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Honey, did you pay the music bill?

How streaming services transformed the music industry

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Abstract: The purpose of this study is to investigate how digitalization has shaped practices within the music industry. Although a vast body of research has unveiled significant changes in the network of market actors and practices, it has paid insufficient attention to the different strategic and operational responses from underground and mainstream market actors. To address this research gap, we conducted a qualitative research study interviewing experts, who represent various market actors and encompass both mainstream and underground markets. We find that the increasing dominance of digital distribution platforms, alongside communication platforms, has shaped new consumption patterns and that record labels adapted their production and promotion practices to these changes. Moreover, we observe that these adjustments differ for mainstream and underground record labels.

Keywords: music market, mainstream and underground record labels, digital distribution platforms, social media platforms, music streaming

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Glossary

Artists and repertoire (A&R) - a unit in a record label responsible for finding new talents and monitoring the development of artists and songwriters.

Digital distribution platforms – Internet based platforms that mediate the exchange of digital music files. Although the term encompasses both downloading and streaming platforms, recent years have shown an overwhelming dominance of streaming as the preferred consumption format. Thus, we use the term digital distribution platform and streaming platform interchangeably within this thesis.

Digital sales data - data on the number of times a recorded song is played. As streaming equals sales, the terms streaming data and digital sales data will be used interchangeably in the context of this thesis.

Digitalization/ digital transformation – the application of digital technology in society and business contexts. In the context of the music industry, the effect of digitalization is observed in changed business activities, such as branding and promotion, distribution, communication, production, etc.

Drum & Bass – Emerged as an offspring of Britain's rave scene during the early 1990s and blends electronic music styles with Jamaican reggae and ragga. Can be described as a highly exhilarating, fast paced music style that consists of heavy bass lines and frantic drums. Usually performed by a DJ and a MC that adds reggae-style lyrics.

File sharing – the distribution and provision of digital files. In the context of music industry, it often refers to the illegal practice of replicating and sharing recorded music and video online with other users.

Freemium - a pricing strategy according to which users can benefit from the basic services for free and pay for additional, more premium features.

Homepage takeover - promotion tactic provided by Spotify, in which a record label can position an advertisement banner on the main page of the Spotify client for a limited amount of time.

Mainstream music - music that is currently popular and targeted at a mass market. Typically, this comprises top radio charts and top playlists on streaming platforms, which have gathered a substantial following.

Playlists – a list of songs that can played sequentially or shuffled. In the context of streaming services, it is used as a distribution format.

Record label - (also "record company") is a publishing company that oversees a portfolio of recording artists and coordinates music production, promotion, distribution, enforcement of copyright and contract enforcement. **Major record label** - currently, there are three record labels that are considered major in the music industry: Universal Music, Sony Music, and Warner Music. Major record labels make up for the biggest share of the music industry and

oversee large portfolios of artists. ***Independent record label*** - (also "indie") a record label that functions without the external funding from major record labels.

Social media platforms - online communication channels that use network effects to enable interaction, user content co-creation, community building and collaboration.

Streaming platforms - digital streaming services that operate within privately developed infrastructures giving users access to a wide range of music and video content, podcasts, while at the same time ensuring digital rights management for artists and record labels (ex. Spotify, SoundCloud, Youtube).

Underground music - music that comprises niche genres, moving beyond mainstream trends. The term underground also refers to music that is not currently commercialized, and that expresses the values and artistic ideas of a community, focusing on the appreciation of the artist and his/her work as a cultural product.

1. Introduction

In the recent years, a growing body of marketing scholars have advanced the conceptualization of markets as configurations of market-shaping practices, which are carried out by a network of interconnected actors (Andersson et al., 2008; Araujo et al., 2008; Kjellberg and Helgesson 2006, 2007; Storbacka and Nenonen, 2011). Drawing from practice theory (Reckwitz, 2002a) and actor-network theory (Latour, 2005), these scholars seek to reconnect marketing theorizing to the study of actual markets. In doing so, they enable a more holistic investigation of markets by moving beyond what can be described as classical marketing activities. This permits the inclusion of everyday practices, meaning-makings, and acts of market-shaping. Most importantly, these scholars stress the importance of investigating markets in the making rather than ready-made markets, thus focusing on the processes that constitute markets and not their outcomes (Kjellberg and Helgesson, 2007). This emphasis becomes relevant considering the fast-paced transformative effects that digitalization has brought upon numerous markets.

The music industry gives an excellent example of a creative industry that has been significantly transformed by digital technologies. The MP3 format has enabled new practices of consumption and distribution by reducing the size of music files. This, in turn, made recorded music easily replicable and sharable, enabling consumers to participate in illegal file-sharing networks. New actors, such as digital distribution platforms, emerged as a legal alternative to this practice, gaining a dominant position within the network of actors that constitute the music industry. However, neither has this transition been straightforward, nor is it completed, as new practices are still being normalized. Moreover, substantial differences exist in the way that underground and mainstream music markets have been affected by this transition (Elberse, 2010). While mainstream market actors welcomed digital distribution platforms as new sources of revenue, they saw their power over the distribution network diminished. This development forced them to adapt their strategic and operational practices to the new market environment. At the same time, underground market actors benefited from easier access to the digital distribution network, which eliminated physical barriers of distribution.

Although a significant body of research has investigated certain aspects of digital transformation, such as emerging consumption patterns or the unbundling of products and services, few have taken a holistic perspective that describes market practices and dynamics in the digital economy (Elberse, 2010; Nguyen et al., 2013). Moreover, previous research, most notably Hietanen and Rokka (2015), shows evidence of contrasting practices within underground as opposed to mainstream music markets. However, this research has paid insufficient attention to the perspective of mainstream actors and does not provide a holistic picture of the digital transformation.

1.1. Purpose and research question

Previous empirical research within the music industry has unveiled substantial changes in market actors and their functions and practices as a result of the digital transformation (Hracs, 2012; Negus, 2014). Digital distribution platforms, such as streaming platforms, have gained dominance in the music market by providing a legal alternative to the emergent practice of illegal file sharing. Actors within the music market, such as record labels, had to adapt to new consumption habits, which were enabled by these new services. Moreover, the digital forms of consumption and distribution have eliminated the logistical costs that the physical distribution structure imposed on market actors (Hracs, 2012). Accompanying the transformation of distribution, social media platforms, such as Facebook and Instagram, allowed new forms of communication and engagement with consumers, a development which has rarely been investigated empirically. It is especially relevant to observe the different communication practices within underground and mainstream music markets, as previous research indicated on the existence of notable discrepancies (Hietanen and Rokka, 2015).

Therefore, the present thesis aims to describe the transformative effects of digitalization on practices within the music industry, while focusing on a comparison between underground and mainstream music markets. In doing so we not only seek to describe the outcomes of this transformation, but also the underlying processes. This will be accomplished by examining the following research question:

“How has digitalization affected the practices within mainstream and underground music markets?”

In order to answer this research question and to fill the underlying knowledge gap, we will investigate both mainstream and underground music markets. Because of the overwhelming diversity of genres in underground music markets, we delimit the investigation to the drum and bass music market, which previous research has identified as an underground market that has been highly affected by digitalization (Fraser and Ettlinger, 2008).

2. Music markets and the digital transformation

In order to provide a background for the current investigation, the following chapters will examine previous literature related to the transformative changes within the music industry (2.1) and describe the relevant actors within the music industry of today (2.2). Against this background, the following section will then clarify the distinction between mainstream and underground record music markets (2.3).

2.1. Digital distribution: The introduction of MP3 and the rise of streaming

In 1994, the Fraunhofer Institute introduced the first software that was able to encode audio files called *13enc* (Knott and Tadjewski, 2010). This technology, named *MP3* in 1995, enabled the compression of audio files by discarding information that was not perceivable by the human ear. In combination with the rise of broadband Internet connection, the MP3 file format enabled the efficient transfer of files between computers (Alexander, 2002). Utilizing these technological advances, Napster Inc., founded in 1999, introduced a peer-to-peer file sharing software (Robinson and Halle, 2002). This technology served as a facilitator for sharing music files between users and was rapidly adopted by the mass market. In 2001, the Napster community constituted over 36 million users.

Since Napster did not own the copyright to distribute music files, the practice of sharing files did not meet legal requirements. In 1999, the Recording Industry Association of America (RIAA), which represents the major record labels, filed a lawsuit against Napster for copyright infringement. By 2001, Napster was forced to remove all copyright material from its system and subsequently ceased its operations (Hiracs, 2012). However, other services, such as Kazaa and Audio Galaxy, replaced Napster. The recorded music industry, whose revenues from physical sales began to erode, reacted by engaging in legal actions against both emerging file sharing networks and individual consumers that participated in these networks. At the same time, major record companies tried to introduce similar services; an endeavor that quickly failed due to technological, strategic, and logistical shortcomings (Hiracs, 2012). This combination of the limited success to prohibit emerging market actors and their growing user bases with legal actions and the inability to offer a legal substitute that satisfied consumer needs, further accelerated the erosion of revenues (Figure 1). Moreover, physical distributors experienced a similar magnitude of decreasing sales and several major market actors, such U.S. retailing giants Tower Records and Warehouse Entertainment, had to declare bankruptcy in 2001 and 2002, respectively (Hiracs, 2012).

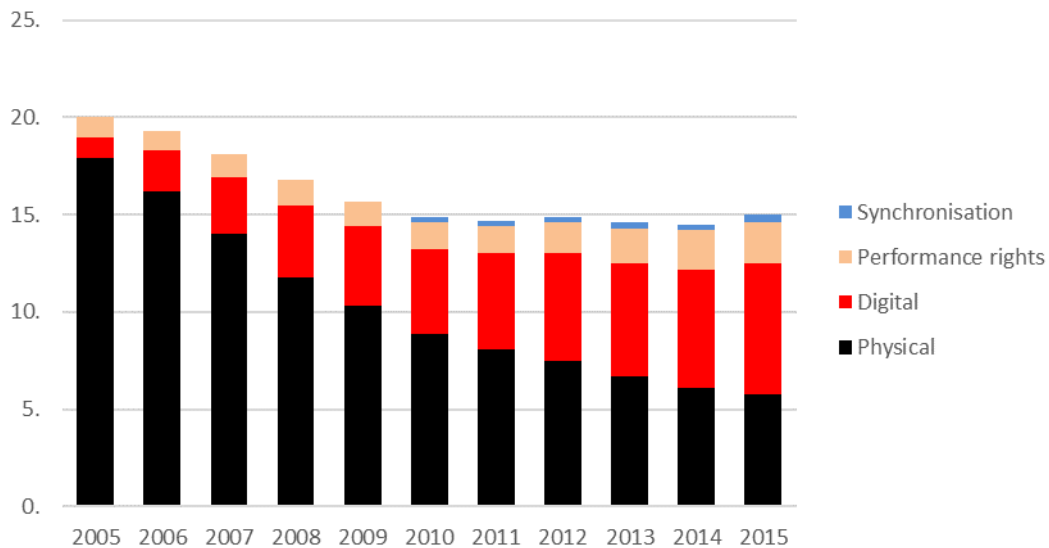


Figure 1. Music industry revenue worldwide from 2002 to 2014, by sector (in billion U.S. dollars) (Statista, 2016a)

Figure 1 illustrates how the rapid decrease in revenues from physical sales was counterbalanced by an increase in revenues from digital sales. This phenomenon was largely caused by the rise of digital distribution platforms as a legal means to meet consumer needs. Apple was one of the first actors to offer a solution that was accepted by the mass market. With the launch of its iTunes music player, the technology company offered a pay-per-track pricing model, where tracks could be purchased for \$0,99 - a pricing model that resulted in increasing sales for singles and decreasing album sales (McLeod, 2005). Although the iTunes platform did not generate any profit for Apple, it increased the popularity of the iPod player, a portable music listening device, on which consumers could store and consume music, which they previously purchased on the iTunes platform. However, the dominance of digital music downloads did not last long: after signing licensing deals with major record labels and independent label organizations, Spotify launched its music streaming platform in 2008 (Spotify, 2008). The platform's value offering consisted of both a subscription and a free, ad-supported, pricing model and users could utilize increasing mobile bandwidth to access an extensive music content catalogue with their mobile phone.

Today, streaming revenues account for 45,2% of digital sales and an increasing number of streaming platforms such Soundcloud, Apple Music, and Pandora continue to persuade consumers of their unique benefits (IFPI, 2016a). Considering these recent developments, we will discuss different digital platforms and their impact on the music industry in more detail in the following.

2.2. The role of digital platforms in today's music industry

As mentioned previously, digital music distribution platforms have taken a central role in the supply chain of today's music industry. Previous literature on the topic of platforms differentiates between several streams of research related to platforms, depending on their different functions (Thomas et al., 2015). In the case of the music industry, influential

platforms fall under the category of market intermediaries, which act “as an interchange between multiple markets, and through its product or service architecture leverage one or more markets so the platform owner can profit from the additional value created through market intermediation” (Thomas et al., 2015). Consequently, digital distribution platforms within the music industry have taken the role of an intermediary between production and consumption of music and compete in their function with physical retailers (Figure 2). A second type of platforms that have influenced the music industry in profound ways are social media platforms, which facilitate communication between the producers and consumers of music (Odgen et al., 2011).

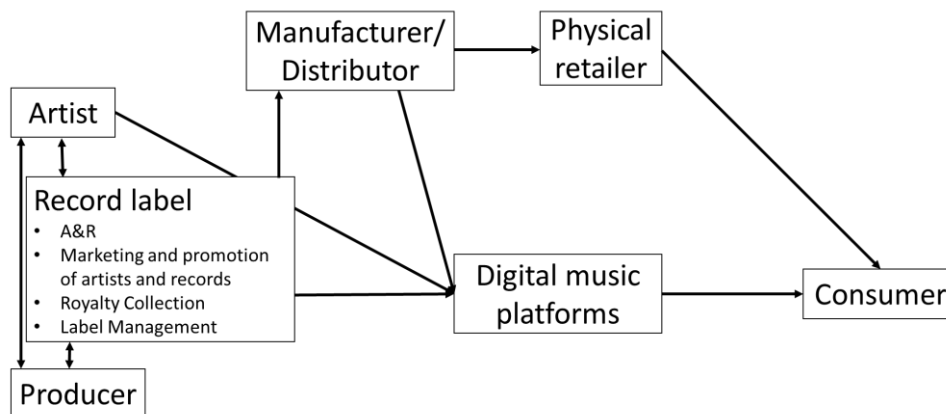


Figure 2. Music industry value network (modified from Hracs, 2012)

2.2.1. Digital distribution platforms

The rise of the digital distribution platforms had notable implications for the market position of major record labels. Previously, major record companies utilized their market power and dictated the terms of physical distribution to retailers (Hracs, 2012). Realizing the revenue potential of digital distribution platforms, an increasing number of market actors entered the market with their own platforms and differing functionalities. Next to Spotify, which holds a leading market position among streaming platforms, with 40 million paying and 100 million total users, Apple has recently launched its own streaming platform, Apple Music, to complement its iTunes music store (Statista, 2016b; Apple, 2015). Soundcloud, which was founded in 2008 and which centers around dance and, to a lesser extent, hip-hop music, has only recently been able to sign record deals with two major labels, Universal Music and Warner Music, and still struggles more than other platforms with monetizing its content (Odgen et al., 2011). The video streaming platform YouTube is used by a substantial number of users for the purpose of streaming music and video, but fails to provide a suitable licensing model that satisfies the royalty expectations of the industry (IFPI, 2016a). It is important to note that this overview of the currently available streaming platform is not exhaustive, but can be seen as adequate for the purpose of this thesis.

2.2.2. Social media platforms

Taking advantage of the increasing number of Internet users, social media platforms emerged as another notable actor that profoundly impacted business practices within the music industry. These virtual networks connect Internet users and enable them to share and

consume information (Kietzmann et al., 2011). Previous literature gives a detailed account on how social media platforms fulfil the function of communication channels. In their quantitative study of the effect of social media on album and single sales, Dewan and Ramaprasad (2014) argue that “social media are increasingly used for sharing information about music albums and songs—and also for the sharing of the music itself”. Moreover, these platforms enable the direct contact between artists and fans, allowing for a more personal relationship than traditional media channels, such as TV and print. Investigating the different effects of social media on stars and lesser known artists, Bourreau et al. (2014) found that social media has enabled inexpensive access to promotion channels and unveiled a positive effect of social media marketing on the record sales of lesser-known artists.

2.3. Underground and mainstream music markets

In the current study, we separate the music market into mainstream and underground markets - a differentiation that focuses mainly on the market orientation and economic interest of music producing market actors. Mainstream music can be defined as aiming for mass appeal and being commercially-oriented (Graham, 2010). The mainstream music market is mainly, but not solely, served by three major record labels: Sony Music, Warner Music Group and Universal Music Group. Underground music, on the other hand, is produced for a rather niche segment of consumers and is generally not as economically viable as mainstream music. For mainstream market actors, underground markets serve as sources of product innovation, as new ideas and styles are regularly incorporated into mainstream music production (Thompson and Coskuner-Ball, 2007).

In their ethnographic study of the dubstep music scene, Hietanen and Rokka (2015) investigate the link between underground and mainstream music markets, concluding that “artists and producers in underground scenes [...] constantly negotiate cultural tensions related to the production of marginal/authentic vs. mainstream/commercial experiences”. While focal actors within underground markets try to promote and improve the musical style, they simultaneously strive to keep its authentic underground characteristics and seek to prohibit the absorption and transformation into the mainstream.

The authors exemplify these cultural tensions by describing the ambivalent attitude of underground market actors towards digital production and distribution methods. For example, club performances, which create an intimate and temporarily and spatially restricted encounter between the music producer and his audience, are digitally reproduced via online radio shows and podcasts to reach a wider audience (Hietanen and Rokka 2015). Moreover, these distribution formats have rendered the deliberate limitation of sharing new music only with selected DJs and audiences obsolete, as they eliminate the spatial and temporal restrictions of live performances through infinite replicability. At the same time, the rise of the Internet has laid the foundation for the emergence of online blogs and virtual communities within social networking sides that contribute to the existence of underground markets by connecting its actors. While in the case of the Dubstep music scene these new formats of communication and community building have enabled the scene to expand rapidly,

they also let to the increasing commodification of artistic encounters. The authors further identify forms of resistance against the digital file format in production practice. While the practice of producing and playing music is increasingly digitalized through new technologies, such as laptops and DJ-controllers, a number of producers intentionally avoid these devices to preserve the use of analogue technologies, such as Dub-plates, which they perceive as contributing to the authenticity of the underground market (Hietanen and Rokka, 2014; Appendix 1).

2.3.1. The drum and bass market

Drum and bass (D&B) as a musical style emerged in the early 1990s and has its roots in the British rave music culture, while being stylistically influenced by Jaimaicain ragga and ragga (Fraser and Ettliger, 2008). Geographically, the main market for D&B remains in England, while other markets in Europe, North America, and Australia have emerged in the past decade. D&B has retained its status as a niche genre and sales from recordings remain relatively low compared to mainstream music, while live performances and club nights are an essential component of the D&B markets and an important source of income (Fraser and Ettliger, 2008).

Fraser and Ettliger (2008) describe the early struggles of D&B market actors to adapt to new forms of digital music production. Similar to Hietanen and Rokka (2014), the authors document how DJs refused to replace the use of dub-plates as a historical artifact with digital formats of music production and distribution. The authors further document how D&B practitioners experienced the negative effects of digital file sharing on record sales and on the practice of restricting the access of novel music productions to a selected audience. However, the study also concludes that D&B as a genre might be able to survive as “the buzz on the dance floor persists [and] clubs remain busy” (Fraser and Ettliger, 2008), pointing to the importance of live music for the D&B scene.

2.4. Conclusion

Summarizing the changes that the rise of the Internet and digital file formats brought upon the music industry, it can be concluded that several market practices have been profoundly impacted. Digital distribution platforms, such as Spotify and iTunes, have partly replaced physical record stores by offering a legal substitute to illegal file sharing networks. Although these new actors were welcomed by record labels as they provided new revenue streams, they also proved to be more independent, diminishing the control of major record labels over music distribution. Moreover, digital distribution and communication platforms enabled underground music producers and record labels to distribute their music to a wider audience. While underground market actors adapted to these new forms of distribution and communication, previous authors also point to their fear of losing important authenticating elements of analog music production and distribution. The underground market, which has mainly existed in spatially and temporarily restricted and ritualized live performances and club nights, has extended its potential reach to every Internet user, due to the accessibility and infinite replicability of music records.

While these contributions are important, they miss to contrast the different responses of mainstream and underground market actors. In order to provide a detailed investigation of these contrasting reactions and attitudes, it is necessary to employ a theoretical framework that is able to highlight the transformative effects of new technologies on market practices. In the following, we present our theoretical framework, which will guide the discussion of our empirical findings.

3. Theoretical framework

In the recent years, a number of marketing scholars have emphasized the importance of reconnecting marketing research to the creation, development, and configurational elements of markets (Araujo, 2007; Kjellberg and Helgesson, 2007). Building on practice theory (Reckwitz, 2002a) and actor-network theory (Nimmo 2011, Whatamore, 2006), a number of authors have fostered this discussion, focusing on the market practices as the lowest level of empirical analysis (Kjellberg and Helgesson, 2007; Storbacka and Nenonen, 2011). In order to understand the theoretical and conceptual substantiations of these emerging concepts, the following chapters describe the fundamental notions of both the practice perspective (3.1) and actor-network theory (3.2). Based on these ontological and methodological fundamentals, the subsequent chapter will elaborate the application of these theories in marketing science through the markets as practice perspective (3.3). Finally, we introduce the conceptualization of creative industries as socio-technical network markets (3.3)

3.1. Theory of social practices

Practice theory can be defined as a specific form of cultural theory, which conceptualizes the unit of analysis as practices (Reckwitz, 2002a). Reckwitz (2002a) describes a practice as a “routinized type of behavior which consists of several elements, interconnected to one other: forms of bodily activities, forms of mental activities, “things” and their use, a background knowledge in the form of understanding, know-how, states of emotion and motivational knowledge”. From this perspective, the agent is seen as a “carrier of practice”, who “carries out” practices (Reckwitz, 2002a). Given the nature of our study, it is vital to consider constellations of non-human and human actors when investigating practices and networks of agents (Reckwitz, 2002b). Going beyond a mere focus on intersubjective networks of practices opens up possibilities of creating a more holistic picture of practices and their role in constituting social order. As objects become embedded in routinized practices, spanning differing situations, they make the “social reproduction [of practices] beyond temporal and spatial limits possible” (Reckwitz, 2002b).

Although researchers in the field of social practices begin to acknowledge that the realms of humans and non-humans cannot be examined in isolation, practice theory is still missing a concrete theoretical framework that incorporates the role of non-humans in social interactions (Reckwitz, 2002b). As the digital transformation of the music industry cannot be examined without considering the complex interrelations between non-humans and humans,

the following chapter will introduce actor-network theory as a complementary theory, which emerged during the 1980s to advance the investigation of objects in social networks.

3.2. Actor-Network Theory

Although actor-network theory (ANT) is not, other than the name suggests, a programmatic theory, but rather a toolkit for sensitizing social research for the role of non-humans in social life (Nimmo, 2011), it presents a valuable extension that clarifies the methodological ambiguity when applying practice theory.

At a general level, ANT seeks to diminish the subject-object distinction that has limited social research by deemphasizing the role of non-humans in social life. In practice, this leads to the inevitability to talk of “people, texts and devices in the same analytical terms” (Law, 1986). Moreover, ANT scholars view actors as “[a]ny element which bends space around itself, makes other elements depend upon itself and translates their will into a language of its own” (Callon and Latour, 1981), advocating a “generalized symmetry” between technical and social elements (Callon, 1986). The complex socio-economic technical networks that are constantly formed and negotiated by numerous actors are further defined as “black boxes”. The term “black box” is attributed to the fact that technical objects, once their existence is negotiated, become opaque (Callon and Latour, 1981). This does not necessarily mean that their existence is no longer negotiated, but rather that the associations that form them are more stable and that their continuation is less questioned by the elements constituting the black box. If, however, their existence is open for debate, these diverse elements, or actors, become visible and renegotiate the terms, properties, and existence of the black box.

Another central element of ANT is the process of translation. This term denotes the constant negotiations through which actors try to align, or translate, the interests of other actors, essentially creating a network of actors (Latour, 1986). During this process of alignment, the idea of one actor will be picked up, modified, or dropped by other actors (Callon, 1986). Eventually, one actor might be able to form stable associations with other actors, and consequently has no need to further negotiate with the same intensity. In consequence this will lead to the formation of a black box that hides all these negotiations and translations behind a commonly accepted, objective truth (Callon and Latour, 1981).

By looking at the consolidation of market information in the music industry, it is possible to illustrate how different elements of ANT can be observed in reality. In their empirical study of sense marking in the commercial music industry, Anand and Peterson (2000) investigate the automatization process of the Billboard charts, which was initiated by the sales-tracking technology Nielsen Soundscan. Before the computer-based system of calculating music charts by Nielsen Soundscan became the standard in the music industry, Billboard charts were essentially a black box (Anand and Peterson, 2000). Hidden inside this black box were the different ways in which representatives of record labels formed personal ties with the personnel of Billboard and their efforts to improve the chart position of their respective artists. Once Nielsen Soundscan came forth with an innovative algorithm-based method of calculating the chart position, the method of Billboard was questioned and the

black box of music charts was opened. Before becoming the new standard for calculating music charts, Nielsen Soundscan had to form alliances with record stores, convincing them of the methodological superiority of their technology. Thus, Nielsen Soundscan translated the need of market actors to make sense of the music market into a new technology. Since Nielsen Soundscan was able to form associations with a substantial number of market actors and to convince them that its method of translation of their need was superior to that of Billboard, they set the new standard for calculating music charts, which was eventually adapted by Billboard (Anand and Peterson, 2000). In the end of this process, music charts did not need to be further negotiated and essentially became a black box, hiding the Nielsen Soundscan technology as a new element in its network of actors.

As the example above illustrates, ANT is an adequate methodological tool for examining non-human actors in the context of digital transformation of the music industry. Drawing from the theoretical considerations of ANT and practice theory, the following chapter will introduce the markets as practice perspective as the conceptual model that will be employed in the present thesis.

3.3. Markets as practice perspective

Advancing the methodological and theoretical discussion within marketing theory, a number of scholars focused on reconnecting marketing theory to markets (Araujo et al., 2010). Similar to ANT, this stream prioritizes the notion of the performativity of ideas and seeks for a reevaluation of the relationship between marketing theory and practice (Mason et al., 2015). In doing so, these scholars questioned the theory-practice dichotomy that was established and called for a shift in perspective towards a view on marketing theory as a generative performative device. By considering generative performativity, marketing researchers can generate new insights on the influence of marketing theories on business practices, while acknowledging the process of translation, that is, the adjustment of these theories to their specific purpose (Mason et al., 2015). While this not only requires a reassessment of the applicability of marketing theories in general, it also calls for a more holistic theoretical framework when investigating markets. More specifically, this shift in perspective demands a conceptual stance that prioritizes the examination of 'actual' marketing practices.

Kjellberg and Helgesson (2006; 2007) suggest a conceptual model that focuses on the specific practices that constitute markets, aiming to progress the examination of markets in the making. This approach shifts the focus from an investigation of a market as an outcome to the numerous processes that create it, as well as from conventional marketing practices, such as brand positioning and advertising, to a more holistic perspective that includes the shaping of markets as a scientific enquiry (Kjellberg and Helgesson, 2007). In the following paragraphs, this conceptual model will be introduced and its applicability within the music industry will be exemplified.

As a heuristic tool for the analysis of markets in transition, Kjellberg and Helgesson (2007) propose a threefold conceptualization of interlinked market practices. The first

category, which encompasses marketing activities in a traditional sense, is labeled *exchange practices*. This category includes all activities that are involved in facilitating and accomplishing individual economic exchanges, such as product development, pricing, advertising, and distribution, to name a few. The second category, *representational practices*, comprises all activities that are directed at creating an image of the market, such as market segmentation or sales data analysis. These images, or re-presentations, can then be used to make strategic decisions, or to evaluate past decisions. The last category of market practices, *normalizing practices*, encompasses all practices that are concerned with the establishment of formal and informal institutions within a given market. These can be strategic directions, voluntary standards, or legislative reforms.

The categories of market practices outlined above should not be seen as isolated, but rather as interlinked activities that are connected through chains of translation (Kjellberg and Helgesson, 2007). As defined previously, translation describes the process through which ideas and objectives are picked up, modified, and aligned within a network of actors (Latour, 1986). In the context of market practices, this concept of translation describes how different practices are connected to each other and are picked up, modified, and aligned by actors that carry them out. Coming back to the previous example of consolidation of market information in the commercial music industry, the six types of links that connect the three market practices will be exemplified in the following paragraph.

Exchange practices are influenced by normalizing efforts through the establishment of formal and informal institutions that de- and prescribe ways of doing business. As Nielsen Soundscan established a new way of consolidating record sales information, its normalizing efforts subsequently forced Billboard to change its methodology for producing market images through music charts (Anand and Peterson, 2000). There are a number of illustrative cases that show how representational practices are linked to exchange practices, as most actors within a given market base their business decisions on some kind of market re-presentation (Kjellberg and Helgesson, 2007). In the case of the music industry, the transition from weekly Billboard charts to real-time Spotify sales data has enabled record labels to base their exchange practices on more immediate market re-presentations and to tailor the distribution and communication activities to more narrowly defined customer segments (Parry et al., 2014). Re-presentations further act as an important foundation for *normalizing practices*. In order to decelerate the drop in physical sales, which was a result of the increasing popularity of peer-to-peer file sharing networks, record labels engaged in legal actions to prevent this illegal way of distribution, while seeking to establish their own digital music distribution services (Negus, 2014). This example also illustrates how new ways of individual exchanges can affect normalizing practices. As a substantial number of consumers adapted digital file formats as their exchange format of choice, record labels reacted by pressing charges against these consumers and by seeking ways to monetize the new distribution format (Negus, 2015). This illustration further provides an example for the influence of exchange practices on *representational practices*. As record labels and market information providers realized that consumers increasingly accessed music through online distributors, they saw the need to subsequently adjusted their representational practices to account for the decreasing

explanatory power of physical sales data (IFPI, 2016a). Simultaneously, the major record labels used their market power to assert influence on focal providers of market information, from calling up a contact at Billboard to improve the position of a song, to excreting pressure on distribution platforms such as Spotify (Anand and Peterson, 2000; Greenburg, 2015). This behavior illustrates how an actor can influence representational practices of other actors through normalizing practices, such as establishing informal and formal rules on the way products are distributed and sales data is analyzed.

3.4. Creative industries as socio-technical network markets

Ever since the start of mass production and distribution at the turn of the 19th century, which consequently lead to the “industrialization of culture”, there has been much political and scientific debate about an appropriate definition of creative industries (O’Connor, 2010). In the present thesis, we will employ the definition of cultural industries as social network markets (Potts et al., 2008). This definition describes creative industries as “the set of economic activities that involve the creation and maintenance of social networks and the generation of value through production and consumption of network-valORIZED choices in these networks” (Potts et al., 2008). In comparison to standard industry classifications, such as the DCMS¹ conception (O’Connor, 2010), this market-based definition of creative industries focuses on the significance of social network information feedback for production and consumption decisions.

To adapt this definition to our theoretical framework, we will apply the concept of the qualification of products as described by Callon et al. (2002). Qualification refers to the process of attributing the qualities of a product, temporarily stabilizing it as an object of exchange. These qualities consist of both intrinsic qualities that are inherent in the product and extrinsic judgments and evaluations that the product generates. From this perspective, consumers are as involved in the qualification of a product as is the network of producers and distributors. The process of qualification by consumers is facilitated through distributed cognition, which refers to collective knowledge that is inherent in a socio-technical network of human and non-human agents.

Consequently, we define creative industries as socio-technical network markets in which the qualities and evaluations of a product are determined through the distributed cognition of a socio-technical network of humans and non-humans. Referring to the example of Billboard music charts, we can illustrate the application of this definition in the context of the music industry. These charts are based on sales information, which represents the choice of other consumers, and are calculated and presented through an interaction of technical devices, such as algorithms and displays, and humans, such as editors. Moreover, these charts are central in qualifying a music recording and essentially embody the distributed cognition of millions of listeners. When making a purchasing decision, consumers can thus utilize the

¹ (UK) Department for Culture, Media and Sport

socio-technical network that is inherent in music charts and evaluate a given musical product based on the decision of others.

4. Synthesis of literature review

The music market has been profoundly shaped by the introduction of the digital file format and its utilization through digital distribution platforms. By applying our theoretical framework, we seek to understand how this transformation occurred while contrasting the effects on mainstream as opposed to underground music markets. The following paragraphs will summarize the application of our theoretical framework in the context of the music industry.

