"DUTCH MUSIC TO YOUR EARS"

a study to design new activities for Buma Cultuur to deal
with the regime shift effects in the Dutch music industry.
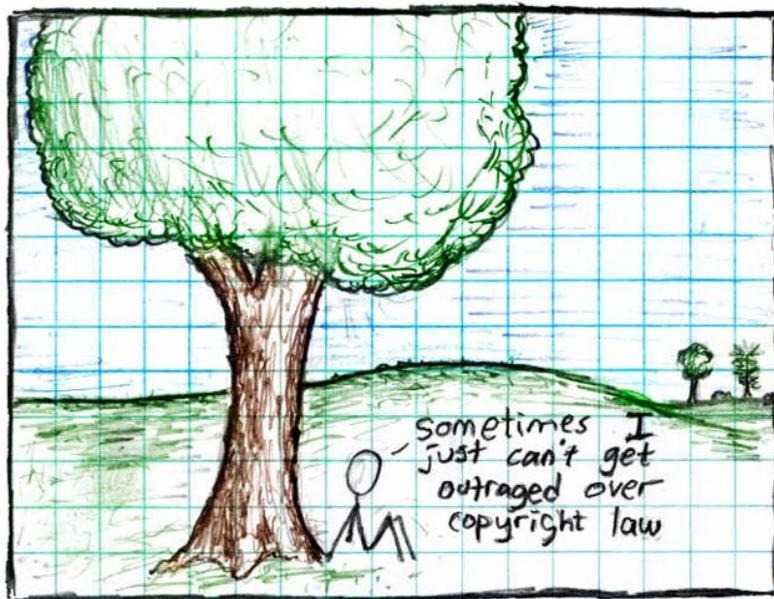
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buma cultuur

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Jasper Schütz

Management summary

Digitalization of media and internet developments have created new online music distribution possibilities, which have affected the music industry. The *purpose of this research* has been to find new activities that Buma Cultuur can deploy in order to deal with this regime shift in the music industry. The *research constraint* defined that these new activities should not require any radical reorganizations.

Music industry actors can deploy coping strategies to deal with a regime shift situation. These strategies can be defensive, adaptive or a combination of both strategies. A coping strategy effects model has been developed to determine the opportunities and threats of each strategy.

Data triangulation processes have been used to compare documents, news sources and the transcripts of interviews with Dutch music industry actors. The results have been used to define the coping strategies of international music industry actors and to define the effects of these coping strategies. The results have also been used to determine which new activities of Buma Cultuur would benefit the Dutch music industry actors.

From the various sources of data, it is now understood that the major music companies, the independent music companies and the artists have all deployed coping strategies. The opportunities and threats that resulted from these strategies were different for each music industry actors. The interviews with the respondent have resulted in many new activities that Buma Cultuur can deploy to support Dutch music industry actors. New activities have been suggested in the areas of music promotion, knowledge support, trade support and artist support.

The current opportunities and threats of the Majors, Indies and artists have been combined with the suggestions for new activities. This has resulted in three roles that Buma Cultuur can deploy to support Dutch music industry actors.

'*The major record company support role*' focused on activities that support Majors through new business model creation, finding new cooperation partners and promoting music copyright. *'The Independent music company support role'* aims for activities that assist Indies in creating global exposure for their artists, support experimentation and exploration and support talent exposure. *'The artist support role'* sets up activities that create national exposure for Dutch artists, support self distribution, fan binding and dealing with new actors. This role also engages in activities to create international visibility for artists.

To implement the results of this research, Buma Cultuur should choose one of the roles. This will effectively support either the Majors, the Indies or the artists in the Dutch music industry. But since Buma Cultuur has always been able to maintain support for all music industry actors, some activities from each role can be deployed. Although some struggles exist among the roles on the subjects of copyright protection and self distribution of artists, three activities have been found that benefit the major music companies, the independent music companies and the artists at the same time. These three activities are recommended for direct implementation.

These three new activities are:

1. **Start creating exposure for Dutch music through all possible online channels**

Many new promotion channels have become available since the arrival of internet. With global competition increasing, Dutch music can easily become less visible to consumers. Buma Cultuur can use its experience and resources to create exposure for Dutch music that is otherwise unavailable to Dutch artists.

2. **Setup and support experimental and visionary activities**

Buma Cultuur has the organizational and financial structure to setup and support various experimental events and programs. Current experience in events can be used to create visionary events and to support initiatives deployed by other actors. Visionary activities can set an example for other business actors and can even assist in the creation of a new business model in the Dutch music industry. At the same time, new activities will be avoided which can also be set up by other music business actors.

3. **Support the development of better Dutch artists**

Buma Cultuur can create long term visibility for Dutch artists by increasing the overall quality of Dutch music through education and excellence. Since it is currently unclear which business model will become dominant, all music actors can benefit most through successful Dutch artists, as these successful artists can promote themselves.

To successfully start the implementation of these recommended activities, it is advised to start with small, unique activities that deliver quick results. During the first activities, current expertise and skills should be used. As the implementation progresses, new capabilities should be created. Expertise of network relations should be embraced and all available channels can be considered for activities. The right type of activities are deployed when no interference with competitive music business processes is caused.

Preface

I would like to take this opportunity to thank my supervisors from both the University of Twente and Buma Cultuur. Dries Faems and also Klaasjan Visscher have been most supportive in my choice to focus on the changes in the music industry. Peter Smidt of Buma Cultuur has enabled me to interview many Dutch music actors, which has been a very uplifting experience and a great way to discover the Dutch music industry. Without their contributions and expertise, this thesis would not have been possible.

Furthermore, I would like to express my gratitude to the respondents for their time and knowledge, to Roel for proofreading the thesis and to xkcd.com for supplying the very appropriate cartoon.

… and last but definitely not least, much love to my girlfriend for all her support, my parents for their endless patience and 'Erve P0nXn0R' for the final inspiration to finish it all.

23rd of October, