels like radio, television and magazines are still very important. They still appear to have a strong influence on shaping which music gets attention and which does not.

> "The one thing that the existing channels do still help with is promotion and with all of the content that's out there, in order for you to rise to the top and be seen and heard, sometimes the traditional routes still work because they have money and they can get you big and they can get you distributed and they can make you a Beatport top 10 seller, just by promotion. And they can get it into the hands of the DJs to get your songs played in the club, and they can get you the press release, and they can get you seen on websites like Be At TV." -Respondent 11 (platform)

With music platforms like YouTube available, traditional radio stations like BBC Radio still have an important role in the new realm.

> "For example, the BBC is the main media head of the whole United Kingdom, so things that they do are followed by others. So it's highly important to feature on there. They are like a trendsetter for music. So the BBC says that this music is good, it will be good. Not because the BBC say that, but because

the BBC has an opportunity to find the best of the best and they get the best artists." -Respondent 4 (agent)

Because having a presence on traditional media is still important, pluggers, the people that work for artists and labels to push music to radio stations, television and DJs are also still important. Many of them have been laid off from their jobs at major labels, but are now working for artists individually. What this means is that where before artists would get their services when they would be signed to major labels, whereas now many individual artists simply pay pluggers to do the services for them because the budget of major labels to spend on artists has declined.

> "You won't get on a television show, if nobody went to that television show and said "That guy should be on the show". That still costs money for example. Newspapers and magazines won't write reviews if there's no album. Press and media are very old-fashioned. 3FM [radio] will rarely play a record that's not been plugged by someone. (..)”

In addition, many of the employees of the major record labels have been laid off and are now working as independent. It would be expected that because of this their fees may have decreased which now also makes it possible for artists to use their services as opposed to only major labels being able to use them.

> “You have a lot of independent pluggers now. You can just hire them. The record labels fired a lot of people and many of those people have become self-employed. Like Universal has fired all their press and promotion people and they source that from outside. So a very big market has been created for people, freelancers, or with 2 or 3 people that do this work. " -Respondent 5 (agent)

4.1.12. The role of labels has diffused

Record labels have not been able to adapt quickly to the huge changes that have happened to the industry over the last decade. It is not just a lack of adaptation though, as they seem to be seriously struggling with finding their role in an industry that has completely reshaped, possibly with their relevance significantly being decreased.

> "It is making a lot of these companies that used to dominate the industry obsolete. What ends up happening is, the labels with all of their overheads, either they're going to go out of business like Tower Records and a lot of the other physical storefronts, they would have to adapt and find new ways to sell and make money." -Respondent 11 (platform)

Others parties are more than happy to take over the tasks that these record labels previously did. Many of which do it cheaper. These other parties can be artist agents, promotion agencies, event organizers and even investors.

> "Ideally, you see [record labels] as a bank with good ears. Making a record has become much cheaper, but it still costs money. (..) a record company should be a bank that has a vision and understands

> where they need to put money in. Like I believe in this, and I'll put money in this. But someone else can do that too. And if the record labels continue like they do now, then they will lose their function or role a bit, because other people can do their work too. (..)We've had discussions with an agency if we could release a record for their artist in the Netherlands, because they managed the shows, and the artist didn't have a label deal and the shows were the most important for the artist (..) " -Respondent 5 (agent)

One participants argues that the agent could be an artist's publisher or label. In essence, it does not really matter who is publishing the music, as long as it gets published.

> "If you put all your power to do good publishing, but in this way you will forget about making music. Yes exactly [you spread your time too much on the business things]. So maybe, it's a nice job for an artist agent to be a publisher for their artists." -Respondent 4 (agent)

> "[Record labels] haven't found their role yet and I don't know if they will find their role because of the structure they are in now and a few will probably fall because of that." -Respondent 5 (agent)

Meanwhile with the monopoly on distribution channels removed, it seems everybody can now start their own record label, deflating the value of being picked up as an artist by a label.

> "Ten years ago, if you got signed on a label, it was something really special, it was like the holy grail. Now, everybody is signed on a label because everybody can start a label. It is easy." –Respondent 2 (artist)

Many labels have gone on an acquisition spree as a way to acquire a new role.

> "In Germany for example, Warner [Records] bought a few people from some promoters and put them together to form a concert promoter. In France, that happened too. Universal had that plan but in the end didn't do it. " -Respondent 5 (agent)

Some believe the role of a record label is as a management and marketing agency for artists to get live show bookings and generate revenue from there, which is then shared with the label, sometimes called a 360-deal (which is explained further in the business models section of this chapter).

> "Now the role of the record company is a de facto management and marketing machine (..) they just do marketing. They are the people who now control the success of artists. They will create a record label brand from thin air, it will have an identity but that identity will be in extricably linked to the artist and be a platform to springboard that artist up the charts so they can command better DJ fees for them. It is now simply a tool or a vanity project to give someone an opportunity to monetize their creative talent [through other income streams than music sales]." -Respondent 10 (platform)

As previously mentioned, their role may be in curation or filters for music where listeners flock to, expecting a certain quality and/or style of music.

> "Yes, [record labels have become] like filters now because everyone can distribute their own music now themselves. So they have become filters. People come to a label to find good music." -Respondent 4 (agent)

For labels to survive it seems best to adapt to and embrace the new digital realm as much as possible and find their role in that way.

> "So for the direction where I think how labels are going to survive, I just think that they need to be forward-thinking and take advantage of all of the digital opportunities that are out there to get their content heard." -Respondent 11 (platform)

4.1.13. Artists can be more independent

One of the important topics in this thesis is the independence of artists and if it has increased due to the adoption of digital technologies. Not surprisingly, this was one of the most intensely discussed topics in the interviews as well.

If artists decide to operate independently, they essentially take over many of the different roles that were previously executed by labels. This may be a real challenge it actually distracts them from their main focus, which should be producing the product, writing the music and becoming good at it.

> "If you put all your power to do good publishing, in this way you will forget about making music." -Respondent 4 (agent)

> "I think a lot of people just get frustrated. Because they are perhaps trying to spread themselves to thinly, trying to multi-task in a way that as a hobby is all-encompassing, just taking up all their time. And they become frustrated and just they fizzle out." -Respondent 10 (platform)

> "At the end of the day, you've got to make the tunes, you've got to manage a record label, you've got to chase bookings, you've got to manage the small party that you're doing, you've got to look after your YouTube accounts, your social media, it takes a very special person to be able to stay on top of all of those." -Respondent 10 (platform)

> “For an artist to try and do that by themselves, that's gonna be very challenging. They won't have enough resources and not enough time in the day to do that.” –Respondent 6 (agent)

By doing all the non-music tasks, artists will have less time to make music. However, it may not be possible otherwise for some artists since without them nobody else would perform the tasks necessary for their music to get exposure. And if they can find the time and have the skills to perform the non-music tasks, it becomes more possible to be independent now.

> “To be a producer and a DJ, there's just no way you could not do this as full-time. If you're not doing this full-time, it means there's somebody else doing it and knows the ins and outs better than you and has the contacts. The simple stuff, sorting mixes and getting tracks on YouTube channels and all this other stuff. For an artist to try and do that by themselves, that's gonna be very challenging.” –Respondent 6 (agent)

> "Yeah, we do [still have time] but we are very busy and because we’re with two people that helps. But like I said it’s like running a small store so you’re constantly moving around and calling people to keep things moving. I think it gives us less time to make music but on the other hand if we wouldn’t do all these things next to it, like promotion, like making music videos, then I don’t think we’d be where we are now. So it’s not really a choice, is it?" -Respondent 1 (artist)

> “Artists can be independent now if they can do all the things they need to do like marketing, making a website, running a Facebook page etcetera. Otherwise they still need other people of course. But yes I think it's possible now to be independent.” –Respondent 2 (artist)

It also may be a psychological challenge for artists to constantly switch modes between being creative and operating a business.