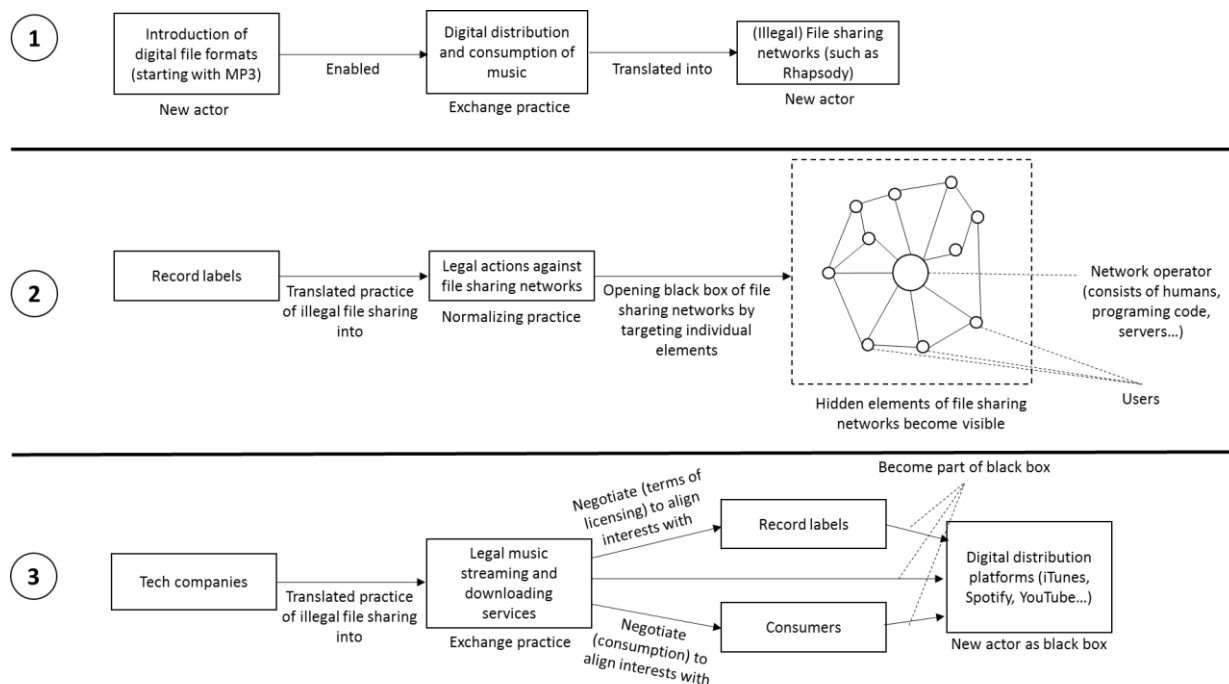


Figure 3. Digital transformation of the music industry

The rise of digital file formats, which started with the introduction of MP3, enabled illegal file sharing platforms to establish new forms of exchange practices, namely the digital distribution and consumption of music (Figure 3, Section 1). Persuaded by the benefits of easily accessible and free music, an increasing number of consumers joined these networks. Seeing their profits plummeting, record labels translated this illegal exchange practice into legal actions against the operators of file sharing networks as well as individual consumers, which participated in the illegal exchange practice (Figure 3, Section 2). Thus, the black box, which hid the network of actors that constituted file sharing networks, was opened and individual actors within these networks needed to negotiate their participation with actors outside the network, such as legal institutions. A different group of actors, which previously operated in the tech industry, translated the emergent practice of illegal file sharing into a legal value offering (Figure 3, Section 3). As a consequence, digital distribution platforms emerged as new actors that were able to realize the objective of consumers to consume music digitally. By successfully negotiating licensing contracts with record labels and consumption

practices with consumers, these digital distribution platforms soon became black boxes themselves.

Our empirical analysis embarks from this particular point. As digital distribution platforms occupied a central position within the distribution network of the music industry, they have altered distribution and consumption within this market. As a consequence, established market actors from both underground and mainstream markets had to adapt their business activities to the digital marketplace (Figure 4). Our empirical analysis seeks to shed light on how these changes occurred and in which ways they affected mainstream and underground markets differently. We can thus break down our research question into two sub-questions:

RQ1.1: How has the emergence of digital distribution and communication platforms shaped practices in the music industry?

RQ1.2: What are the different ways in which underground and mainstream market actors react to digitalization?

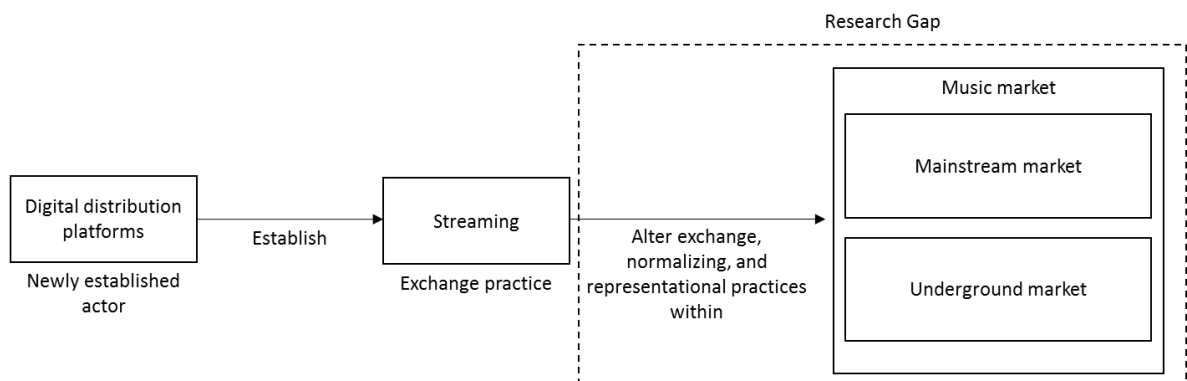


Figure 4. Visual representation of research gap

5. Methodology

In this chapter, we argue for the choice of conducting a qualitative study to investigate the effect of digitalization on market practices in the music industry (5.1). Further, we elaborate on taking an abductive approach in the process of data collection and analysis and on the choice of data collection method (5.2). We describe how data was collected, including the reasoning behind the chosen interview sample, interview design and data processing method (5.3). The aim of the methodology is to structure the qualitative study and overcome the possible hurdles related to the quality of results (5.4).

5.1. Methodological fit

As mentioned before, the investigation of the digital transformation of the music industry inevitably includes the complex interactions between human and non-human actors. Qualitative research is especially relevant when studying these relations between various actors (Flick, 2014). Moreover, our theoretical framework draws from both practice theory and actor-network theory to observe the development of non-human actors, such as digital distribution platforms, and their interrelation with human actors, such as A&R managers and marketing directors. Due to the explorative approach of the study that aims at breaking down the complexity of these relationships, a qualitative study based on semi-structured expert interviews was chosen to analyze the digitalization phenomena. Moreover, data for the underground music market is not widely available and the most suitable way to collect it is qualitatively, by engaging various sources. Thus, a qualitative study based on expert interviews is the most suitable way to collect complex detailed data with high explanatory potential (Rubin and Rubin, 2012).

Furthermore, we do not test the existing theory, but rather seek to understand how certain elements of it changed as a result of digitalization (Bendassolli, 2013). The markets as practice perspective, in combination with social practice theory and ANT are engaged to explore the impact of the digitalization phenomenon on the music industry, with the aim to understand how practices have transformed in the past years, and how new actors have emerged. Since previous research has already showed that non-human actors are playing an increasingly important role in the music market, the interplay between non-human and incumbent human actors can be studied most accurately by following a qualitative approach.

5.2. Research approach

Since the current study aims to uncover new actors or practices that have emerged in the music industry as a result of digitalization, our research approach involves a continuous juxtaposition of the theoretical framework, empirical results and analysis. Dubois and Gadde (2002) proposes “systematic combining” grounded in an “abductive logic” in order to show how theory, empirical fieldwork and case analysis develop simultaneously. While a deductive approach implies a step-by-step logic, oriented to decompose the complex relationships in

smaller, observable factors, an abductive approach pushes the researcher to constantly reflect back on the research process and challenge the assumptions underlying the research model (Flick, 2014). The benefit of such a logic is that it lays the ground for discovering new relationships and generating new concepts, rather than confirming an existing theory. Therefore, a similar abductive approach is suitable for investigating the development of market practices in the current study, as we constantly go back and forth between new empirical findings and the theoretical framework to observe new developments.

After having identified the relevant theoretical framework that would unveil the observed phenomenon best, we selected the main actors that have been affected by digitalization. Thereafter, the interviews were structured to explore in-depth the digitalization phenomenon and to find recurring themes that match the markets as practice perspective. The data collection step aims to paint a comprehensive picture of how practices within the music industry changed, as well as which new actors have emerged as a result of digitalization. Follow-up interviews were conducted with some interviewees to further clear specific statements or consolidate our findings. We apply the markets as practice perspective to analyze the data and understand how practices have shifted as the market evolved due to digitalization. By doing so, it was possible to amend the theoretical framework with new insights. The research process is depicted in figure 5:

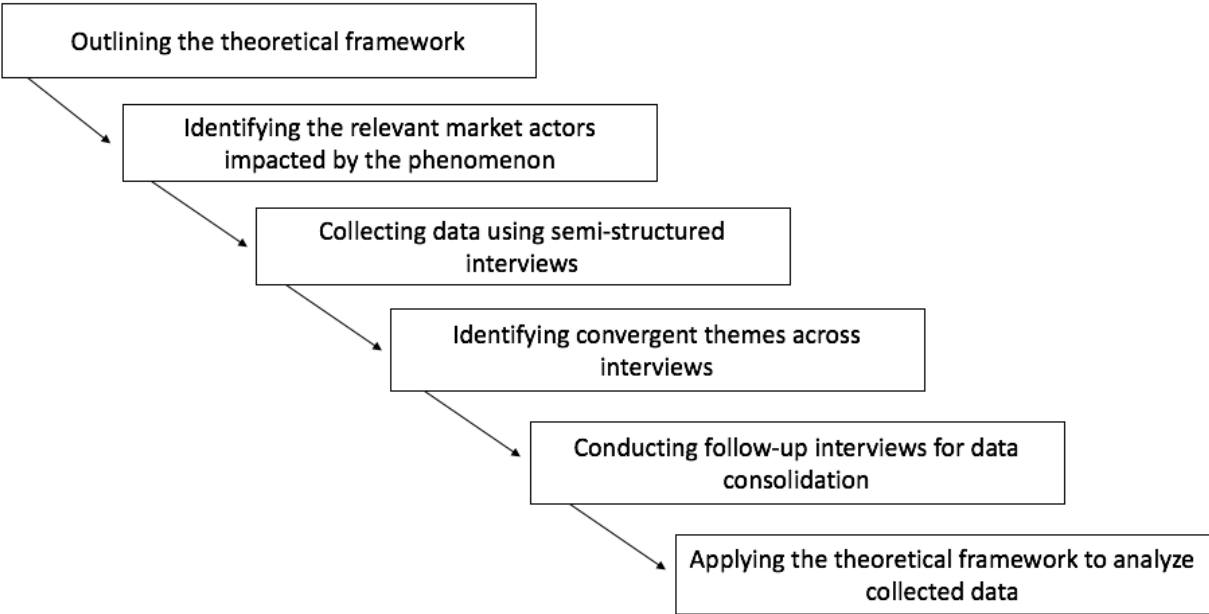


Figure 5. Visual representation of the research process

5.3. Data collection

For the purpose of this qualitative study, we conducted semi-structured interviews with field experts to collect the main body of the research data. Additional secondary sources were consulted for fact-checking and validation of empirical findings.

5.3.1. Interview sample

The interview sample contains 15 main and 6 follow-up interviews, held either face-to-face, via Skype, or phone, with a duration of 20-70 minutes. The interviewees were selected to represent different actors within the music market, under the assumption that digitalization has not affected their practices in the same way. Having a diversified sample also ensured that our analysis is valid across various major locations, or global hubs within the music industry, having interviewees that operate in the UK, U.S., Sweden, Germany, and the Netherlands. The functions fulfilled by our interviewees ensured the representation of various actors in the music industry, including digital strategist, commercial director, international marketing manager, A&R director, managing director, etc. Another important aspect taken into account when choosing the interviewees was the representation of both major and independent record labels, since one of our aims was to observe the comparative development of market practices in the mainstream and underground music markets. Moreover, the selected interviewees have different degrees of experience, allowing us to tap into the knowledge of both experts that have experienced the digital transformation throughout their longstanding activity in the music industry, and newcomers that were hired because of the need to adapt current practices to the digitalization phenomenon. The complete list of interviewees can be found in Appendix 2.

5.3.2. Interview design

The interviewing style adopted by us in the data collection process is what Rubin and Rubin (2012) call “responsive interviewing”. This style is very common for semi-structured interviews and is based on open-ended questions that guide the conversation between the interviewer and the interviewee. It primarily gives priority to connecting with the interviewee by building trust and leading a collaborative conversation. We use the interview guide as a vector to channel the discussion and develop a full image of the interviewees’ perspective, asking them to elaborate on their responses or addressing new questions that evolve from the context. The questions are prepared to lead the interviewees’ answers to more depth and detail at certain moments during the interviews. However, the overall pattern of interviewing is flexible and allows room to tap into interviewees’ experience and knowledge (Rubin and Rubin, 2012). An interview guide example is presented in Appendix 3.

The semi-structured format is widely used in qualitative research area as it allows the interviewee to open up and share much more knowledge than in a questioning setting that follows a strict protocol, such as a questionnaire. It also helps the interviewers to define what Scheele and Groeben (1988) call “subjective theory” of an interviewee. According to the authors, the term “subjective theory” encompasses the body of knowledge that each interviewee has about the topic of the study. This knowledge is based on various experiences

or assumptions that the interviewee can share in a flexible interviewing setting. Therefore, the open questions are meant to collect as many details as possible about the interviewee's subjective theory.

The interview guide used for data collection has been adapted throughout the process to better fit each type of organization or function and maximize the amount and quality of information. In order to tailor the interview guide for each interviewee, it was important to gather as much information as possible about his background from sources like LinkedIn, company/personal websites and press releases. Such information allowed us to tap in detail into the interviewee's expertise in the music industry and to ask context-specific questions. Another important element of the data collection process was to inform the interviewee about the interviewing process, confidentiality, follow-ups and fact checking, in order to ensure transparency and comfort during the interview. Finally, throughout the data collection process we acknowledged the importance of building rapport with the interviewees to be able to retrieve more accurate and honest answers (Ryan and Dundon, 2009). We used ice-breakers, such as engaging in small talk before starting the interview, to take off the pressure of the interview setting. Having a short talk unrelated to the study topic allowed the interviewees to feel more relaxed, outgoing, and willing to share more of their opinions. Moreover, as we progressed with collecting the data, we identified key topics that displayed the most relevance for various actors in the market and that called for further in-depth discussion during follow-up interviews.

All interviews were transcribed within 48 hours after being conducted. We coded the transcribed interviews to identify recurring themes, as well as gaps in the collected information that can be addressed during follow-up interviews in order to be able to fully outline the subjective theories presented by the interviewees. Finally, we consulted secondary sources, such as press releases or statistical databases, to substantiate numerical data received from the interviewees. This ensured that the evidence used to back up an opinion or perspective was correct and could be used to explain the digitalization phenomenon under investigation.

5.3.3. Data processing

Inspired by the grounded theory analysis summarized by Hood (2007), we started out data processing by identifying lines of convergence in collected data and organizing the information according to these patterns. We compare the empirical patterns with the theoretical categories during the whole duration of analysis to understand if data supports the theory or provides new interpretations of it. This fits our abductive research approach as we continuously match our empirical results with our theoretical framework. Hood's (2007) methodology also implies that the sample size is defined by "theoretical saturation" of different categories, instead of representativeness of actors within the studied market.

The collected data was initially coded into nodes corresponding to the different market practices, as specified by the theoretical framework. This step corresponds to "theoretical coding" as proposed by Glaser (1978). Further on, additional nodes emerged to mark empirical patterns within data during selective coding. This allowed us to generate separate

“core categories” as described by Strauss (1987). Finally, the data in the different core categories was analyzed and juxtaposed to the theoretical framework to check for theory developments.

5.4. Quality of study

5.4.1. Credibility

Eisenhardt (1989) argues that one important assessment criterion of a qualitative study that follows an abductive logic is credibility. In essence, credibility implies that a theory-building study provides "new, perhaps framebreaking, insights". While there is no universal measure to evaluate if a theory is "good", it is crucial that it is grounded in relevant, valid empirical findings. That is, the study has to provide a good fit with collected data in order to ensure that the theory is valid. Although building a theory from scratch is not the goal of this study, we aim to investigate whether the empirical findings, particularly the emergence of non-human actors, can provide new insights to the markets as practice perspective. Therefore, the current study strives to provide credibility by complementing the theory. This is done by matching the empirical findings with the theoretical framework described previously in an effort to observe new theoretical developments.

5.4.2. Parsimony

Another vital assessment criterion for a qualitative study that aims at theory-building, or in our case, theory extension, is parsimony (Pfeffer, 1982). According to the author, “good theory should be parsimonious.” (Pfeffer, 1982), meaning that the researchers need to avoid the trap of presenting new theoretical insights in an overly complex manner that are not value-adding to the body of academic knowledge. While throughout the research process triangulating between empirical results, theoretical framework and analysis can unveil numerous insights, it is crucial to be able to eliminate those that seem interesting but fall out of the scope of the study. Therefore, parsimony can be achieved if researchers are being selective with regard to the pieces of empirical evidence they use that are the most relevant when trying to observe new theoretical developments.

5.4.3. Reliability

Generally, reliability of a study reflects in the quality of recording and documenting the data (Kirk and Miller, 1986). Data analysis should clearly define the line between the interviewee’s statements and the researchers’ interpretation. Moreover, the research process must be documented explicitly to ensure that the origins of different interpretations can be traced to the corresponding sources. To guarantee reliability of this study, we engage the interview guide that keeps the interviewing process on track and limits the researchers’ possible tendency to steer the conversation in a specific direction.

6. Empirical findings

We structured our analysis topologically around four focal themes, which will be presented in the following sections. The themes emerged as a result of what Yin (1994) calls “triangulation”, that is, going back and forth between analysis and interpretation as new data presents important findings. In line with the triangulation logic, we have identified converging topics describing major areas within the music industry that were affected by digitalization. To ensure a better understanding of the presented findings, each theme will be illustrated using a specific complementary case. Within the first two sections (6.1 & 6.2), we will focus on digital distribution platforms and how their emergence has facilitated the commoditization of music as a consumption product. Next, we explain how promotional practices have adapted to new communication channels (6.3). In the last section, we investigate the influence of playlists and sales data on the production process (6.4).

6.1. Distribution

As the literature review suggested, one of the most profound changes was the emergence of streaming platforms as a new actor in the music market. By finding a way to capitalize on the consumer needs of digital consumption, these platforms have managed to establish themselves as acknowledged distribution channels. At the same time, the number and importance of physical retail stores was substantially diminished. The empirical results describing these changes in distribution will be presented firstly by focusing on general implications of the concentration in distribution agents, secondly by describing differences within platforms, and thirdly by providing a detailed exemplification of a streaming platform, using the case of Spotify.

6.1.1. Concentration in mediation

As digital distribution platforms have increasingly replaced physical outlets as the main distribution channel, the mediation function of distribution has been concentrated to a few big players. Based on the interview data, this shift in mediation results in three main implications for the music industry.

Firstly, while major record labels had substantial control over the physical distribution network and the way products are displayed within stores, the shift to digital consumption transferred the power over distribution to digital distribution platforms. As Mikael Wadström, senior A&R at Universal Music Sweden, acknowledges:

“If you look at Spotify, they are what used to be the old record store, they have a lot more power than record stores had.”

Instead of arranging distribution in accordance with their strategy, record labels now have to adapt their distribution strategy to the agenda of digital distribution platforms and work within the constraints that these platforms set (Samuel Arvidsson, 2016). Record labels that operate in the underground market and did not have access to a large physical distribution

network as mainstream record labels, have welcomed this new development as it opened up new possibilities to distribute content and reach new audiences worldwide.

Secondly, as technology has substantially reduced the cost of producing and distributing music, the amount of content distributed on digital platforms has exploded. While physical record stores could only display a limited number of records, digital distribution platforms can offer an almost infinite amount of musical content (Ankit Desai, 2016). Both mainstream and D&B record labels recognize this overload of content. As consumers try to make sense of the abundance of content, they turn to the functions and tools that individual platforms offer, such as playlists. Thus, although digital distribution platforms can provide a bigger choice of content than physical record stores, the way their digital storefront is organized exerts a similar influence on consumption as in the case of their physical counterparts. However, the organization of the virtual storefront of digital distribution platforms has been partially delegated to non-human curators in the form of algorithms and playlists. This becomes evident in the case of Spotify’s personalized playlists, which will be further investigated in the following section (6.1.3).

Thirdly, as several streaming platforms, such as Apple Music and Spotify, build their digital storefront around global music charts, countries in which streaming has a higher share of music sales will exert an increasing influence on musical taste. As Jason Ellis, A&R director of Positiva Recordings and illustrates:

“[B]ecause of the way streaming charts work, being added to one big playlist in the US can filter through to the rest of the world.”

This circumstance provides countries that have a relatively high streaming penetration, such as Sweden, with a competitive advantage in the international streaming market. At the same time, it reduces the chances for international success of D&B music, due to its lack of popularity in the U.S. as compared to other markets.

6.1.2. Differences within the category of streaming platforms

Although interviewees mentioned a number of general implications of streaming platforms, substantial differences have been identified between different platforms. The following paragraphs will provide an overview of the streaming platforms that have been recurrently mentioned during our interviews. Table 1 enumerates the user base of these streaming platforms.

Platform name	Number of total listeners	Number of paid subscribers
YouTube (Monthly users)	820	/
Soundcloud (Monthly listeners)	175	/
Spotify	100	40
Apple Music	/	17

Table 1. Number of users per service in million, worldwide (Based on Statista (2016b) and Soundcloud (2016); Number of YouTube users based on IFPI (2016b) survey (n=10,552), stating that 82% of YouTube users use it to listen to music.)

Although the main purpose of YouTube is video streaming, both interviewees and secondary sources identify this platform as the main source of digital music content for today's consumer (Statista, 2016b). However, as Jörg Heidemann from the German organisation of independent music companies (Verband unabhängiger Musikunternehmen e.V., VUT) argues:

“They [YouTube] don't take any responsibility. If they would have to take some, they should be forced to license, because other streaming services like Vimeo have no problem in paying the licensing fees”.

Jörg Heidemann's statement refers to the fact that YouTube is generating far less revenue for music producers than services such as Spotify by not differentiating between musical and other content when paying licensing fees. This effectively means that an artist receives the same compensation as any user that uploads video content, although the costs for producing these contents might be substantially different. Thus, YouTube circumvents the higher music licensing fees and creates a value gap. Legislators, such as the European Commission, are aware of this practice and are seeking to prohibit it (IFPI, 2016a). Due to these shortcomings in revenue potential, record labels see YouTube rather as a communication platform than a distribution channel.

Another platform that has yet to establish itself as a source of revenue for record labels is SoundCloud. Although this streaming platform is an important outlet for both mainstream and underground electronic music such as D&B, it has only recently signed licensing contracts with two of the three major record labels (Moazed, 2016). As Chris Goss, managing director and co-founder of Hospital Records, points out:

“I'm afraid the owners of Soundcloud have to tackle the reality of what streaming now means in terms of music retail. Streaming equals digital sales and Soundcloud is an example of a company that was in denial of that fact until they were ultimately forced.”

Several interactive features such as the possibility for fans to engage in discussions about certain parts of a track make SoundCloud a valued channel for artists to receive feedback about their music. For example, the Dutch D&B artist trio Noisia use SoundCloud as their main outlet to distribute their Noisia radio show, which gets syndicated to radio stations in Russia, Czech Republic, and Canada, to name a few. According to Noisia's manager, Walter Flapper, one of the main motives behind the show was *“to give something back to our fans”*. Consequently, similar to the perception of YouTube, record labels use SoundCloud as a communication channel that redirects fans to other outlets that monetize the consumption of music content.

Besides Google, which owns YouTube, two other tech companies have recently entered the streaming market. While Apple has launched its Apple Music player in 2015, Amazon introduced its streaming platform Amazon Unlimited during the production of this thesis in October 2016 (Apple, 2015; Amazon, 2016). In contrast to actors that are solely focused on music distribution such as Spotify and Soundcloud, these companies seek to complement

their existing software and hardware platform ecosystems with a music streaming offering. Both Apple Music and Amazon Unlimited have a subscription-based pricing model and are welcomed by record labels as new competition for Spotify, which has showed signs of monopolizing the music streaming market.

6.1.3. Empirical case: How a Swedish start up is dominating the music industry

Our interviewees from both mainstream and underground music markets have acknowledged Spotify as the most important source of income from recorded music and the dominant digital distribution platform. As Walter Flapper recalls:

“Well, when Spotify came around it seemed like just another illegal way to listen to music, but made legal. You know, I was a little bit sceptical, but pretty soon I was like ‘well, it’s also pretty awesome’. [...] I remember being on a panel in the beginning and Spotify was mentioned, being just a couple of month old and people were like ‘they shouldn’t stream our music, it’s our music, we get paid shit.’ [...] And now [a substantial amount] of our label sales come from Spotify.”

Thus, Spotify does not need to further validate the concept of streaming as it successfully established it as the dominant consumption form. Consequently, the platform presents an interesting case to exemplify concrete ways in which a single market actor can shape market practices of a whole industry.

“You see, when you come into the Spotify client, there are these homepage takeovers and those are for free and for premium. Freemium is powered by advertising so you can run Spotify ads which we [Universal Music Sweden] buy. The third thing is more editorial support, that’s something they [Spotify] keep independent and make the final decision, whether or not they want to promote a certain artist in their playlists.” (Ankit Desai, digital marketing consultant at Universal Music Sweden).

The quote above gives a precise illustration of the different possibilities that Spotify offers to record labels for the promotion and distribution of their products. Similar to the storefront in physical record stores, record labels can take over the homepage of the Spotify client with a promotional banner (Spotify, 2016a; Appendix 4). Within the ad-supported client, which is free for users, market actors can place promotional videos and audios. Notably, this pricing option has secured Spotify a substantial number of subscribers, but is constantly criticized for paying low licensing fees (Zhang, 2015). The third, and most influential option are playlists, a consumption format that has become the most prominent among streaming platform users in general (Midiaresearch, 2015).

As mentioned by Ankit Desai, Spotify controls the playlist-related decision making and record labels can assert little influence on content and display of the most consumed playlists, as these are edited by the editorial team of Spotify. Thus, Spotify independently decides where a specific playlist is displayed, similar to the setup of a record store, as well as which tracks to include in a given playlist. Although every Spotify user can create a playlist, Spotify itself

utilizes its user data to optimize its playlists, which are positioned in favorable spots within the application and categorized according to genre (e.g. Pop) or supposed usage (e.g. Workout) (Appendix 5). Moreover, in recent years, Spotify has moved towards more algorithm-based, personalized playlists. The Discover Weekly playlist exemplifies this new distribution form: based on consumers' listening behavior, Spotify sends out personalized, algorithm-based playlists every week (Spotify, 2015; Appendix 6). In 2016, Spotify has released two more playlist formats, the Release Radar, which presents newly released music that matches the consumers taste-profile, and the Daily Mix, which presents several personalized, genre-specific playlists to consumers (Spotify, 2016b). For actors operating in underground music markets, this is a welcome development, as Tom Surey, who is also part of the young D&B label Soulvent Records, describes:

“Definitely, it’s nice to see these [personalized] Spotify playlists coming through now and I’m hoping they are all organic. We see them pick up some tracks from really small artists [...]”.

6.1.4. Concluding remarks

The shift in distribution from physical record stores to digital distribution platforms can be regarded as the most significant change brought by digitalization. As a result, these platforms shaped the dynamics of the market, creating new rules and norms for distributing recorded music. Due to their influential market position, market actors, such as Spotify, are now able to control the storefront, determine the possibilities and constraints of in-store advertisement, and to push algorithm-curated playlists as the dominant consumption format.

For mainstream record labels, the rise of these market actors was accompanied by a loss of control over the distribution network. These established actors now have to face the reality of a new market place, in which they have to adapt to the rules of distribution, instead of prescribing them. Although underground record labels also have to adapt to a digital market place, they now face less constraints to reach an international audience as logistical costs for distribution have diminished. New communication formats, such as radio shows, further exemplify how underground record labels were able to utilize platforms to create a more intimate relationship with fans. Our interviews further showed an indirect effect of platforms on the perceived value of music – an observation that will be discussed in the following.

6.2. Commoditization

Commoditization denotes the process through which the economic value of goods and services that previously had unique attributes becomes identical to that of mere commodities (Merriam-Webster, 2016). The process of commoditization of books gives an illustration of this process. As Ankit Desai explains:

“If you think about books, it went from a cultural thing to a commodity. I grew up reading books and now the only bookstore you can find is on your kindle or at the checkout at the supermarket. It has become commoditized.”

Similar to books, recorded music is now rendered widely available, having a more commercial rather than cultural value. While convenience and availability are the main benefits the demand side extracts from commoditization, the supply side argues that the value of music has decreased as a consequence.

Another aspect of commoditization of music is the monetization model that has been applied to streaming platforms. The subscription price is an analog to the monthly utilities consumers pay for commodities such as electricity, water, or heating. As Luke Armitage, international marketing manager at Universal Music UK, explains:

“I see streaming and subscription models becoming easier to have in terms of pricing and planning. So just as at the end of every quarter or every month, you get electricity bill or you get water bill, you now get your music bill.”

By paying a monthly fee, the consumer no longer consciously chooses a specific artist or album to pay for, as they previously did in physical record stores. The purchase of albums, which implied an effort to go to a store and browse through the available library or pre-order a vinyl has transitioned into the consumption of curated playlists on streaming platforms, which empowers algorithms to dictate consumption patterns (Mikael Widström, 2016). Jörg Heidemann explains the implications of this change in consumption:

“This is the difference between passive and active listeners. I make my own playlists, I look for the artists on my own, I don’t look at the playlists designed for me. This is an active path, as I would go in a record store and ask for a specific record. The playlist is the same as listening to radio. I can’t choose, maybe just a different playlist.”

Therefore, one can argue that the personal connection to the artist has been lost in this process as consumers became passive listeners. In this context, the emotional commitment that accompanied the financial investment into a physical record has been removed. As Mikael Wadström remarks:

“You listen to a song once and you forget about it. The perceived value is less than when you went to a record store and bought an album [...].”

This also led to an indirect negative impact on artists’ opportunities to build sustainable careers (Ankit Desai, 2016). That is partly because the average consumer using streaming platforms is not interested in the actual artist and his/her music. While the number of listeners of a specific artist has increased on streaming platforms, only a small fraction of these listeners would be willing to buy her physical album. This means that the revenues an artist makes on Spotify come to a lesser extent from loyal fans, adding a degree of fluctuation to their royalties. Moreover, individuals pay for a monthly subscription mainly due to the convenience and availability brought by streaming platforms, rather than the opportunity to listen to a specific artist.

However, Jörg Heidemann (2016) observes a different consumption pattern within the underground music market, where listeners are active in selecting the music they listen to and are more willing to express their affiliation to a music genre or community. While they integrate digital technologies in their consumption styles, their higher engagement through streaming platforms and online fandoms increases their willingness to purchase albums both in digital and physical format. Part of the reason for this is that artists in underground markets tend to have an established fan base with whom they communicate and interact actively. Aside from that, listeners of niche genres are music enthusiasts and perceive the records they own as cultural artefacts, as compared to consumers in the mainstream music market. Due to this involvement with the artist and the music as a cultural product, the commoditization effect discussed above is less observable for the underground music market.

On streaming platforms, commoditization remains an important challenge for record labels from both mainstream and underground music markets and has implications for how music is produced, distributed, and promoted. The most significant efforts observed is the focus on hits instead of artists and albums, which represents a reactive approach to changing consumer behavior in the digital space. However, some record labels invest more efforts in maintaining two-sided communication between the artists and their fans, in order to create an emotional bond and appreciation for the cultural product.

In the light of the dominance of streaming platforms in the music market, another, contrasting phenomenon can be observed: the “rebirth” of vinyl records (See figure 6). Such a development has been assigned to consumer preferences towards retro-technologies that offer tactile and artistic appeal that digital formats do not offer (Pantzar, 1997). Some interviewees remarked that the vinyl and LP format are preferred by music enthusiasts primarily because of the high level of engagement with the artist, but also because of the desire to preserve the aesthetic aspect of music and make a statement (Walter Flapper, 2016).