> "Being creative is something you can only do when you are in a creative frame of mind and there's nothing that stifles creativity than pressure and stress. That's why when an artist gets popular, and the phone starts ringing and they start getting invited to perform all over the world, you'll see their productivity levels drop instantly." -Respondent 10 (platform)

> “If you're an artist to begin with you have a very different mentality than somebody who is on the marketing side or the business side of it. Your brain literally functions in a different way. If you're an artist, you are a very creative person so sitting down and typing out a big long email is not their thing.” –Respondent 6 (agent)

One label founder actually preferred dealing with artists that are less independent and have a manager to take care of their non-music tasks because it gives them the resources to focus on making music.

> "(..) I still like the idea of the musicians being able to concentrate on the music. In a weird way is why I like bands that have managers, even though the managers can be such a pain in the ass because I love the idea of somebody taking care of that other stuff, so that the bands can just concentrate on their music. I think that's how the best music gets made is if people do it without distraction." -Respondent 8 (label)

While the possibility for artists to upload their music to an online platform such as YouTube, have it become popular and get listened to by millions of people in the world organically has now become reality, it does appear to be more difficult to scale that early 'internet success' into a sustainable career, especially doing that independently.

> "Even if you have like this awesome video on YouTube that goes viral and yadayada, at some point someone's going to have to pay to make the things. Pay for recording, or to do advertising. The way things currently are you could not be the biggest band in the world without making CDs, you can't be the biggest band in the world without advertising or billboards, or paying to have your stuff placed on music services. I just don't think it's do-able. You can get an awesome buzz going, and you can probably do pretty well selling stuff on Bandcamp or whatever but I think it will be hard to become Radiohead without paying money." -Respondent 8 (label)

There still appears to be a function for third-parties to support an artist with auxiliary services like plugging, publishing, marketing or managing to scale or sustain their career. In short, an artist may not be able to do everything themselves.

> "I do know some stories of unknown artists that came to the radio [independently] and became famous as well. (..) Yes it exists but it does not happen a lot. It is very exceptional. And if it happens it is only for the beginning when they are discovered. If they then go to the top, record labels will pick them up and push them further. Still." - Respondent 4 (agent)

> "(..) I could say 'Well, I could just upload my music to YouTube myself", but the reason I need to contact big channels on there is because they have a following of people [that the artist or label does not have]." -Respondent 6 (agent)

However, choosing to use third-parties makes it expensive for an independent artist.

> “In principle, yeah you can [reach success independently]. But the machine is quite expensive. Touring is expensive. Marketing is expensive.” –Respondent 5 (agent)

Eventhough their role has decreased, labels do still provide an existing audience to push a new artist's music to and relations with traditional channels like radio. This seems obvious though, both label and radio are traditional elements and appear to still fit well together.

> "Some of the smaller labels and they're putting it out there and they might not be doing extra for it. Whereas if you're signing with a bigger label, you are using their network of fans. We have a radio plugger for Viper that takes all of our tracks to BBC Radio One and plugs them. When one of our tracks is on Zane Lowe or Annie Mac, it's not a fluke. There's been a whole series of things that have got it there. And you need people that have the years of experience. These radio pluggers work for years and years with these people, you have to have those connections with the right people." -Respondent 6 (agent)"

> "(..) each artist [still] needs a good publisher. (..) you can try to go to the BBC Radio and say "I'm pretty cool, can you guys play my tracks" on your own. But if BBC Radio or another media channel has to speak to every individual artist, it would take a long long time. So they have filters, like record labels, who can say "we have these tracks by these artists of ours, would you like to have some?" -Respondent 4 (agent)"

Traditional channels like television also have a steady stream of promotion agencies pushing artists to them.

> "You won't get on a television show, if nobody went to that television show and said "That guy should be on the show". That still costs money for example. Newspapers and magazines won't write reviews if there's no album. Press and media are very old-fashioned." -Respondent 5 (agent)

It appears that there is still much need for these agencies to support artists in their endeavors and maybe therefore artists that reach great success independently still appear to be exceptions.

> "With minor exceptions, things [records] don't find their own way [up]. To get something rolling, you need someone to plug it. (..) But you still need those people, at least most of the time. Things rarely find their own way [up]." –Respondent 5 (agent)

One participant argues that market forces in the music industry force people to specialize into working on and becoming skillful at one certain task. Obviously, from this perspective an artist operating independently and organizing his own operations cannot be sustainable in the long-term since they will specialize in to doing one task at some point in time.

> "More often than not, perhaps no [it does not work out for them]. If the skillful ones, who have some talent, if their talent lies in running the record label they will perhaps sign up other people and they will build their artist roster in a handful or more artists. So they will become more of a label manager guy. If their skill lies in music creation, then they will get signed up by a better label, that is run a bit more professionally. So they will move up the food chain. (..) They will gravitate towards the area of expertise that they feel that they shine in (..)" -Respondent 10 (platform)

4.2. BUSINESS MODELS

As mentioned before, with the record labels' monopoly on production and distribution disbanded (Pfahl, 2001), their business model disintegrating (Shapiro & Varian, 1999), their adoption to new technology lagging due to the legacy of their own success (Dutta &Segev, 1999) and the music industry's environment considered volatile with high product differentiation signaling it is ripe with opportunities for new entrants (Dean & Meyer, 1996), those new entrants may be artist-entrepreneurs who would like to compete with record labels as independent artist-entrepreneurs while using new business models that embrace the technological developments which the record labels are too slow to respond to. In this section, those business models are discussed while the state of the traditional business models is also reviewed based on interview data. All business models and the state of them are explained and reviewed in detail with relevant quotes from the interviews.

At the end of this sub-chapter, a summarizing table is presented which shows the respondent's mentions of and sentiment to business models discussed.

4.2.1. Music sales

Most participants agree that the time of earning much revenue from music sales is very much over.

> "Factually, you can divide the number of sales by eight from what it was 10 years ago, and this is already a metric of 2 years ago. That just puts pressure on the margins." -Respondent 5 (agent)

> "My artists do not receive much money from music stores. You can get some from it. The internet gives people ways to get music for free. People don't want to spend money if they know they can get it for free. And sometimes people prefer to download music for free." -Respondent 4 (agent)

> "Vinyl per unit is a higher cost per unit, so you get more profit off that. Whereas like with MP3s you have to sell maybe three or four times more to get the same profit. So it's a lot more difficult now." -Respondent 7 (label)

> "(..) at the moment and over the last 12 months the trend has been flat for download sales (..)" -Respondent 10 (platform)

The revenue that does come in from sales is simply disproportionate to the investment made by the artist or label to produce the record.

> "If you get 20 cents per track for a sale, how many times is that song sold? A massive hit may sell 100,000, then the artist is only getting 20,000 dollars. If you think about how difficult is it to sell 100,000 units in dance music, it's tough. A 100,000 units is considered a massive hit. With the artist only getting 20,000 dollars, take management fees, taxes and that stuff off the top and they only get 10,000 dollars.

You might as well go do a gig even if you're a smaller artist and you make 3,000 dollars a gig, that's like 3 nights and you've already made more money than that." -Respondent 11 (platform)

This development has the added effect that where before, artists were able to write music as a primary source of income, whereas now, they in fact need auxiliary income streams (such as touring) to fund the time they spend writing music.

"Before it would be easier [in terms of income] to get away with only [making music]. It would now be very difficult (..) so it's not to say that it's impossible but for your average person just being a producer, putting a record out, sitting at home and just producing all the time. For most people that wouldn't work anymore." -Respondent 6 (agent)

It appears that the culture has changed towards paying for music as well. With a generation of teenagers growing up now who have never experienced a time where music was not freely available, it has become impossible to turn back the old days of paying for music tracks.