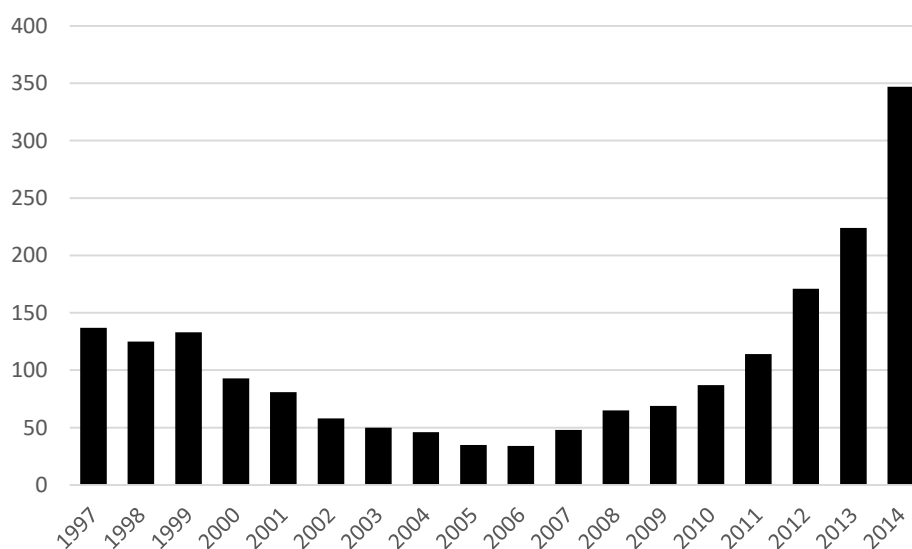


Figure 6. Vinyl record sales worldwide, 1997-2014. Source: Statista (2016c)

6.2.1. Empirical case: Noisia album leak

A particularly distinctive example of how record labels engage both streaming platforms and physical distribution channels is the case of Noisia album leak. In August 2016, 7 weeks before the official release date, the “Outer Edges” album by D&B trio Noisia was leaked online. Because of their past efforts of releasing every track on all platforms at the same time, ignoring the leak and moving forward with the established release date would have gone against their philosophy. Walter Flapper explains this decision:

“[O]ur philosophy was once a song is out on Soundcloud or on our Noisia radio show, it should be available everywhere. Not to try and get people to go to a platform that they wouldn't use normally [...]”.

Needless to say, revenue damage would have been even more painful than already predicted. Instead, Noisia immediately released the album on all digital platforms and the web store and kept collecting pre-orders for vinyl albums. Surprisingly, loyal fans have made a conscious choice to ignore the album leak and still bought the product in their web store. The group pre-sold 200 deluxe vinyl boxes before the official release date (Walter Flapper, 2016). Such a tremendous support speaks of the quality of the relationship the trio managed to build with their fan community.

On a more general level, the case unveils how digitalization has enabled information to be spread fast and, oftentimes, outside control. In the music industry context, it emphasizes the need to be flexible from a strategic perspective and have the capability to react to various disruptions in the online space. From the perspective of the underground music market, it shows that tremendous efforts from record labels and artists are needed to dodge the effect of commoditization. This implies brand building (both around the label and the artist), adopting innovative promotion activities, relationship building and fan interaction.

6.2.2. Concluding remarks

The emergence of new digital distribution platforms, together with reduced costs of producing music allowed consumers to benefit from wider availability and convenience of consumption. However, as streaming platforms overtook the role of curating music in the form of playlists, consumption became a passive activity. Moreover, the new freemium model of monetization has rendered recorded music as a mere commodity for which consumers pay a monthly fee, similar to paying utilities. As consumers shifted from buying full albums and being actively engaged with the artist towards listening to curated playlists, commoditization pushed record labels to focus their production and communication efforts on top hits. While mainstream record labels have taken this reactive approach, underground record labels were more proactive, increasing their engagement with the fan community and the appreciation for their artists and cultural products.

6.3. Promotion

The shift in distribution and consumption of music was accompanied by new forms of promotion. Digital channels, such as social media platforms, enabled novel ways of communication and partly replaced traditional channels, such as TV and print media. In the following, we will describe these changes and how record labels adapted to the new media landscape.

6.3.1. The emergence of communication platforms and their role in promotion

In the age preceding music streaming platforms, artist promotion concentrated around the traditional channels, such as TV, radio, and printed media. Presence on popular music channels emphasized the importance of music videos as promotion tools, taking up a big part of the record labels' budgets (Andreas Hindenäs, 2016). In essence, finding the consumer was relatively easy, since they were mainly drawn to the same channels. However, once the information age unfolded, record labels needed to invest more efforts into locating the consumers, who were now scattered across different platforms and devices. The target group of the mainstream record labels consists mainly of millennials, whose consumption habits have shifted away from TV and newspapers towards social media channels. As Mikael Wadström explains:

“Young people are not watching TV, reading newspapers, which were the biggest channels before. Now, you have to find new ways of reaching people, which is very difficult. People are all over the place, it's hard to find them. Now we're working a lot with social media marketing [...], where you can find a segment, the target group, very fast.”

However, most interviewees agreed that social media advertising has become less effective in the recent years, due to the oversaturation of social media channels with information. Chris Goss supports this observation:

“[T]here is a huge amount of online noise. And everyone now recognizes that a Facebook post is far less effective today than it was 5 years ago.”

This overload of information in the digital space has emphasized the challenge of standing out from the crowd. According to Tom Surey, director of Second Nature PR, merely producing good music is no longer enough:

“I think the main challenge is standing out from the crowd. Even if you have a good piece of music nowadays it could go under the radar.”

At the same time, social media platforms enabled record labels to fine tune their promotional efforts towards a smaller market segment by using targeted promotional messages based on demographics and consumer preferences. Although this segment specific communication provides an attractive way to communicate to a certain customer group, it loses its efficiency in context of an oversaturated online space. By adapting innovative ways

of promotion, such as co-creation, record labels seek to stand out from the clutter of advertising.

As social media platforms enable anyone with an Internet connection to become a content creator, some users were able to gather a substantial network of followers and are now able to shape consumer attitudes through Facebook posts, YouTube videos, and blog entries (Freberg et al., 2011). For the recorded music industry, using influencers, such as bloggers, has become increasingly popular in spreading the word about a product or service. Jonathan Gustavii, digital innovations manager at Universal Music Sweden, explains the new logic of promotional campaigns by using the example of a Veronica Maggio (Swedish pop artist) release:

“We [Universal Music Sweden] started with Twitter, Instagram and Facebook and once we had some traction there, we started to go for blogs, and when blogs started to write about it, we created a small press release for selected journalists and that was the ladder of how we executed the campaign”

Before releasing a new Veronica Maggio track on Spotify, fans were asked on social media platforms to guess the lyrics of the song, as a way to generate an online discussion around the release. Subsequently, influencers were given exclusive information about the campaign in advance, with the special rights of participating in the campaign first. Having early access to this information gave them an incentive to share and spread the word about the campaign and use their online legacy and following base to provoke action and engagement.

Moreover, social media platforms enabled artists to interact actively and directly with fans. Artists can now build communication platforms to engage with fans, receive feedback, co-create music or express appreciation for fan support. Relationship-building became essential for the artist to be relatable to the listeners and to sustain a loyal fan base, becoming a promotional activity on its own.

The success of Spotify in taking over the music streaming market has brought additional promotion opportunities for the record labels. For example, in the Spotify application, record companies can engage in homepage takeovers that are displayed on the landing page or stream ads to the free users (Ankit Desai, 2016). Moreover, streaming platforms can offer unexpected exposure. Walter Flapper recalls how the Noisia trio was randomly included in the list of suggested profiles on the SoundCloud homepage, earning them four million followers without any marketing expenditure. Such exposure is a valuable example of how digitalization can facilitate music discovery.

6.3.2. Adapting promotion to the digital landscape

Although social media platforms enabled record labels to utilize new methods of promotion, they also created new challenges when communicating with fans. Notably, mainstream and underground record labels adjusted their promotional focus differently as the following sections seek to demonstrate.

6.3.2.1. Promoting mainstream music: From albums to hits

In order to adapt to the shift of consumption from albums to playlists, mainstream record labels needed to change the focus of their communication away from artists and albums to individual songs. For example, a placement on Spotify's playlists has become a major objective of promotional efforts. As Ankit Desai explains:

"They [Spotify] have the most influential playlists in the world. So getting on Spotify playlists makes a huge difference. It's almost an endorsement."

Mikael Wadström exemplified this shift by drawing a parallel with the consumption pattern nowadays versus a mere decade ago. When consumers went to the record store and bought the record of an artist they felt a connection with it. With the digitalization of recorded music, this connection to the physical artefact of CDs is lost and consumers turn into passive listeners. As a consequence, the promotional goal of driving pre-orders of albums in the physical era has been replaced by the goal to build momentum on streaming platforms, getting a high number of playlist placements. As Andreas Hindenäs, senior manager of digital marketing tactics at Universal Music Sweden explains:

"It [promotion] is very much focused around tracks. Album format is soon to be dead. Playlists have replaced that to some extent. [...] You need to build a lot of momentum to be able to get a good starting position on Spotify."

This momentum is built by initially reaching a high number of streams, which increases the chance of getting noticed by the playlist curators of Spotify. In this context, it is worth noticing that significant marketing efforts from the mainstream record labels are invested in promoting their own curated playlists as well, especially due to the possibility to push specific songs on them and increase their visibility. However, these efforts have met little success as Spotify is able to position these record label owned playlists at unfavorable places within its client.

Notably, some interviewees within mainstream record labels still try to focus their efforts on building artists. 3Beat managing director and founder Jon Barlow argues that, although the world of electronic dance music evolves around the single hit, the record label still heavily promotes the artist in order to bring them on the international stage and facilitate the building of a wider fan community. Moreover, record labels are still quite traditional in keeping the album format for artistic reasons. As Luke Armitage illustrates:

"I think artists still want to make albums as a statement [...] [I]f you look at Chase & Status [British D&B duo], for an example, they've been album artists and they are releasing bodies of work, as they're not necessarily only about hit singles."

Another important way the music market has been impacted is that it became more unified globally. Digitalization blurred the borders of different markets, calling for the need

of a global marketing strategy instead of a location-specific one. Joshua Brandon, president of North America within Insanity Group, supports this case:

“We don’t have that release schedule anymore, where we release one day in the U.K and then one day in the U.S.. We don’t have that anymore, we just go. [...] It’s a global marketplace, you don’t need to do things territory by territory.”

However, mainstream record labels that can afford a local representation in specific markets, still employ international marketing managers to tailor campaigns to geographical markets. As Luke Armitage illustrates:

“Someone in France might not know what’s happening in Italy, but when you have jobs like mine [International Marketing Manager] that look after the whole world, you can strategize releases based on seasonality or trends.”

Another key effect brought by digitalization in the music industry is the vast amount of data available to companies. Data about the performance of artists or specific hits allows record labels to be more flexible and reactive in their promotion campaigns with important implications on the way marketing budgets are allocated. As Ankit Desai explains:

“That [the use of digital sales data] has big implications as to how budgets are allocated. If the song goes down, we’ll need to spend 10k, if it goes well we’ll only need to spend 5k. Everything becomes more flexible and responsive just because we have access to so much data in real time.”

6.3.2.2. Promoting underground music: Adapting old methods to new channels

While mainstream record labels experienced a major shift in their promotional focus, underground record labels continue to promote the label itself, a practice that has been carried on from the physical era. This is possible as underground record labels serve a less diversified range of musical genres than mainstream record labels, which need to adjust their music production to changing mass market tastes. For example, Chris Goss argues that when artists are signed with Hospital Records they become part of the team, benefitting from the same channels and visual outlet. He stresses the importance of brand recognition for the label’s success:

“We tried to ensure that people would recognize a Hospital Records release when they see one. [...] I don’t think about branding a song, I don’t think that much about branding an artist [...] I think it is important that the label can support each artist and each release and each song and each upload with the same amount of quality, the same amount of instant audience and the same kind of creative attributes that we would like to consider a part of Hospital Records [...].”

Although this logic of promotion has been predominant before the rise of digital platforms, it provides an advantage in creating digital communication channels. For instance, the

Hospital Records Facebook page has over 270.000 likes and is actively used to promote new releases and artists (Hospital Records, 2016). Thus, underground record labels have not changed their promotional focus, but rather adjusted this focus to the digital media landscape. This enables them to exploit their substantial fan base in promoting all artists and releases with a similar online exposure.

As the income from digital music sales does not match the revenues from the physical music era, the importance of additional revenue streams for underground record labels has increased. Jason Ellis elaborates on this development:

“You have to be able to put on club nights, do the merchandise, host a festival if you’re big enough, build up a roster of producers that are loyal to you so you can use this leverage to gain traction. It’s hard, but the money is not going to come from the recorded music initially, you have to be broader in your outlook.”

The international reach that digital communication and distribution platforms facilitate, enables underground record labels to leverage their brand and to scale promotional efforts, such as event brands and online shops (Figure 7).



Figure 7. Hospital Records event promotion on Facebook (Hospitalitydnb, 2016).

The creation of a record label event brand is a common practice among underground record labels. Although the practice of hosting a series of live events did not emerge with

digitalization, it enabled record labels to scale live events to an international level, as explained by Chris Goss:

“Hospitality [Hospital Records event brand] as an event brand is an absolutely key part of our business. We’ve been running Hospitality shows for 15 years. It started very small in a monthly club in Shoreditch and is now an international event brand and I think the first and most important thing about Hospitality and the idea behind the events is that we would is that we give ourselves an opportunity to promote Uk and International artists, alongside our own brand.”

Moreover, underground record labels are able to blend live events with their release strategy and other promotional efforts in order to create a full cycle of content. Walter Flapper exemplifies this practice with the celebration of the 10th anniversary of one of the record labels founded by Noisia, Vision Recordings:

“We released a compilation album, a book with all the artwork, a USB stick and then did 10 Noisia Invites shows across Europe.”

Thus, the digital transformation and the international reach that it enables, opens up new avenues for underground record labels to promote their content and to blend physical and digital activities into an engaging campaign.

6.3.3. Empirical case: Kung Fury

As mentioned previously, the oversaturation of the digital space with information forced record labels to become more innovative in reaching their customers. Thus, record labels resort to unconventional ways of promoting recorded music or an artist, in an effort to make the experience seamless for the consumer by catering to their hobbies or interests. For example, the co-production by Universal Music Sweden of the crowd-funded movie “Kung Fury” opened up a potential promotion and revenue channel for the record label. However, due to the specificity of the movie, targeting a global audience ran the risk of low consumer engagement and waste of marketing budget. Finding focal storylines within the movie that were relevant for different communities and tailoring these stories for these communities was one way to promote the product in an organic way, as illustrated by Jonathan Gustavii:

“We had a guy, an actor in the movie, who is a 62-year-old bodybuilder, Sweden’s only Mister Olympia. So we created a story around him and sent it out to the bodybuilding community and we ended up on bodybuilding.com, which is top 100 websites on the Internet. They couldn’t write about Kung Fury, because the movie makes no sense in the bodybuilding community, but once we put him in the center of the press release, it made sense.”

This is an illustration of an innovative way in which record labels cope with the increasing noise in the digital space, where the consumer starts to navigate through the information

overload by ignoring, consciously or unconsciously, the content that is not of her primary interest.

6.3.4. Concluding remarks

While traditional communication channels (TV, radio, print media) have relied on the logic of a concentrated consumer audience, the current scattered consumer pool calls for a more targeted approach. The challenge record labels are currently facing is standing out from the online information overload and making their content relevant to the consumer. Not only have record companies, especially mainstream labels, adapted to the shifting consumption habit of listening to hits instead of albums, online streaming data is used to create more engaging promotional campaigns and to allocate marketing budgets more effectively. Aside from that, marketing managers started to look for unconventional promotion channels, such as influencers and specialized communities. For underground record labels, having built a strong brand and a loyal audience has put less pressure on adapting their marketing tactics to the changing media landscape. Brand awareness made building a large online fan community more effortless and ensured a stronger reputation in the market for a specific genre. Therefore, the communication efforts of underground record labels focus more on maintaining a close artist-fan relationship rather than fundamentally changing the focus of their communication activities.

6.4. Production

This section will describe how new gatekeepers emerged in the music market, how old gatekeepers persist, and how opinions among interviewees differ when it comes to capitalizing on the abundance of digital sales data. These points will be further illustrated using the case of Sigma, a D&B artist duo that managed to break into the mainstream market, but still struggles to overcome some of the barriers created by platforms have created.

6.4.1. Playlists: a gatekeeper spanning new and old formats

“A lot of the decisions that are made, when it comes to the success of an artist, are based on getting on playlists; if that’s radio playlists, if that’s TV playlists or Spotify.” (Jon Barlow, 3Beat)

As the quote above illustrates, getting new records on playlists is essential for the success of artists. While considerable differences exist between the format of radio and streaming platforms, they share playlists as a central instrument for the curation of music. Thus, interviewees operating in mainstream markets identified playlists as essential for reaching a mass mainstream audience (Mikael Wadström, 2016). By highlighting the differences and similarities of playlists on radio and streaming platforms, this section will illustrate how playlists are central in separating the music market into mainstream and underground.