"For somebody who is 16, 17 or 18 today, they have never known it any other way. (..) They don't actually have an experience of going in to a record shop and buying an album or having to wait for something. It's very instant, it's very now." - Respondent 6 (agent)

"The cat's out of the bag and if you try tell the average 14 or 13 year old that's getting music that they have to pay for it at some point, once people are adjusted to getting things for free, then they're not going to go back. (..) I don't think that music will ever come to a point in the digital space that they will be able to charge for it, they're just going to have to figure out a new model now." -Respondent 11 (platform)

Some argue that selling music and featuring in music stores, be it online or offline, has now become a promotional tool instead. Since music charts are based on music sales, an artist is unable to enter those charts if they do not sell music in stores. Therefore, many artists and labels lose money on producing records purely from a sales perspective, but they recoup it from auxiliary sources of revenue (such as touring) which are directly influenced by the promotional value from being in the sales charts.

"(..) clearly for [artists] releasing a download is a loss leader, they don't make money from putting their track on iTunes but if they propel themselves to the top end of the sales chart which creates popularity then the ability to monetize their brand by linking up with someone who wants to tap in to that demographic, that ability is huge. (..) Now as the digital sale of music is becoming less important for a lot of bigger record labels because they are making money from managing acts who are then going out on tour and receiving incredible amounts of money for their live performances. (..) [selling music online] is [now] a marketing tool for getting more gigs, getting a better position on the line up for the big festivals." -Respondent 10 (platform)

"I think that as an artist, the reason you want to be at the top in the Beatport charts is to up your gigging [show] fees in territories that you don't normally play at. If you're a booker and you live in Singapore or you live in Indonesia, you look at the top 10 Beatport charts and you see who those producers are and then you look at the DJMag Top 100, you see who's in the top and that's how you end up calculating the booking fees. The bookings fees these artists are making far outweighs the money that they making from being in the top 10 charts." -Respondent 11 (platform)

"Now the role of the record company is a de facto management and marketing machine (..) they just do marketing. They are the people who now control the success of artists. They will create a record label brand from thin air, it will have an identity but that identity will be in extricably linked to the artist and be a platform to springboard that artist up the charts so they can command better DJ fees for them. It is now simply a tool or a vanity project to give someone an opportunity to monetize their creative talent [through other income streams than music sales]." -Respondent 10 (platform)

Others have quit releasing music in stores altogether and instead give away all their music for free in return for an ability to promote their live shows to them.

"In terms of sales, I think for example we quit releasing music and now just give everything away for free as links under our YouTube videos which then goes to our Facebook page, and if people like our fanpage they can download the track for free. So you get a fan you can share music with in the future and they can play your track in exchange. In the end you hope that when you are doing a show, they will visit it because they are a fan and see it on their Facebook." –Respondent 1 (artist)

Giving away music for free has a very ironic effect in that it may actually increase the sale of the music tracks that are given away. It appears that the audience of music listeners is divided up in to a group of people that has no intention to buy music whatsoever, and a group that collects music and wants to support and buy it in high-quality. For example, music that is released for free online is actually still being purchased and sometimes even becomes the most purchased song of an album.

"What's also interesting is that the audience who buys tracks, and the audience who just downloads them [for free] is a completely different beast. What you'll actually see is that lots of tracks are given away for free, but then they actually sell really well on the digital stores which is kind of hard to wrap your head around but I can give you loads of examples. (..) what's amazing is when tracks are out there like that, there is an audience that will buy it and the audience who uses YouTube as their own kind of jukebox and the audience who either buys music either to DJ or produce themselves or just because they want to own it, is a totally different beast. That track they gave away was #1 on Beatport and it had been free for a year." –Respondent 6 (agent)

"The people who are looking on Facebook to find a free track, and the people who rip it from YouTube, or who just listen on YouTube. They're just completely different [than the people that buy the track]" – Respondent 6 (agent)

4.2.2. Live shows

With music sales declining, artists have massively flocked to touring — by doing live performances in many different locations on a tour — to recoup the revenue they lost from declining music sales.

> "You see a few years ago when album sales decreased, that artists suddenly started touring more. Because they thought that that was were the money had gone." -Respondent 5 (agent)

For most artists, touring has become the primary source of income for them.

> "Ten years ago people made money by selling music in the shop. Most of the money people make is from touring now. [Artists now make money from] fees of the events, festivals, shows." -Respondent 4 (agent)

> "(..) the only way [independent] labels now make money is from [club] nights or gigs. So that's like in any other genre too right, even in like live band music." -Respondent 7 (label)

Unlike online music files, tickets to live shows are still a physical product that cannot be copied or forged easily and therefore avoiding the decline that music sales have suffered.

> "(..) we're talking about events, tours, live performances. Certainly, that is by far and above the largest investment that young people as fans make in music these days is purchasing tickets. (..) So I think a lot of money is obviously going to ticket and live things. And you can't pirate a ticket. It's not something you can forge very easily." -Respondent 10 (platform)

The idea that the money that was lost in music sales could be completely recouped from touring has proven to be false. Touring is a costly endeavor for many artists, especially smaller artists. And an artist can not infinitely keep touring the same places.

> "(..) money [from touring] also dries up after awhile, because you can't come back to the same venue in the same city every year. Because people have seen it after awhile." -Respondent 5 (agent)

> "I don't see [touring recover the lost sales] at the level we're at. Maybe for a bigger band like Arcade Fire or something. (..) even the bigger bands on the label they still have to have 5 people, they have to rent a van, they have to pay for gas. There's not a lot of money left. If bands of that size feel good about breaking even on tour, that's harsh. Touring is supposed to be picking up the slack, maybe it is for the bigger bands and they may sell more merchandise and that kind of thing but for a smaller band I definitely don't think it's replacing the money that people would make from selling records." -Respondent 8 (label)

Previously labels would financially support artists that would go on tour, since it would be a promotional tool to increase music sales of that artist. With music sales on the decline and labels cutting costs this tour support has also vanished. For one-man-bands and DJs touring can still be an option then, but for bands with their higher costs (due to transport of instruments) it becomes very difficult to even organize a tour at all.

> "And now, since tour support from major labels has completely disappeared, it's become more difficult to tour. (..) Record labels used to pay acts if they went on tour. That doesn't exist anymore. (..) "Until you get in like 400, 500, 600 people at a show, touring costs money. Except if you're on your own as an artist and you're a DJ and put a record on. But if you're a band, it costs a lot more." -Respondent 5 (agent)

Previously it was mentioned that due to the internet, with a more geographically dispersed audience, artists may now have more fans than before but these fans may be more dispersed in tinier pockets of people all over the world.

> "(..) your average artist might be making less on the music, but it's getting out to a wider audience which for them can be beneficial." -Respondent 6 (agent)

> "I think that as an artist, the reason you want to be at the top in the Beatport charts is to up your gigging [show] fees in territories that you don't normally play at. If you're a booker and you live in Singapore or you live in Indonesia, you look at the top 10 Beatport charts and you see who those producers are (..)" -Respondent 11 (platform)

However, that dispersed fan base creates an interesting problem, as it becomes difficult to leverage the dispersed fan base when it comes to touring. The costs of moving a band (and equipment) to all these locations may be more than they can recoup from ticket sales. Where before a band might have a national audience and be able to play shows around the country, they may now have fans in Italy, California and Korea for which a tour is financially difficult to fund.

> "This is the first year that I see acts that have a lot of buzz but just cannot pay for it to do a tour. Because if your market gets [geographically] bigger, you still have to drive to all those locations. And if you don't have money and nobody has the money to put into that, then you can have a buzz everywhere but you're still losing money if you go there on a tour. Then that buzz is nice, but then it just doesn't work out. This summer, I have had to cancel shows for 3 artists which really have perished from their own success. (..) Let's say you have a worldwide buzz, where in 163 countries, in their capitals, you can get a 100 people to a show. Then you'd be like "Wow, that's really cool". In every city in the world, you have a 100 people coming to a show. But every time you drive there, you lose 1000 euros in costs. You have to fly there, or drive there, you need hotels, you need food and that stuff. So on the hand, that's really cool, but on the other, it doesn't get you anywhere. " -Respondent 5 (agent)

While new business models are being tried and tested, there is belief that touring will still remain the primary income source for most artists in the future.

> "At [our platform], we've tried a number of different things, we've been exploring a number of different ways to ensure that artists can get paid. I think the most lucrative is always going to be gigging. (..) At the end of the day, music is out there to be consumed and listened to and the best way to consume it is live when you're hearing an artist play. It's how it's always been and I think that's probably how it's always going to be the main revenue opportunity." -Respondent 11 (platform)

4.2.3. Merchandise

Merchandising is the act of producing and selling music-related products. The most common example of merchandising is t-shirts with the artist or band logo printed on them. Fans like to wear these to identify them with the artist.

Simply putting up a t-shirt with quickly drawn artist logo does not seem to be the way to do it though. It needs to be approached with the same quality mentality as the music made by the artist.

> "(..) you need to have an extra taste for merchandise. You can set up a shop with your own artist merchandise but it needs to be amazing and really good. Because your audience will not buy rubbish merchandise, they want it to be as good and original as your music is." -Respondent 4 (agent)

For one participant, merchandise sales has picked up so well that it has recouped the decline of music sales somewhat in his digital music store.

> "(..) [independent] record companies can't afford to manufacture a traditional screen print run which might cost them 500 euros. So, we went out and bought the latest digital manufacturing equipment and basically said to them "Right, problem solved, send us your artwork, we will then publish your artwork in our store front, when somebody comes and places an order, we will within 48 hours, manufacture a t-shirt to order and ship it to anywhere in the world. And ever since then, that's what we've been doing. (..) So for the last couple of months (..) sales have been brilliant in the merchandise department. Without those sales in the merchandise department, things would be pretty sticky in the world of our digital store." -Respondent 10 (platform)

Some participants find that it distracts them from the main business of making or releasing music.

> "Yeah, and all that stuff takes money away from making music. If I make a t-shirt I have to make 3 different sizes and maybe 2 different colors and next thing I know I've spent a thousand dollar on t-shirts. That's a thousand dollars that I didn't spend on putting out someone's single. It's hard for me to justify allocating those funds." -Respondent 8 (label)

> "I did start looking into merchandising as well, but that would have meant that I would have continued travel down that business path and I was battling with the fact that I still did want to write music (..) " -Respondent 7 (label)

However, if an artist is able to develop themselves into a well-known brand, merchandise can be a very attractive value proposition.

> "If you can establish yourself as a brand like Deadmau5 or something like that, the merchandising side of things will get very very big." -Respondent 11 (platform)

4.2.4. Royalties

Royalties are regular payments that an artist may receive if their music is played on radio, television or used in other media productions. The participants were not excited about royalties as only two mentioned them as actual revenue generating business models for them as an artist or for the artists on their label.

> "We did look at the royalties thing [for our artists], we haven't seen a penny yet. As a career I work as a contractor, so the amount of money I'm dealing with is a lot of money. If you compare the monetary value of music, it's peanuts." -Respondent 7 (label)

> "We make some money from royalties through radio play. Some, but that's not much." -Respondent 1 (artist)

4.2.5. Licensing

Licensing means giving explicit permission for an artist's music to be used in the radio, television or other media productions in return for a lump-sum payment. This means that for example a television show that would like to use music in their program pays the artist an amount of money to gain the rights to use their music legally.

It appears to have become more difficult for artists to monetize their music through licensing, since the entities that use music in their media productions, such as the film industry, can now select from a greater pool of artists. This has put a downward pressure on licensing income.

> "Essentially, everything is going backward. Even the money in “sinks”, that is licensing of music for films and series is also decreasing. (..) So if you [make] a [popular] TV series (..) [and you need music for it], it has become easier to say 'For you, there's 10 other artists'. Like for example before, they would pay 5000 dollar per track, now they would pay 500 dollar per track, because they also like those 9 other artists." -Respondent 5 (agent)

> "There's some licensing income that comes from TV and movies, and we share that with the band. (..) it used to be more and it's kind of tailed of a lot [recently] " -Respondent 8 (label)

4.2.6. Sponsorships

Sponsorships appear to be a beneficial way for businesses to identify them with the fan base and status of an artist and creating legitimacy for the business’ brand. When artists becomes popular, they build up a following, fan base and often create a strong name for themselves and their music. Because many popular artists attain to a young demographic, businesses often use the method of sponsoring artists with money and free products as a useful way of building their own brand by leveraging the artist's name. The artist profits from receiving money and possibly gaining legitimacy by identifying with a business brand, and the business gains legitimacy with the audience of the artist. This has shown to be a more popular way for artists to generate revenue recently, since music sales have been on the decline.

> "Generating revenue from the music business, from sponsorships and branded marketing is something that is really on the up and up. (..) Over here in the UK, we have pop, dance stars, sort of a hybrid of a popular artist who is operating loosely in the world of house music and they're advertising credit cards, soft drinks, and clearly for them releasing a download is a loss leader, they don't make money from putting their track on iTunes but if they propel themselves to the top end of the sales chart which creates popularity then the ability to monetize their brand by linking up with someone who wants to tap in to that demographic, that ability is huge." -Respondent 10 (platform)

In return, artists can make considerable amounts of revenue from these deals.

> "Actually I think for all artists, I couldn't say for like the biggest artists in the world, but it's still gonna be live performances and maybe commercials [and] stuff like that." -Respondent 1 (artist)

4.2.7. Sample packs

Sample packs are collections of music samples such as vocals, instruments that an artist has recorded while making their music. These music samples range from drum-kit samples of snares to vocal acapellas recorded by artists that other musicians can subsequently use over their music. These music samples can be used by other artists to create new songs from legally. Many artists nowadays sell these sample packs in online stores. For example, an artist creates an instrumental song and would like to quickly add a vocal to the it. The artist can look online and buy a sample pack with vocals from a singer and add one to his/her song quickly.

4.2.8. Streaming

Streaming services have enabled people to listen to music online without actually actively downloading music files. Pressing play on a website or in an application is enough to stream music live from a server to your device and listen to it. This device can be a computer or mobile device like a smartphone. The video platform YouTube has been significant in this development and music has become an important part of the site's content and just as important for artists to leverage.

> "Over the last 5 years, streaming, particularly YouTube for our demographic has kind of eroded the casual fan who potentially, 7 or 8 years ago, might have gone "Well, hey I'm a fan, I really love this track in the clubs, I really want to be able to listen to it when I want to listen to it, so I will spent a euro on it (..) Now obviously, everybody can just hit up YouTube, on their phone or in their house, or on

> their television and if you had a song that's in your head (..) that you've heard at the weekend you can just get it when you want, where you want, how you want [for free]. I think that is contributing to an erosion of the casual customer." -Respondent 10 (platform)

> "I think the internet has evolved, the way people consume music has evolved and streaming music, and on-demand systems for music have benefited for the casual listener or the real fan." -Respondent 10 (platform)

> "Now some artists are doing the YouTube stuff [to generate revenue]. YouTube is this whole new thing." -Respondent 6 (agent)

YouTube has provided artists with the option to participate in revenue sharing. That means they will receive a majority share from the income of advertisement that YouTube places next to videos that contain their music. This advertisement revenue can be substantial with bigger artists and has been increasing lately.