Whereas physical formats experienced a substantial decline in consumption, radio remains one of the most important sources of music for consumers. While the abundance of playlists on streaming platforms enables the representation of a wide range of genres, radio

playlists are more restrictive as they are temporally constrained by the airing schedule of radio stations. As a consequence, radio playlists are not able to represent the same diversity of music as their digital counterparts and focus their music program on mainstream hits (Ahlkvist and Fisher, 2000). For actors that operate in mainstream music markets, this translates into an important criterion for the acquisition of new artist, as Jason Ellis explains:

“Sometimes you hear an amazing piece of music that you know is never gonna get played on daytime radio so maybe we shouldn’t sign it as it’s not quite what we’re here to do.”

Underground actors, such as the D&B trio Noisia, which try to establish their own radio show on Soundcloud, experience difficulties when trying to syndicate this show to international radio stations, as these are highly restrictive to the type of music they play (Walter Flapper, 2016). In order to be able to reach a wider audience, Noisia has syndicated the musical selection of their Noisia radio show across several platforms:

“We also have a Spotify playlist, which is called Noisia Select Drum and Bass and that kind of runs alongside Noisia radio, where we take the drum and bass tunes that we played on Noisia radio and then we add them to the Spotify playlist.” (Walter Flapper, Noisia)

This practice illustrates how actors use the synergy of the playlist format to span several platforms. Moreover, the Noisia Select Drum and Bass playlist on Spotify is a demonstrative example of the possibility for underground actors to utilize the playlist format on streaming platforms. With personalized, algorithm-based playlists such as Discover Weekly, Spotify has shown further tendencies to open up the playlist format to more niche artists (Tom Surey, 2016). At the same time, playlists on Spotify can be more restrictive than radio playlists for certain genres such as D&B, as the case of Sigma exemplifies later in this section.

6.4.2. The use of digital sales data in the production process

As digital sales data, represented by streaming and downloading figures, provides more accurate and more immediate market information, it opens up new possibilities to influence the decision making process for communication and even production related decisions. Due to the creative nature of the music production process, the use of digital sales data is highly controversial among our interviewees. However, it is important to note that none of our interviewees questioned the artists’ creative independence within the production process. Rather, artists decide themselves whether they want to make use of digital sales data, as described by Andreas Hindenäs:

“You don’t really want to get into too much detail with the artist. I have met with artists and I brought a lot of data to them. Some are really interested. [...] But we also have artists that think that this is terrible and that it is affecting their creative process. [...] You really have to evaluate what kind of information you let through to the artist. It is still an art form.”

Contrastingly, interviewees within the D&B market rejected the use of sales data in this context. As Chris Goss illustrates:

“I would not say at any point that we sit down with an artist and go through their social media feed and then simply say ‘therefore you must make a record like this’. Because I think that would be the kiss of death.”

Interviewees operating in mainstream markets had no homogenous opinion about the use of digital sales data in the production process and views ranged from rejection of the practice to various forms of application. It is important to note that the market conditions of mainstream music markets demand a higher upfront investment, for example in promoting and managing a given artist (Caves, 20004). Thus, due to the increased costs and high uncertainty of the outcome of a creative product (a large share of recorded music from mainstream market actors never breaks even), it is an economic necessity for mainstream market actors to minimize the financial risk of production by utilizing digital sales data (Strategic Direction, 2013).

Another notable aspect is the different applications of digital sales data. A common practice that was carried on from the physical era was the use of sales information for the creation of several master files, such as radio edits, to fit different distribution platforms. Similarly, producers consider the suitability of a song for playlists on streaming platforms, which demand specific audio characteristics. Mikael Wadström explains this aspect:

“We used to do radio edits for radio, because radios need more efficient songs, not like a one-minute-long intro, you need the chorus to come in at a specific point and stuff like that. You see on Spotify now, it is important as well, because people skip songs.”

Using the concrete example of a D&B artist that managed to break into mainstream, the following section will give a detailed illustration of further sound properties that mainstream market actors need to consider.

6.4.3. Empirical case: Sigma

The case of Sigma gives an interesting illustration of the importance of radio as a gatekeeper and the barriers that streaming platforms like Spotify create through their playlists. The D&B duo managed to enter the top 10 charts in several countries with their hit single “Nobody to Love” and have opened mainstream events such as the British Academy of Film and Television Arts (BAFTA) awards (3Beat, 2016). When asked about the factors that made Sigma successful, Jon Barlow, managing director of 3Beat, the record label under which the act is currently signed, explains:

“Firstly when we promoted Nobody to Love, for instance, a lot of our international partners didn’t even want to refer to it as a drum and bass record. They just wanted to refer to it as a contemporary pop record. Because everybody is worried that if you call something drum and bass that

you have already lost the ability to excite people that you need, specifically radio.”

This shows how adjusting the stylistic perception of a track to important gatekeepers can have a significant influence on the success of a record.

Spotify’s own curated playlists still pose a challenge for the commercial success of Sigma. As Jon Barlow points out:

“Tempo is a problem for us with Sigma and Spotify’s playlists. It is so difficult for somebody, when the average record is coming in at 120 or 124 BPMs [Beats per minute] to pop one in there at 170 BPMs and not to think that it stands out a little bit.”

According to Jon Barlow, Sigma themselves are very interested in this kind of feedback, but are still independent in their creative process. Thus, sales feedback is rather used for adjusting the promotion of a product to important gatekeepers and customers, than for adjusting the genre or the production of music.

Another reason for Sigma’s limited success on streaming platforms is the low acceptance of D&B in the U.S. As Joshua Brandon, who currently tries to build Sigma’s presence in the U.S., argues:

“There is the potential for it to go, just that at the moment, it’s definitely very niche and I think it’s more of sort of the harder underground artist, the underground sound that can work on a tour level here at the moment. There is not really the capacity for the more commercial drum and bass to work at a higher level – it sorts of sits in the middle. Doesn’t quite work for radio and it doesn’t quite work for the club.”

Consequently, Sigma is neither accepted by underground consumers as the style of Sigma is too commercially oriented, nor by important gatekeepers, such as radio, which focus on more mainstream electronic music styles, such as EDM (Electronic Dance Music) or Dubstep, where the latter’s main stylistic influence is D&B.

6.4.4. Concluding remarks

While the rise of digital distribution platforms eliminated the logistical costs of distribution and enabled underground record labels to deliver their recorded music to a wider audience, these platforms also created new barriers to mass audiences. Although they are not limited by the same temporal restrictions as radio playlists, influential playlists on streaming platforms pose similar constraints on the range of music genres that they represent. Whereas mainstream record labels are accustomed to the adaptation of their recorded music to fit the requirements of playlists, underground record labels face difficulties to succeed on both streaming and radio playlists.

A similar, although more intentional, division can be identified in relation to the use of digital sales data. While some of our interviewees from mainstream record labels were open

about the provision of sales feedback to guide the creative process of artists, interviewees from underground record labels strictly disapproved of this practice as they perceived it as constraining the creative process.

7. Discussion

In this chapter we analyze our empirical findings through the lens of the developed theoretical framework in order to identify transformative changes in the network of actors and practices within the music industry. In doing this, we organize the analysis according to two topics; starting with an investigation in how the emergence of digital communication and distribution platforms shaped practices within the music industry in general (7.1), followed by an in-depth analysis of the different ways in which mainstream and underground markets reacted to digitalization. (7.2)

7.1. How did the emergence of digital communication and distribution platforms shape practices in the music industry in general?

Our empirical data documents several transformative effects that digital file formats brought upon the music industry. We identify alterations and adaptive reactions related to distribution and communication practices as the most pronounced areas of change. The following sections will primarily focus on overall developments that were acknowledged by both mainstream and underground market actors.

7.1.1. The effect of streaming platforms on consumption practices

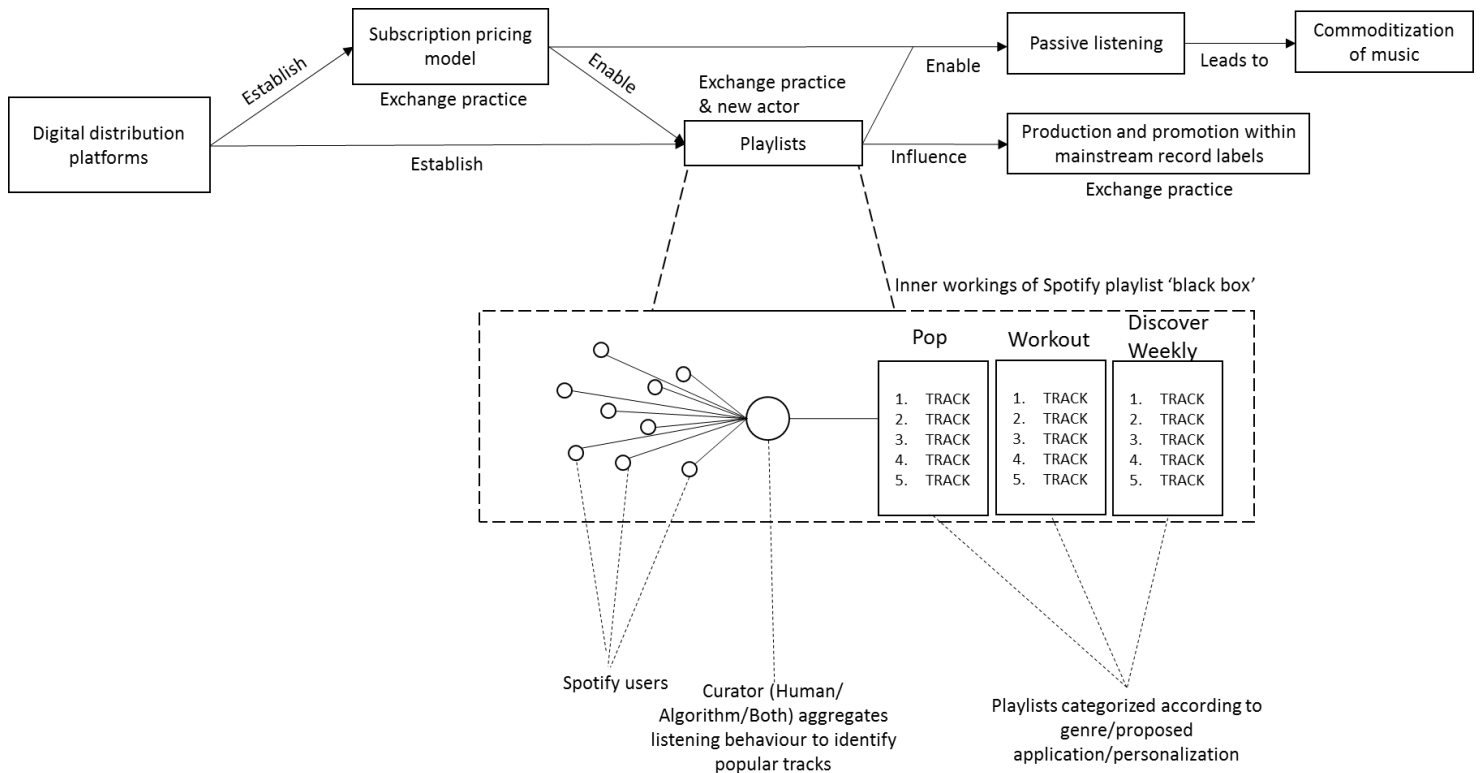


Figure 8. How digital distribution platforms established playlists and commoditized music.

Although the new forms of distribution were questioned at first, they soon took a central position in the music market as consumers adopted streaming as the preferred form of consumption. From a record label perspective, this translated into a new distribution structure, where an international, vertically integrated network of physical distributors was partially replaced by a few streaming platforms (Hracs, 2012). By concentrating the power over distribution, these platforms were able to establish new and alter existing exchange practices, which will be described in the following (Figure 8).

One of the newly established exchange practices was the freemium pricing model. This new model allowed consumers to shift their consumption decisions from individual tracks towards a comprehensive access to unlimited music. In turn, this enabled streaming platforms to translate the consumers' preference for convenient music consumption into playlists, which, similar to radio hosts, took over the function of curating music. Instead of going to a physical record store and using existing knowledge about the artist to make a purchasing decision, users could now stream infinite amounts of music, leaving the decision of which particular song to play to the playlists. These playlists act as devices for network-valORIZED choices, as they provide a convenient way to align the purchasing decision with the network of other consumers: Whereas the displayed charts in physical record stores merely provide a heuristic tool to guide the purchasing decision, playlists incorporate this decision tool into immediate consumption (Potts et al., 2008). The combination of a freemium pricing model and the establishment of playlists enabled a more passive form of music consumption, eventually commoditizing music recordings.

Mainstream record labels translated this new exchange practice into the partial abandoning of the album format, now focusing their exchange practice of producing and promoting music recordings on hit singles. The fact that mainstream actors adapted to playlists as a central exchange practice suggests that streaming platforms were successful in normalizing the new consumption format. Moreover, Spotify and other streaming platforms are gradually moving towards personalized playlists, shifting the curation function from humans to algorithms. This action was welcomed by underground record labels, as they invite users to expand their consumption beyond the most popular playlists and to explore a wider range of artists.

The establishment of playlists as a central actor in music consumption and distribution has brought important implications for both underground and mainstream actors. Enabled by streaming platforms and their pricing model, these new actors have become black-boxes themselves, hiding their inner workings of algorithmic and human curation to incorporate the tastes of thousands of users (Figure 8). In the case of mainstream record labels, which depend more than underground record labels on revenue from music recordings, playlists forced a strategic and operational adaptation, which will be discussed in more detail in chapter 7.2.

7.1.2. The effect of social media and digital marketing on communication

The rise of streaming platforms was accompanied by an immense increase in popularity of social media platforms, which appealed especially to millennials, who shifted their consumption from traditional media formats, such as TV and radio. Consequently, market actors had to adapt to the new ways of media consumption and withdrew their budgets from TV commercials and print media. Moreover, the immediate streaming and social media data that record labels are now able to gather, enables them to target their communications to a narrower segment of consumers and facilitates more reactive promotion. Thus, innovative media formats enabled new exchange practices by offering new functionalities and channels for promotion. Additionally, they provide instant re-presentations of the market upon which record labels can further refine exchange practices such as budgeting, promotion, and targeting.

However, as an increasing number of market actors concentrated their promotional efforts on the most popular social media platforms, these channels became quickly saturated with information. Thus, the normalization of social media marketing diminished the effectiveness of the newly established exchange practice and forced record labels to become more creative in the generation of digital promotional content. Our data provides illustrative examples for content that organically reaches consumers, such as Noisia Radio and the digital campaign for Kung Fury. Importantly, this content has to be perceived as relevant and interesting by the consumers as it constantly competes with content from digital magazines, content from friends and a plethora of sponsored content that all seek the attention of the user.

Another notable effect of social media platforms was the emergence of influencers as a new actor in the promotion landscape. Since these platforms have lower financial entry

barriers than traditional media formats, such as TV and radio, they gave consumers the tools to become content creators and to reach a mass audience with YouTube videos, Facebook posts, and Instagram pictures. Some of these consumers, so called influencers, managed to build a substantial following and found ways to monetize the consumption of their content. For actors within the music industry, this created new opportunities to reach consumers in an organic, non-disruptive way by natively integrating their advertising into the influencer's channels. Thus, influencers take the role of gatekeepers, giving record labels the possibility to organically access new networks of followers and to complement their communication through a new exchange practice, influencer marketing (Freberg et al., 2011).

7.1.3. Concluding remarks

Taking a markets as practice perspective, our empirical findings allow the following conclusions: as streaming platforms emerged as a response to illegal downloads and took a central position within the music market, they translated their objective of curating music into new forms of exchange, such as playlists and subscription pricing models. As a consequence of this, the perceived value of music has shifted from a cultural product to a commodity. Due to the fact that streaming platforms concentrated a substantial amount of demand on their platforms, while remaining largely independent, they also took away the control over normalizing distribution from major record labels, which previously had vertically integrated the physical distribution network. Consequently, record labels had to adapt their exchange practice to these new norms of distribution by adjusting their production and communication strategies and by developing new expertise. The digital shift in communication was further facilitated by the emergence of social media platforms, which were rapidly adapted as imperative communication channels. This normalization of communicating on social media channels led to an oversaturation of the online space, which in turn required record labels to target their communication based on market representations and to utilize digital gatekeepers, such as influencers.

7.2. What are the different ways in which underground and mainstream market actors react to digitalization?

As the previous section demonstrated, our analysis showed a number of common effects of the digital shift on the music market as a whole. However, the way digital sales feedback is utilized differs substantially between mainstream and underground market actors. Moreover, actors engage in different communication strategies depending on which market they serve. The following section will further elaborate on these differences.