> “The money in selling music has very much declined but there have become more ways to make money now though. Like you can make money from advertising with AdSense, YouTube.” –Respondent 2 (artist)

> "(..) YouTube is now becoming the premier place where people are getting new unreleased music material. Even now with the rights, YouTube does not stream legally in all of their territories. So a lot of the songs that are being streamed on YouTube, the artists aren't being compensated for. But YouTube are making it available, where if you put your work on there, they are trying to make it a legal environment where artists can get paid for listening to their music." -Respondent 11 (platform)

In addition, YouTube view counts have become an important metric to gauge the popularity of an artist, which in turn can result in more show bookings and other monetization opportunities like sponsorships.

> “Even apart from the money, YouTube has become super important. What you see is some biographies of artists I see (sic) start off with telling how many YouTube views the artist has, it's crazy but it's become such an essential number to value an artist on these days.” –Respondent 1 (artist)

Some participants mention that the revenue generated from streaming is not enough right now to pose a substantial income source.

> “I don't think streaming models like Spotify and YouTube solve it because what you earn through that is very little. You need millions of millions of views to make it worth something and then you have to be a YouTube partner. There is money there but it's little.” –Respondent 9 (label)

However, it appears that streaming revenue is increasing and many participants are surprisingly positive and excited about if it keeps growing.

> "Something like Spotify or YouTube, if that's in full effect, with subscriptions or advertisement revenue, in theory that can bring money back so that you can do things again as an artist. You might be able to do tours again then, make a loss on touring but make it back from Spotify. But right now that's not at a level where it should be. Not by far. It has to get to a substantial level to make it workable for artists." - Respondent 5 (agent)

> "But at the moment and over the last 12 months the trend has been flat for download sales and has only increased exponentially for revenue created by streaming, particularly Spotify and YouTube." - Respondent 10 (platform)

If the growth of subscription-type streaming services continues, it can become a very substantial revenue stream for artists that may recoup the lost income from sales in the future and potentially generate the music industry more revenue than it ever has.

> "If a business model like Spotify proves to work, it will make the music industry bigger than it's ever been. If hypothetically, everybody in the world pays 10 dollar, or even 5 dollar, or even 2 dollar each month. I mean how much CDs did the average Dutch person buy in the peak days? Three or four per year? And that was 80 guilders or 40 euros. If everyone pays 5 euros each month, to listen to music unlimited then that market will be much bigger than it's ever been. (..) Yeah I think it can happen." - Respondent 5 (agent)"

4.2.9. 360-deals

360-deals are defined as contracts of artists with labels or other parties to share the artist's total revenue (as in 360 degrees) in return for a production advance lump-sum of money that the artist receives when the deal is made and sharing costs that the artist makes.

> "Now as the digital sale of music is becoming less important for a lot of bigger record labels because they are making money from managing acts who are then going out on tour and receiving incredible amounts of money for their live performances (..) like 360 deals" -Respondent 10 (platform)

The success of these deals differs with the size of the act though. With one-man acts like DJs, 360-deals appear to work well as some of the major DJ artists are signed up to one.

> "I think what's happening from a label perspective, there's much more 360-deals that are happening. If you look at like artists in electronic music, if you look at what Swedish House Mafia, David Guetta did. EMI is getting 50% of the touring income of Swedish House Mafia. Now, what they're doing is they are recognizing young artists, they are giving them really big advances, it's what they used to do 20 years ago, giving them really big advances, and then taking a piece from the touring because that's where the money is. The money is in the touring, it's in the merchandising. Whereas the labels may not make money from the sale of music, they will still make money from music, just in a different form." - Respondent 11 (platform)

> “Now the role of the record company is a de facto management and marketing machine (..) they just do marketing. They are the people who now control the success of artists. They will create a record label brand from thin air, it will have an identity but that identity will be in extricably linked to the artist and be a platform to springboard that artist up the charts so they can command better DJ fees for them. It is now simply a tool or a vanity project to give someone an opportunity to monetize their creative talent [through other income streams than music sales]." -Respondent 10 (platform)

With bands though, it may be a different story. The costs of touring are higher and it becomes less attractive to the artist if the label is not prepared to cover more of those costs and are not prepared to offer services in return for the revenue share.

> "360-deals (..) that's mostly outdated already. Everybody quit doing that already because it's not in the interest of the career of the artist. On paper it looks nice, but in practice, it's mostly a lot of hassle because what do you put in there and what do you pass on as costs to each other, is it a joint venture, and is it in the interest of the artist that the record label also does the artist's management? Of course, record labels wanted to pull more income streams to themselves because they saw their main income stream being destroyed. But in practice, if you want that money, you also have to work for it. And if a record label doesn't have the right people to do that work, then it quickly ends and it won't be beneficial for the career of the artist." -Respondent 5 (agent)

4.2.10. Crowdfunding

A new and innovative way of generating revenue from music that was mentioned in the interviews is crowdfunding. Crowdfunding enables people to raise money to produce a product and then deliver it to the same users that invested money in it. The most popular crowdfunding platform is Kickstarter and was mentioned in the interviews. Kickstarter can be used as a pre-order system before the artist’s product is even made. For many artists, it has been incredibly successful as they have been able to raise money independently.

> "There was the Kickstarter thing, the woman from Scissor Sisters, Amanda Palmer, she took in like three million dollars!" -Respondent 8 (label)

However, it does require an artist to already have a fan base that supports them and wants to participate in a Kickstarter round. Artists trying to raise money without fans won’t be very successful.

> "You see some kind of higher-tier people, who already have an audience, they have the luxury of doing that. You know if you're big and you have already have an audience of a certain size, then it's easy. " -Respondent 8 (label)

4.2.11. Summary of business models

In the following table a quick overview is presented of the traditional and new business models used by artists as mentioned by respondents. The plus and minus signs indicate the overall positive or negative sentiment about the business model and the equal sign is a neutral mention of the business model. Please note that this table is not necessarily quantitatively significant but presents an overview of what has been discussed in this chapter and mentioned by respondents.

Business models mentioned by respondents and their sentiments towards it

	No.	1	2	3	4	5	6	7	8	9	10	11	12
	Category	Artist	Artist	Artist	Agent	Agent	Agent	Label	Label	Label	Platform	Platform	Platform
Business model													
Traditional	**Music sales**	—	—	—	—	—	—	—	—	—	—	—	+
	Live shows	+	+	+	+	—	+		—	+	+	+	+
	Merchandise	=			+		=		—		+	+	
	Royalties	—						—	—		—		
	Licensing					—	=		—				
	Sponsorships	+									+	+	
New	**Streaming**	+	+	+	+	+	+				+	+	
	360-deals					—					+	+	
	Crowdfunding								+				
	Sample packs						+						

Note: plus and minus sign indicate overall positive or negative sentiment about the business model, equal sign is a neutral mention

4.3. SKILL SETS

Will the changes in industry environment, the changed state of traditional business models and the invention of new business models affect an artist's required skill set? Will they need more skills than merely musical abilities? And based on Lazear's (2005) point of view, are the people that already have a more balanced skill set more likely to succeed in the music industry, because that is necessary due to the independent entrepreneurial environment the music industry may have become? Or will it depend on their personality (Khilstrom & Laffont, 1979)?

I will now argue which new non-musical skill sets are required based on what has been mentioned in the interview data. I will include quotes when deemed relevant to the argument.

To start off, it appears that if artists are independent and do not have third-parties around them to receive help from, the artist will have to do things themselves.

> " If you don't have the network to help you out. (..) [It's necessary to have these non-music skills] absolutely." –Respondent 7 (label)

4.3.1. Business skills

Participants generally recommended artists to have at least some general business skills to operate now. However, it appears because of the nature of artists, most of them simply do not possess those skills. This comes back to the point previously made about the modal difference between a creative and a business mind. It may be difficult to dabble in both mindsets at the same time.

> "Most artists are very creative minded in general. If you can get the other side of it, if you can understand the business part of it....everything helps right, it can never hurt to have extra skills. (..) A lot of artists start at quite a young age, most of the time you won't see someone who's like "Oh I've worked at some office for some accounting firm and now I'm going to become a [music] producer." -Respondent 6 (agent)

Some participants consider being an artist now more like running a small business or shop.

> "(..) you learn the whole scope of business skills necessary. Being in music now is like running a small business really. You could see it as a small store." -Respondent 1 (artist)

Business skills may especially be recommended if an artist would like to act independently, since if they would be contracted then most of the business tasks would be handled by a record label instead.

> "And we need to do [those business tasks] because we do things ourselves. If we were on a big record label, these things of course would be done for us by other people." -Respondent 1 (artist)

The business skills required may include being able to read contracts without having to use a lawyer since the costs of a lawyer are simply disproportionate to the amount of money that can be made from making some deals with contracts.

> "If you're looking at the idea of artists being more self-sufficient, then having a better business head is probably really handy now. Being able to handle some of those practical things. (..) It's hard to maximize the income from your music, being able to crunch a spreadsheet or wade through the label lingo on a contract yourself, as opposed to have to pay a lawyer every time something comes across the desk, is pretty useful. Even if it's just like $200 to use your song in a surf video or something because there's a lot of that kind of stuff (..). You need to be able to read that contract to make sense of it." -Respondent 8 (label)

It also helps if an artist is able to push and pull on those contracts and negotiate the terms of the deals made with third-parties such as publishers, licensors and event organizers.

> "[In music] you learn how to negotiate contracts" -Respondent 1 (artist)

4.3.2. Marketing skills

Another skill mentioned as important were marketing skills; these enable an artist to push their music to media outlets and a broader audience of fans.

> "[non-music skills are not specifically] required but I think you do need to be able to promote yourself to a certain extent." –Respondent 6 (agent)
> “I think marketing is everything now, because there’s so much good music being made, you need to stick out. If you can do that better, you have an edge on the rest of the artist definitely.” –Respondent 3 (artist)

With the internet’s increasing importance, the ability for an artist to market themselves online has obviously also increased in importance.

> "If you're an unknown artist trying to get your music heard, anything that you can bring to the table to get your content out there helps. If you have an understanding of digital [technology] and how it works, how you can get your music heard by as many people as possible it definitely helps." -Respondent 11 (platform)

It also enables them to create their own branding such as logo and brand concept. It appears to be beneficial to be able to do this, because it may help the artist to create hype around themselves and increase their popularity. If they are pursuing a recording contract with a label, obviously this may also help increase their odds of getting signed.

> “You look at someone like Dirtyphonics. They're very good at presenting themselves in a particular way. (..) They've always got that, they've got the branding and the image of it. (..) before they even had

any tracks published (..) they had their logo with the Dirty Dancing style font (..)" –Respondent 6 (agent)

4.3.3. Visual media skills

Having the creative skills to create artwork, music videos or other visuals to promote an artist's own music can help them receive more exposure and since they do not have to outsource it can avoid costly expenses from hiring directors.

> "(..) and [Dirtyphonics] made their own trailers and stuff, they made these animated trailers (..) or the sort of teaser advert style trailers. (..) They really get that part of it. And that definitely helps you." –Respondent 6 (agent)

> "(..) we learnt music video production. We bought a 7D camera and started to shoot our own videos last year. We did that because before we would upload our music on to YouTube with a photo of ourselves but like 100 people watched it. When we did our first video we had 10,000 people who watched it. So it's completely different and yes it benefits our career." –Respondent 1 (artist)

> "If you get branding and you understand imaging and how these type of things work, so they really get that side of it. (..) They were very good at promoting themselves as a brand. (..) " –Respondent 6 (agent)

Some artists have the added benefit that they have a career besides music in marketing, branding or graphics already which they can use for their music.

> "Luckily, Saam works for a video editing company anyway, so he knows a lot about that stuff. And in terms of graphics, is what I do for a living so. So you could say, we were lucky, we've chosen the right things to do [as main careers]." -Respondent 7 (label)

However, even artists that are on record labels may receive benefit from having these skills since a label or publisher may not market its artists sufficiently or in the right way.

> "[Our publisher] did not hugely help us in marketing, it was just like as much as an email or a post on a forum (..). That was it. (..) That was a lot of money [for little marketing]" –Respondent 7 (label)

When the label or publisher's marketing may not be sufficient, the exposure of an artist's music may be benefited from them doing at least part of it themselves.

> "as an artist even when you're on a label, you do need to be able to promote yourself as well." -Respondent 6 (agent)

Others believe that an artist should (again) focus on making music and instead hire third-parties to produce visuals for them.

“If you have a vision about your music, you need to find like a designer or someone that makes a music video that fits with your vision and style." -Respondent 4 (agent)”

4.3.4. Social skills

One quickly mentioned skills by two participants were social and networking skills.

"(..) you learn how to network in the music scene (..)" -Respondent 1 (artist)

It appears that simply making music is not enough to succeed, going out of the studio and talking to the right people can be beneficial.

“Social skills [are necessary to succeed] (..)” –Respondent 4 (agent)

“Yes, there's many things to it now. Like charisma, being able to talk [well], have stage presence, running your social networks.” –Respondent 9 (label)

4.3.5. Summary table of skills

The following table presents a quick overview of the skills mentioned by participants that they deemed necessary for artists to have now.

Skills mentioned by study participant

No. Category Sub no. Emergent theme	1 Artist 1	2 Artist 2	3 Artist 3	4 Agent 1	5 Agent 2	6 Agent 3	7 Label 1	8 Label 2	9 Label 3	10 Platform 1	11 Platform 2	12 Platform 3	Amt. mentions
Business skills	x		x			x		x					4
Marketing skills	x	x	x			x	x			x		x	7
Visual media skills	x					x	x				x		4
Social skills	x			x	x				x				4

4.4. SUMMARY TABLE OF RESULTS

This table summarizes all emerging themes, business models and skill sets mentioned by the respondents that participated and which have been discussed.

Description of categories

Main categories (preset)	Sub-categories (emerging themes)
General industry changes	Lower barrier to entry for artists
	More access to more music
	More competition among artists
	Higher quality music
	Listeners have become less susceptible to marketing
	More necessity for curation
	Decreased fan loyalty
	Better means of artist promotion and direct interaction with fans
	Artists now have access to a worldwide audience
	A middle class of artists has arisen
	Traditional channels have remained important
	The role of labels has diffused
	Artists can be more independent
Business models	Music sales
	Live shows
	Merchandise
	Royalties
	Licensing
	Sponsorships
	Streaming
	360-deals
	Sample packs
	Crowdfunding
Skill sets	Business skills
	Marketing skills
	Social and networking skills

5. CONCLUSION

5.1. ANSWERS TO RESEARCH QUESTIONS

5.1.1. How has the music industry changed for artists?

With the barriers to entry being lowered for artists in the last decade due to lower production and marketing costs and free access to distribution channels such as the internet, the amount of music that is recorded, distributed and available for music listeners worldwide has increased by many multiples. With marketing (McLeod, 2005) and distribution (Croteau, 2005) less important as complementary assets in the music industry, an influx of new entrants was expected and this has been the case.

There is more competition among artists now simply because the cost of entering the industry as an artist has become so low. Dean & Meyer (1996) argued that volatile industries with high product differentiation and vertical integration, such as the music industry, would be more liable to new entrants, this has also showed to be correct. These new industry entrants have shown to be in the form of artist-entrepreneurs, but also independent record labels and many independent third-party freelancers and agencies offering services such as marketing, promotion and plugging music to radio stations.

The consumer of the music product, the listener, seems to be the winning party since because of the higher volume of music and the higher competition among artists, the quality and amount of choice in music seems to have increased. There may be less pressure to conform musically now simply because the new environment offers independent artists the ability to operate without being part of a top-down traditional record label structure.