7.2.1. Differences in production

Digital distribution platforms allowed mainstream market actors to collect large amounts of digital sales data, unveiling the need for new skills for interpretation and analysis. Besides enabling more targeted and reactive communication, these re-presentations further opened up new opportunities for adjusting the production process. The extent to which the production process is shaped by this feedback depends on the openness of individual artists

towards adjusting their style to the taste of the mass market. The transition in exchange practices from the album format towards playlists further impacted production related decisions of mainstream record labels (Elberse, 2010). As consumers moved away from consuming albums towards adapting playlists, mainstream record companies started to focus on the production of single hits and invested their efforts in gaining a better position in the playlists curated by Spotify. Consequently, the function of the album has shifted from a distribution format to a mostly artistic statement.

For underground market actors, the integrity of music as an artistic product remains central in the production process. Market actors within these markets reject the use of digital sales data for production purposes and don't consider the potential for mass market profits in production related decisions. Rather, they base this process on more qualitative representations such as the norms and characteristics of the underground D&B market. For example, Noisia openly describe their new album not being "DJ-friendly or radio-friendly at all" (Noisia, 2016). This position is due to the fact that the artist trio produces music for a narrower, more sensitive consumer segment. A concrete example of this sensitivity towards the artistic integrity of the D&B scene are the reactions towards a strategic partnership of one of the leading D&B labels, RAM records, with the mainstream oriented record label BMG. Fans openly voiced their concerns and feared that "[m]ainstream exposure will kill drum & bass!!" (UKF, 2016). In this case, the managing directors of RAM records had to publicly ensure the integrity of the production process and explained that "[t]his partnership isn't relying on D&B being popular in the mainstream" (UKF, 2016)

7.2.2. Differences in communication

As playlists became a central element in music consumption and distribution, they required mainstream record labels to focus their promotional efforts accordingly. The focus of promotion changed from artist albums to hit singles and the inclusion in Spotify's most followed playlists is now an important prerequisite for commercial success (Appendix 6). Although albums remain as artistic statements and are thus not eliminated as an exchange practice, the overload of choice that came with the concentration in market mediation, forces a readjustment of the promotion budget. By concentrating the spending on the promotion of individual singles, record labels have a higher chance of placing their music productions in popular playlists (Figure 9). Thus, the main goal of promotional efforts is the building of momentum on Spotify by getting a sufficient number of users to stream the song initially, which in turn leads to playlist curators adding a new single to playlist, which will then lead to additional streams by users that stream this playlist. Consequently, mainstream record labels

have to understand the individual elements within playlists as black boxes in order to utilize this actor to increase the commercial success of new releases.

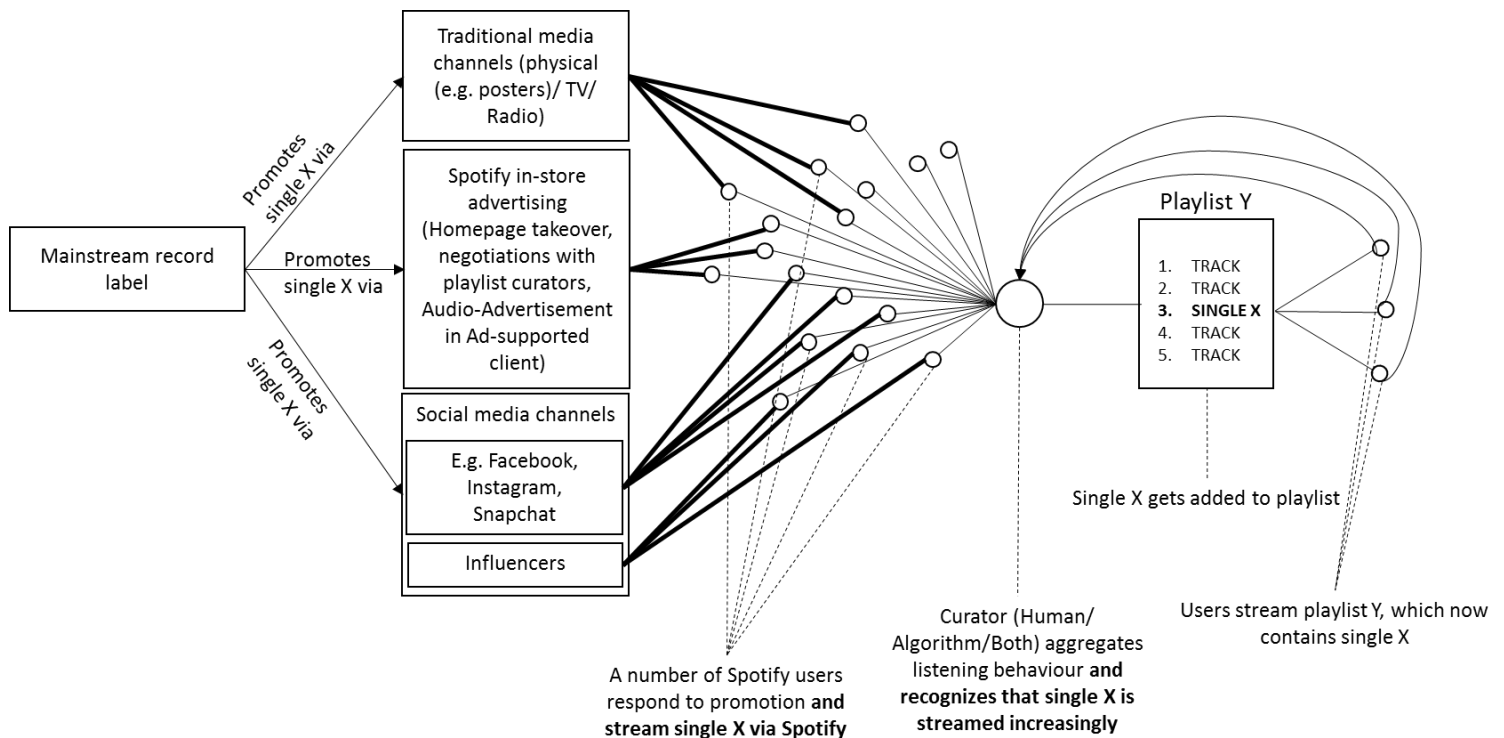


Figure 9. Mainstream record labels aim their promotion at building momentum in Spotify by reaching a sufficient number of initial streams and getting recognized by playlist curators (created by authors).

In contrast to mainstream oriented record labels, underground market record labels focus their promotional activities on the promotion of the record label. This exchange practice is enabled by the narrow range of musical genres that underground labels represent. Moreover, market actors, such as Noisia and Hospital Records, have created sub-labels to further differentiate promotion between stylistic nuances within the genre of D&B. Although this practice has not emerged as a result of digitalization, it was straightforwardly applied to the digital ecosystem: Record labels have translated the brand image, which they have built offline, in the online space by creating their own communication outlets in the form of social media channels, such as Facebook fan pages. By focusing the promotional activities on the record label, underground market actors can leverage their brand reputation to promote novel products, such as upcoming artists and new releases (Figure 10). Moreover, the increased reach that these platforms enable allowed underground record labels to create international event brands, which not only became the most important revenue source, but are also utilized as a promotion platform to present new artists.

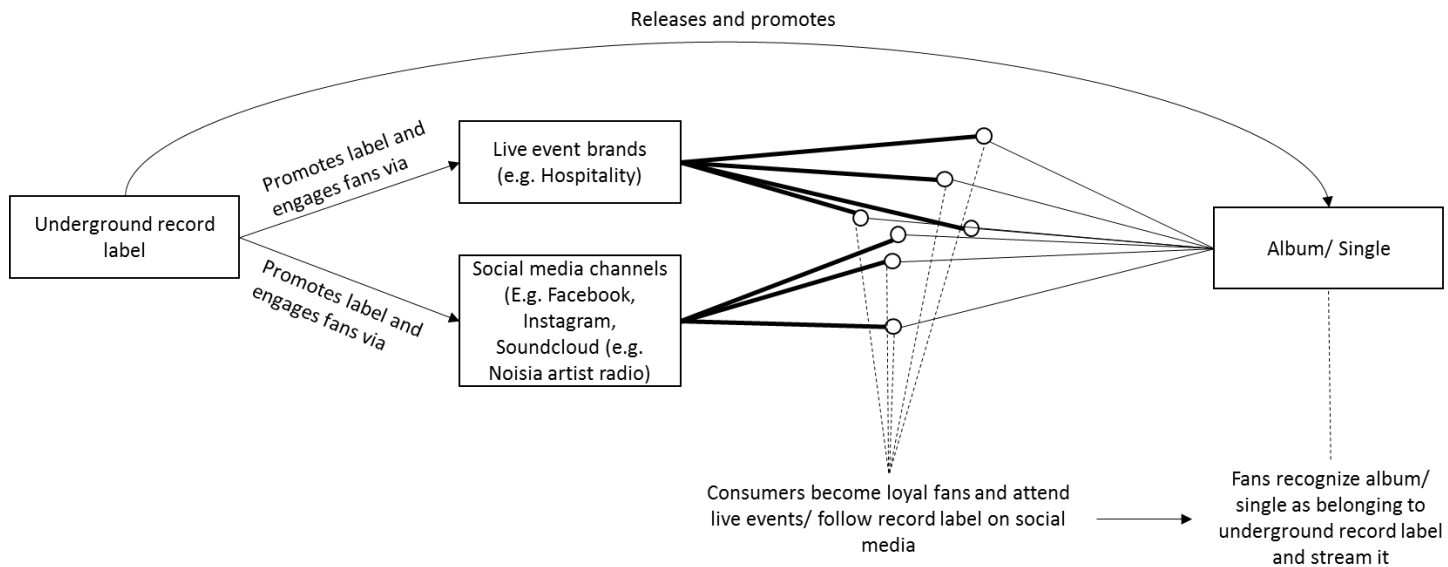


Figure 10. Underground record labels transfer the promotional focus of the physical era to digital channels.

Consequently, while mainstream record labels adapted their communication by moving the promotional focus from albums to singles, incorporating the importance of playlists as a consumption format, underground record labels retain their traditional promotional practices, focusing on the branding of their label. As mainstream record labels have a broader orientation in musical genres and have to be able to adapt to changing mass market tastes, branding the record label itself would have limited success as their audience is highly diversified, ranging from Metal fans to Country lovers.

Moreover, the goal of digital communication efforts differed for mainstream as opposed to underground record labels. While mainstream record labels aim to increase streams by reaching a mass audience, such as in the case of the Veronica Maggio campaign, underground record labels are more focused on engaging their loyal fan base with new formats, such as Noisia Radio.

7.2.3. Concluding remarks

Applying our theoretical framework to these empirical findings, we conclude the following: Firstly, the digital sales data that is provided by streaming platforms allows record labels to act upon more immediate re-presentations of the market. However, as the production of music is a creative process, the use of these market images is restricted by the integrity of artists. For this reason, underground market actors refuse to adapt this practice as it conflicts with their re-presentation of consumer's expectations of authentic music. Secondly, mainstream record labels have adapted their exchange practices to new distribution formats, focusing their promotion on hits rather than albums. Underground market actors on the other hand continue to focus their promotional efforts on the record label and apply this logic to the digital landscape. Thirdly, while underground record labels aim promotions at engaging fans in an authentic way, for example through artist radio shows, mainstream record labels primarily aim for favorable playlist positions by reaching a mass audience through their promotional campaigns.

8. Conclusion

The music industry is a prominent example of the disruptive effects that a digital file format can have on a whole industry. By depicting the network of interconnected actors and practices that constitute this market, we are able to give a detailed account of the sequential chains of events that have transformed and continue to shape both mainstream and underground music markets. While this digital transformation was first welcomed with fear and legal actions as it diminished the revenues of industry actors by enabling illegal file sharing networks, it eventually led to the emergence of new actors, namely digital distribution platforms. Within this category, streaming platforms have soon established themselves as powerful market intermediaries by translating illegal file sharing practices into a legal value offering. This central position gave streaming platforms, such as Spotify, the ability to shape the distribution and consumption of music according to their agenda. A central part of this agenda, the introduction of curated playlists as the dominant consumption format, shows to have tremendous effects on perceived value of music by commoditizing musical recordings.

Particularly mainstream record labels had to face the new reality of streaming and independently curated playlists, which they translated into a shift in production and promotion away from albums towards hit singles. This new reality of music distribution and consumption was accompanied by a newly transformed communication landscape. As social media platforms offered new opportunities to reach consumers, they were soon normalized as an imperative promotion channel. However, this increase in popularity soon led to the oversaturation of the online space, in which consumers got overwhelmed with content. By allocating budget to targeted advertising on social media platforms, such as Facebook, mainstream record labels now try break through the online noise and reach consumers with their promotional activities. Moreover, content that consumers perceive as relevant, such as texts and videos that are published by influencers, shows to be particularly effective in reaching the designated audience. Mainstream record labels recognize this potential and utilize the networks of consumers that follow these influencers. As the example of the Kung Fury campaign illustrates, record labels can further highlight certain elements of their products to make them more relevant to specific virtual communities.

In contrast to the extensive alterations in exchange practices that mainstream record labels exhibit, underground labels mainly employ traditional promotion practices, such as artist radios and club nights, and apply these to the digital landscape. While the aim of promotion remains the engagement of their loyal fan-base, underground record labels can now profit from the low financial entry barriers of social media and streaming platforms and expand their consumer base across physical borders. The international event brand of Hospital Records and the artist-led radio show of Noisia are illustrative examples of traditional methods of promotion, which can now reach an international audience via fan pages on Facebook and artist pages on Soundcloud.

However, as the example of Sigma shows, streaming platforms not only eliminated physical entry barriers, but simultaneously established new gatekeepers to mainstream

markets in the form of playlists. Similar to radio hosts, the socio technical network that is incorporated into the selection of the most popular tracks is highly restrictive in its choices of music styles and genres. Consequently, mainstream record labels are forced to adapt their production process beyond the shift towards singles and consider the use of streaming data to guide the creative process of the artist. Although artists generally retain the control over this process, some of them adjust to the requirements of playlists and incorporate digital sales feedback into their production.

As our research shows, streaming platforms and their curated playlists now have their say in regards to the stylistic direction of music markets. While the most popular playlists show to be rather incapable in representing the vast range of music genres, they purely algorithm-curated, personalized counterparts appear to be more open towards representing a diversity of artists and digital music recordings. Whether this more diverse, algorithm-lead curation or the restrictive human curation of mainstream playlists prevails is ultimately the choice of consumers and has certainly yet to be decided.

9. Contributions and future research

In the following, we will present the managerial implications of the present thesis (9.1), the theoretical contributions it provides (9.2), certain factors that possibly limit the explanatory power of this thesis (9.3), as well as suggestions for future research (9.4).

9.1. Managerial implications

The findings presented in the current study are relevant for a wide range of actors and their functions. On a general level, we can conclude that any organisation that wants to promote itself on social media has to understand that consumers on these platforms are oversaturated with information and that content has to be perceived as relevant to be noticed and consumed. Simply presenting an advertisement is not enough to break through the noise of online clutter. This relevance can be achieved either by highlighting certain aspects of the product, by engaging consumers through creative and interactive advertisements or by tapping into the vast network of followers of influencers. We further advise any organisation that faces a similar transformation as the music industry to apply itself to the digital reality and to expand its organisational knowledge by hiring corresponding personnel. Disruption should be embraced, rather than denied as its impacts are almost certain as our empirical observations indicated.

Within the music industry, **mainstream record labels**, which seek commercial success with their products, have to understand the functioning and implications of playlists as these are imperative for commercial success. One of the main implications is that playlists are highly restrictive in the range of genres that they represent and that production should be adapted to the most popular genres. It is further essential to build momentum on these playlists, by building up enough initial streams to be noticed and included by the editorial team of Spotify. We further advise **underground record labels** to focus their promotional

efforts on the record label. This focus can be directly translated into the online space through the creation of record label fan pages on social media websites. Through these channels, underground record labels should provide engaging content, such as artist led radio shows or podcasts. Underground record labels should further consider to create event brands that can be utilized for the promotion of the label and its artists, as well as a source of revenue.

The study also presents valuable insights for **digital distribution platforms**. As music becomes increasingly commoditized due to the popularity of new music distribution formats, such as playlists, platforms can collaborate with other actors, such as live venues, to find measures of preserving the cultural value of music. Moreover, they should advance the promotional possibilities for lesser-known artists that are signed with independent record labels in order to preserve the cultural diversity of music. Additionally, as the music streaming market welcomes new competitors, such as Apple Music and Amazon Music Unlimited, incumbents like Spotify face new challenges to maintain the frontline positions. To strive in this increasingly competitive landscape, streaming services have to primarily understand the consumers' needs and behaviours as these can be translated into a suitable value offering. If consumers evaluate a value offering as superior, they are swiftly switching their digital music service provider as the example of illegal file sharing networks and their substitution through Spotify and YouTube powerfully demonstrated.