A decade ago, the exposure of listeners to an artist was limited to for example, the photo of an artist on a billboard, the artist’s biography on the inlay of their music album or a directed music video of the artist on a music television channel. Now however, most listeners have more information and media available to them about music artists than ever before through the internet and because of that it seems music fans are now less susceptible to the word of marketing through those billboards, album inlays or music videos. It may have therefore become more important than ever to create a transparent brand and product as an artist, as it becomes hard to sell a product that is not actually that good.

While listeners may not be hearing what marketing tells them anymore, the connection between a music artist and its audience has in fact become increasingly direct and intimate. Online social networks and other online platforms now provide the means to sustain this connection and provide a long-term channel for artists to reach their fan base directly.

With the volume of music available being so great nowadays, it has become more difficult for listeners to find the music they like. Therefore, there is a considerable need for parties to curate the volume of music available and connect listeners to the music they like. Who or what those sources of curation may be the future is a question that should be asked. Currently however, traditional media channels like radio, television and magazines still appear to fulfill a very serious role in curating what becomes popular and what does not. Having these channels on their side is still essential for most artists to become popular.

Apart from curation, the volume of music and easier to access to more artists may have also decreased the traditional loyalty of fans to an artist. Where before, artists may have been able to use previous success to mitigate producing a lesser product (like a second album that was not as good as their first album), listeners may now simply judge them on a per-song-basis. This is because there is less profit in being loyal to one artist as the switching cost of being a fan has become so low due to easier access to more artists. Thus, listeners may have simply become more opportunistic in their choice of music.

One obvious effect of technology and the internet in specific has originated from the fact that people now have access to a computer network that spans the globe and reaches people worldwide. This has some very interesting effects for artists. They may now have a greater audience of fans than ever, but this audience may also be more dispersed than ever. To give an example, an artist may now have 10,000 fans spread over 100 countries, with 100 fans in each country. This brings some difficult challenges for artists that would like to tour since traveling to all these places may cost more than the return may be from playing for 100 fans.

With access to music production opened up, it appears that a new class of artists has arisen that is neither an amateur but also not a top artist. These artists face the serious challenge of being semi-professionals that can reach close to the quality of music that top artists make, while not being able to sustain a livelihood from it.

Considerable pressure has been exerted on the traditional role of record labels and they appear to struggle a lot trying to find their place and function in a new realm where they may not necessarily control production or distribution channels. There are potential roles for them to pursue with business models that may work for them though such as artist management agencies, marketing agencies, event promoters and possibly even becoming music curators since they have traditionally been great at finding new musical talent through their A&R departments.

As previously discussed, Shane (2001) argued that industries in which complementary assets in marketing and distribution are less important to sustain a competitive advantage have a higher likelihood that a new technology will be exploited through the creation of new firms and influx of new industry entrants. In the theoretical framework of this thesis, I argued that this description of industry fits well with the current state of the music industry. Therefore, one of the most important questions is if artists are now more able to operate independently.

It appears they can operate *more* independently, but by far they can not operate *completely* independently nor *should* they. They may not have to contract themselves to a record label anymore, but they will always need third-parties such as promotion agencies, graphic designers, music video directors and music pluggers to reach a larger audience than they can on their own. Another important point to make is that the quality of music and the progress of an artist's career may actually suffer if they are spending too much of their resources and time in activities that distract them from actually making music. Additionally all these distracting activities may not be beneficial to their mindsets either as an artist's mindset should be creative-oriented (where chaos is necessary) and not business-oriented (where structure is necessary). Therefore, operating completely independent as an artist sounds great but it may not be a realistic goal at all for many people. However, if an artist does have the non-music skills to do so (e.g. in marketing and managing themselves), and does have the resources to do so (e.g. time) and they are still able to attain to making good music, it is possible. Still most participants considered these situations as exceptions.

5.1.2. How have the business models employed by artists changed?

As previously mentioned, with the record labels' monopoly on production and distribution disbanded (Pfahl, 2001), their business model disintegrated (Shapiro & Varian, 1999), their adoption to new technology lagging due to the legacy of their own success (Dutta &Segev, 1999) and the music industry's environment considered volatile with high product differentiation, it signals it may be ripe with opportunities for new entrants (Dean & Meyer, 1996) which can be artist-entrepreneurs employing new business models.

As the theory suggests, new business models have in fact been introduced and employed by artist-entrepreneurs successfully.

However, traditional business models still appear to be ahead of new models in terms of revenue in the music industry. How much longer they will be ahead is the question though. One of the most popular business models in music has always been music sales. While digital music stores have launched successfully, music sales as a profitable business model appears to be heavily in decline and no study participants predicted it to be a viable model for the future. The main reason given is that the consumer culture has already changed from people paying for music to people considering music simply as a free commodity.

One traditional business model that is now earning artists the most is touring and live shows. The revenue from these are far ahead of other models including music sales. Other traditional models such as merchandise, sponsorships from brands still appear viable. The business model of licensing appears to be decreasing because there is more music available for them to pick from. The licensors (being for example media productions in television and film) now have more bargaining power and put downward pressure on the fees of the licensee (the artist). Royalties income may decrease too since media consumption is increasingly on the internet with media channels being so dispersed so that royalty collection agencies do not have the ability to collect and pay out the same amount of royalties.

New business models that can now generate revenue for artists are sample packs, 360-deals, crowdfunding and streaming music. Sample packs are audio files that can include the stems from a music track such as the vocals (acapellas), drum kit samples and samples from other music instruments that can be re-used by other music producers and composers. These are sold online and can generate additional revenue for artists. 360-deals are a new way for record labels and other parties to invest in artists while directly receiving a revenue share back when the artist generates income. With traditional record deals this revenue share was mostly only on music sales, with 360-deals all income is shared be it from touring, merchandise or sales (e.g. 360 degrees of the revenue). Participants provided a mixed view on this, since it appears to work for individual artists that have low costs (e.g. transport for touring), but not so much for bands since they simply costs so much. Another promising business model is crowdfunding. It makes it able for an already established artist to reach out to its audience and ask them to fund their next musical project. Since an artist's fans are already so involved, giving up money in a sort-of investment type structure seems obvious to them. Crowdfunding has generated millions of dollars for some artists. However without an audience, an artist will most probably not be able to generate this funding at all.

By far the most promising new business model appears to be streaming music. With websites such as YouTube generating revenue from advertisements and sharing this revenue with artists and platforms such as Spotify providing music subscriptions to listeners from which artists are paid-per-play, there are now feasible options for listeners to stream music and for artists to generate revenue from these. Right now, the revenue is not substantial enough but it appears to be growing. Traditional industry outlets like physical music stores may actually slow down this growth since if people can still buy CDs in the stores now, they will be less likely to take a subscription on a music streaming platform. However, if in the future a large share of music listeners in the whole world will sign up in the future and pay a monthly fee to listen to music, then subscription-based services such as Spotify may have the potential to increase the revenue earned in the music industry to levels higher than before.

5.1.3. How has the skill set required of artists changed?

Previously I asked how the changes in industry environment, the changed state of traditional business models and the invention of new business models would affect the typical artist's required skill set.

It appears that the most important skill is still being able to make good music. However, some non-music skills may be helpful to artists to rise above a larger pool of competing artists nowadays. Having general business skills, marketing skills and social and networking skills appear to very beneficial to artists.

Due to the nature of artists being creative-minded, the majority of them appears to lack by nature any general business skills. If an artist does have those skills however, it can help them to negotiate deals and read contracts without having to hire a lawyer. Social and networking skills are important since it can help for an artist to get out of their studio and talk to the right people to push their music to the right places. Marketing skills enable an artist to push their music to media outlets and to a broader audience of listeners. Having the creative marketing skills to create their own brand, artwork, music videos and other visuals to promote their music can save them in making costly expenses to hire third-parties. Even artists signed to record labels may benefit from these skills since the label or publisher may not market them sufficient enough.