9.2. Theoretical contributions

The theoretical contributions of the present study are threefold. Firstly, the study provides an insightful application of the markets as practice perspective, showing the advantages of this theory for the investigation of underground markets and markets in transformation. Using this theoretical framework, we were able to give a detailed account of the contrasting logics and motivations of underground and mainstream actors, and how their beliefs influenced their market practices. Secondly, by highlighting elements of ANT, we were able to emphasize the importance of considering non-human actors in the investigation of digitally transformed markets. Moving beyond a purely human focus, we were able to detangle the complex interplay of disruptive technologies and established market actors. Thirdly, the present study provided a novel classification of playlists as socio-technical network devices, which enriched the investigation of their role in music industry as a creative network market. Moreover, the definition of creative industries as socio-technical network markets proved to be very compatible with ANT and practice perspective.

9.3. Limitations

Due to the explorative nature of this study, it is difficult to extrapolate the findings we collected about the music markets to the whole creative industry. Therefore, additional research encompassing other markets within creative industries might complement the development of market practices observed in the current study. While the scope of our study encompasses several of the most influential international music markets, expanding the

research scope to other markets can yield more, probably contrasting insights about various local practices, trends and paces of adaptation to digital transformation. Finally, although Spotify was mentioned as the most important digital distribution platform, the research can gain from extending the focus to other platforms, such as Apple Music, Deezer, or Pandora to explore different implications for the market practices.

9.4. Future research

The current study opens up possibilities for several future research streams. While it looked at the different ways in which mainstream and underground market actors have reacted to the digitalization of the music industry, broadening the interview sample to include more market actors can help depict a fuller picture of this effect. For example, exploring how social media platforms, such as Facebook and Instagram, alongside digital distribution platforms, such as Spotify and YouTube, have adjusted their business models as they became dominant actors can be of interest for policy makers and other stakeholders. Moreover, while the current study looked in retrospective at the changes in the music industry, it is interesting to take a future perspective and attempt to predict the upcoming trends and emerging actors or technologies that could possibly disrupt the music scene altogether.

Moreover, certain phenomena, such as the abandoning of albums as a primary format of music production and distribution call for further investigation. The increasing focus on hit singles might have important implications for music as a cultural and artistic product. The view of artists and fans could provide valuable insights for policy makers, platform providers, and industry experts. This research focus could be further extended by investigating the commoditization of music and the underlying psychological processes.

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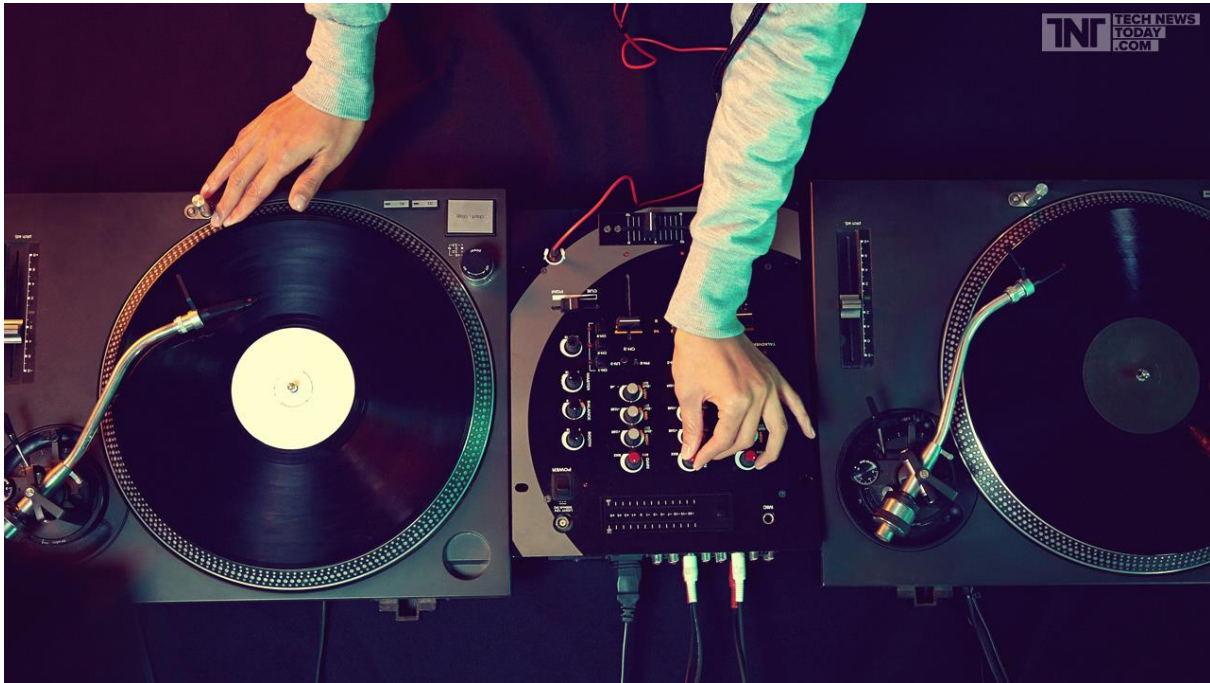
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11. Appendices

Appendix 1: Traditional vinyl DJ player¹ vs digital DJ controller²



¹ Retrieved from <http://www.technewstoday.com/25953-panasonic-is-reviving-technics-legendary-dj-turntables/>

² Retrieved from <https://www.youtube.com/watch?v=GJpuVWInWJg>

Appendix 2: Overview of Interviews

<i>No</i>	<i>Name</i>	<i>Position</i>	<i>Organization</i>	<i>Located in</i>	<i>Interview type</i>	<i>Interview date</i>	<i>Follow-up</i>
1.	Johathan Gustavii	Digital Innovations Manager	Universal Music Sweden ¹	Stockholm, Sweden	Face-to-face (Stockholm)	05.09.2016	Face-to-face (Stockholm)
2.	Josh Brandon	Head of North America	Insanity Group ¹	Los Angeles, California	Skype	14.09.2016	-
3.	Luke Armitage	International Marketing Manager	Universal Music Group ⁴	London, UK	Face-to-face (London)	22.09.2016	-
4.	Mikael Wadström	Senior A&R Manager, Head of SIN	Universal Music Sweden ⁴	Stockholm, Sweden	Face-to-face (Stockholm)	15.08.2016	-
5.	Samuel Arvidsson	Commercial Director	Universal Music Sweden ⁴	Stockholm, Sweden	Face-to-face (Stockholm)	13.10.2016	-
6.	Tom Surrey	Director	Second Nature PR ²	London, UK	Skype	24.08.2016	Skype
7.	Walter Flapper	Artist Manager	Noisia ³	Groningen, Netherlands	Face-to-face (Groningen)	19.09.2016	E-Mail
8.	Ankit Desai	Digital Strategy Consultant	Universal Music Sweden ⁴	Stockholm, Sweden	Face-to-face (Stockholm)	06.09.2016	-
9.	Chris Goss	Co-Founder, Managing Director	Hospital Records ⁶	London, UK	Phone	18.08.2016	Phone
10.	Jason Ellis	A&R Director	Positiva, Virgin Records ⁴	London, UK	Phone	03.10.2016	Phone
11.	Joe Goss	Co-Founder, Head of Promotions	Soulvent Records ⁶	London, UK	Face-to-face (London)	22.09.2016	-
12.	Jack Higgins	Co-Founder, Head of A&R	Soulvent Records ⁶	London, UK	Face-to-face (London)	22.09.2016	-
13.	Jon Barlow	Founder, Managing Director	3Beat Records ⁵	London, UK	Phone	30.09.2016	-
14.	Andreas Hindenäs	Senior Digital Marketing Tactics Manager	Universal Music Sweden ⁴	Stockholm, Sweden	Face-to-face (Stockholm)	13.10.2016	Face-to-face (Stockholm)
15.	Jörg Heidemann	CEO	VUT (organization of independent music companies) ⁶	Germany, Berlin	Skype	19.10.2016	-

¹ Mainstream oriented

² Both mainstream and underground oriented

³ Underground oriented

Appendix 3: Example interview guide

Briefing

- Presentation of interviewers and thesis
- Explanation of interview procedure (Recorded, confidentiality, structure, duration)

Intro Questions

1. What is your **position** within XX?
2. Which **activities** does this position entail?

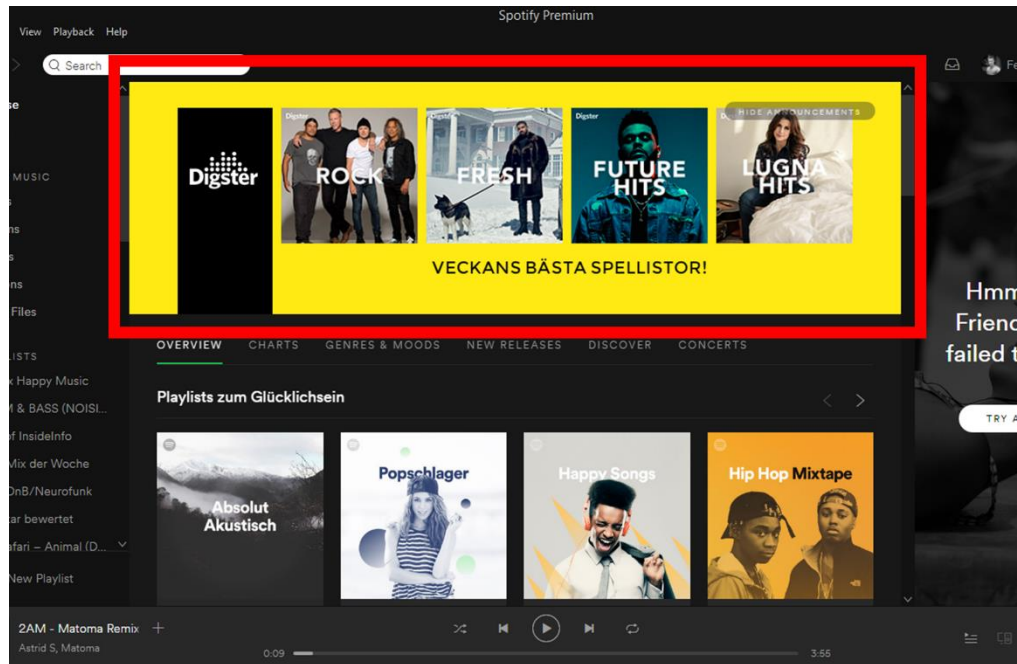
Digitalization

3. How did these activities change since started working at XX?
4. Could you describe how digitalization has affected XX?
5. On which channels do you promote your products? How did that change since you started?
6. What is the role of platforms in your job?
7. How do you utilize social media?
8. How do you use sales data for managerial decision-making?

General

9. How do you promote new products?
10. Where is your promotional focus?
11. What is the importance of location for your label?
12. What do you think are the **future trends** in the music industry?

Appendix 4: Comparison between homepage takeover promotion for Digster playlist brand (Universal Music)¹ and Madonna album promotion in a Virgin Record store in Paris²



¹ Retrieved from Spotify client for Windows Computer, version 1.0.44.100.ga60c0ce1

² Retrieved from <http://madonnalicious.typepad.com/madonnalicious/2012/05/madonna-display-at-virgin-megastore-paris.html>

Appendix 5: Organization of Spotify's storefront¹.

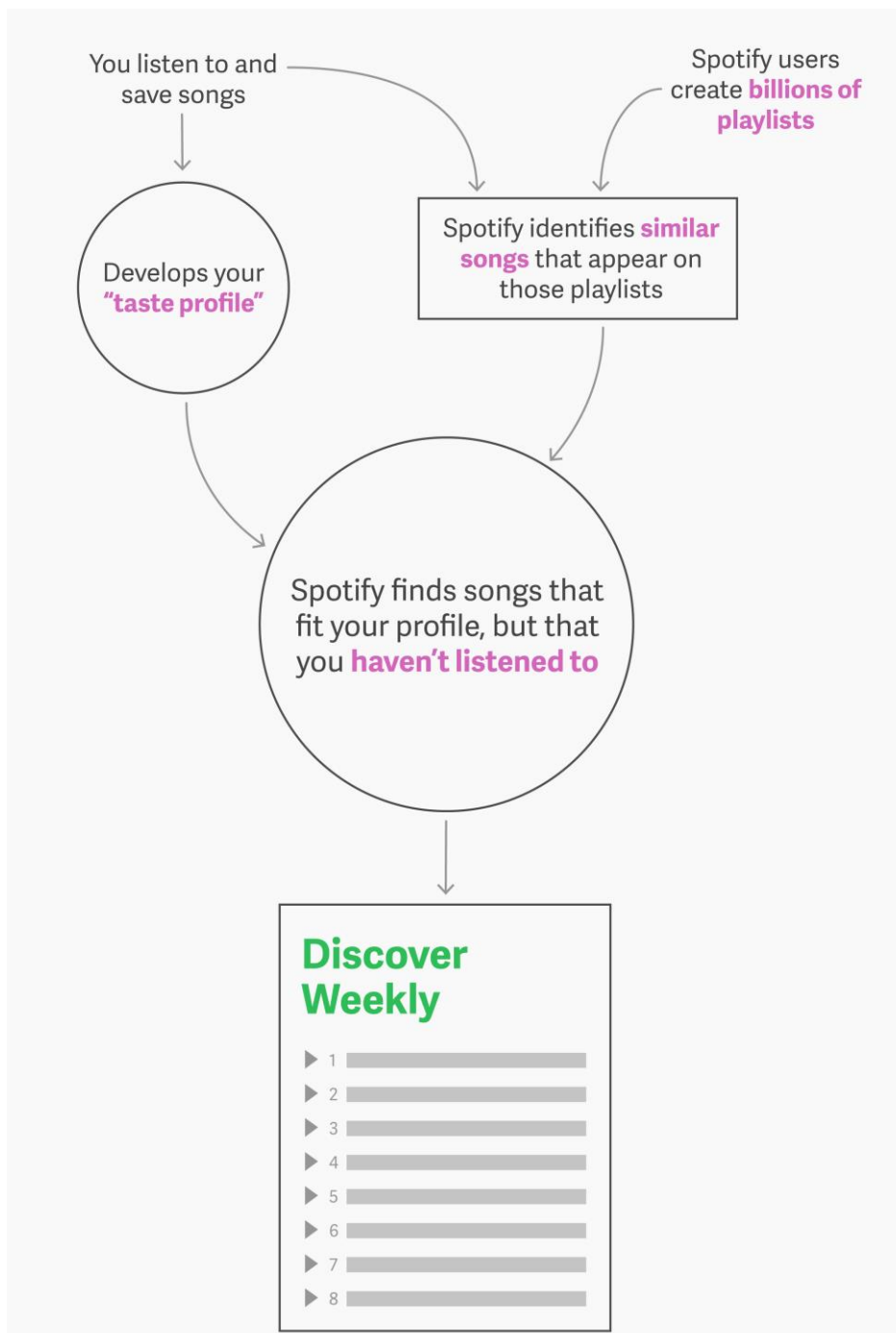
The screenshot shows the Spotify 'Browse' page with the following layout:

- Header: **Browse**
- Navigation: OVERVIEW (selected), CHARTS, GENRES & MOODS, NEW RELEASES, DISCOVER, CONCERTS
- Section: **The perfect end to the weekend.**
- Featured Playlists (highlighted with an orange box):

Haitian Heat	Rock This	Pop Chillout	Dinner Music
Haitian Heat Celebrating Haitian Dance Music, with Michael Brun! The 'Wherever I Go' Festival is...	Rock This These are the bands you need to know right now. Period. #RockThis / Cover: The Head...	Pop Chillout The best music for just chilling.	Dinner Music Dinner music that includes soft singer / songwriter tracks for the entire evening.
260,151 FOLLOWERS	2,160,550 FOLLOWERS	1,083,269 FOLLOWERS	299,735 FOLLOWERS
- Annotations:
 - A box points to the playlist covers with the text: "Spotify's own playlists are positioned in a favourable position, right when users open the client."
 - A box points to the follower counts with the text: "Users are informed about the size of the network, upon which they base their listening decision."

¹ Retrieved from Spotify client for Windows Computer, version 1.0.44.100.ga60c0ce1

Appendix 6: The mechanism behind the Discover Weekly¹



¹ Retrieved from <http://qz.com/571007/the-magic-that-makes-spotifys-discover-weekly-playlists-so-damn-good/>