Again the point here is made that many participants actually argue that artists should focus on just making music and not be distracted by having to build up business or marketing skills as it will decrease the amount of resources they can dedicate to better their musical abilities and delivering a better product: a better song. Overall though, participants were somewhat mixed if non-music skills are required or not from artists.

5.2. THEORETICAL IMPLICATIONS

In this section I will relate my research finding presented to the previous research on entrepreneurship that I presented in the theory section of this thesis.

The weak appropriability regime of the music industry forecasted that major labels would try to protect their property by dominating marketing and distribution (Teece, 1986). However, with the decreased importance of those two elements due to the internet (McLeod, 2005; Croteau, 2006), it was predicted that there would be a high likelihood of new entrants entering the music industry (Shane, 2001). This proved to be true. The new entrants were mostly artists that saw the opportunity to participate in the industry with hardly any financial investment necessary, as well as platforms that provided services to those artists. In turn, the necessity to contract one-self to a label incumbent declined and has essentially created a situation of *greenfield competition* for the music industry, where the competitive advantage is focused on products (Gans & Stern, 2003). The role of incumbents, the traditional labels, is therefore diffused and they can only survive if they embrace the changes by implementing continual innovation (Gans & Stern, 2003). Until now, most traditional labels have not innovated resulting in an even worse decline for them. This thesis adds to the theory by demonstrating a real-life example of an industry experiencing the consequences of a weak appropriability regime on its participants and showing directly it how affects them.

Considering the findings of this study, the choice to participate in the music industry for an artist-entrepreneur appears to be an opportunity-centric consideration based on opportunities available (Shane, 2000), rather than a person-centric one based on personal choice (Erikson, 2003). The mere opportunity that has opened up for people to enter the industry, start to make music and publish it themselves, has attracted many. Many of which may not have the entrepreneurial characteristics to operate independently in an uncertain environment at all, but are simply participating because the opportunity has arisen. Therefore, in the discussion in literature if entrepreneurship comes from a personal choice or opportunity, this paper adds that at least with regards to the music industry, it comes from an opportunity.

Shapiro & Varian (1999) predicted the business models for traditional industries would be disintegrated by the internet, which has shown to have occurred with many new business models being pursued by entrepreneurs which can now leverage niche opportunities (Dean & Meyer, 1996), like bringing specialized niche music to the audience in new ways. A lot of the theory argued that new entrants would be the ones exploiting the new opportunities (Schumpeter, 1934; Highfield & Smiley, 1986; Dean & Meyer, 1996; Shane, 2001) when in fact many of the people exploiting the new opportunities such as the marketing agencies, management agencies and pluggers actually used to be part of the traditional labels and as individuals can not really be considered ‘new entrants’.

Chesbrough & Rosenbloom (1998)’s list of the six functions of the business model has proved to be relevant since all of those functions have been experienced change in the music industry: (1) the value proposition has changed from a physical music product to a virtual one that many attribute no financial value to at all; (2) the market segment has moved from a mostly local or national market for most artists (with the obvious exception of American pop superstars) to a worldwide one; (3) the structure of the value chain has completely changed, as the point of generating revenue from music can now be anywhere in the chain; (4) estimating the cost structure and profit potential is now easier than ever, since an artist’s audience is so directly accessible to them with business models like crowdfunding leveraging exactly this; (5) the position of the firm or artist-entrepreneur in the value network has become more vague as the functions of industry entities have been highly diffused and (6) formulating a competitive strategy over rivals has changed since with new technology there are now much more different strategies possible to create a business model upon.

Lazear (2005) argued that entrepreneurs with a more balanced skill sets are more likely to succeed. The findings in this thesis present a mixed view that may be applied from the music industry to entrepreneurship as a whole. It appears that artists that focus on executing non-core tasks may affect their skills in their core-task negatively. In the case of this thesis, the core-task of artists was obviously making music. But with all of the opportunities arising around artists, many get too distracted from actually making music. Rather than being a balanced generalist, specialization may be a better strategy for individuals in certain industries where the core-task, skill or product is highly innovative. The music industry is an interesting example, since like hardly any other industry the focus is so much on product innovation and creativity. Therefore, more research may have to be executed on the relation between the level of an innovation in an industry’s product and the skill strategy for entrepreneurs operating in that industry.

5.3. PRACTICAL IMPLICATIONS

Apart from theoretical implications, the findings in this thesis also provide several practical implications for artists which may be used to benefit their careers in the music industry.

One of the major practical implications is that artists now need to create a better quality product due to a highly increased level of competition due to widespread and easy access to means of music production and distribution. The quality level has increased drastically and with an audience that is so much exposed to such a high volume of music every day, it is going to require a lot more effort to reach the same level of career success for an artist as they did before. Having a focus on becoming really good at making music has become more necessary now, because where before an average product may have been able to reach some success, this may not be the case anymore.

If an artist has the non-music skills, time and resources available to do most of the non-music tasks themselves and operate independently, and if it is more beneficial for him/her, then they should consider doing so. However, artists should remember that many services such as marketing, promotion and management can now also be outsourced to third-parties. These third-parties can execute these tasks for artists and many of them may not charge that much anymore, since they lost most of their high-paying major label clients due to the decline in music sales. In addition, artists should consider that the more they are busy with non-music related tasks, the more they may be distracted from actually making quality music, which especially now is very important due to the higher competition among artists. Therefore, outsourcing some tasks to other parties may be a good idea for artists.

Now that the role of labels has diffused, artists may need to look away from trying to get signed to one. Instead, they can self-release their music online for free or sell it through websites such as BandCamp. However, they need to consider that music sales are not the holy grail anymore. Revenue can now come from many different sources of which online streaming is the most promising. Publishing their music to YouTube and Spotify is a good choice and if they become popular on those platforms, they may create a long-term revenue stream for themselves. Additionally, if they have built up a fan base that is large enough, artists may be able to use crowdfunding to fund their next musical project. However, with all these new revenue streams, live shows still remain the highest grossing revenue source and artists should focus on performing their music if they would like to generate the most revenue.

Eventhough the results show that artists should focus on making music, it may be beneficial for artists to develop at least some business skills; to be able to negotiate with publishers, licensors or event organizers. In addition, even if an artist is signed to a label, they may now need to develop some marketing skills since many major labels have cut marketing expenses severely and simply may not promote the artist's record sufficiently. Finally, for an artist to be able to socialize and network with other parties in the industry, that can definitely help them move further in their career by opening up opportunities for them which they may not find by remaining in their studio.

5.4. LIMITATIONS & RECOMMENDATIONS

The descriptive and exploratory nature of this research enables it to describe the themes surrounding artists in the music industry, but it can not be used to give definitive answers on questions about the topic and in itself it presents only few working conclusions. Another limitation may be the selection of study participants as selection is not focused to one location. The music genres the participants are active in are also not focused and range from electronic dance music to rock. There may be substantial differences between these genres that are overlooked. Finally, the sample size of 12 participants is too small to appreciate the few working conclusions as significant.

However this thesis may create a small foundation for further research to built upon in which the conclusions of this thesis can be used as hypotheses in further empirical research through actual quantitative testing to be proven or disproven.

An especially interesting topic that may be empirically answered in further research is the question if there is a relation between artists having more non-music skill sets and their music career's success measured by some metric such as revenue generated. This thesis shows a mixed view on that topic with people agreeing artists now need non-music skills while others believe it distracts them from making music. This topic can also contribute to understanding the relation between skill sets and entrepreneurs that is a popular topic amongst business scholars, especially with regards to an entrepreneur's non-core skills.

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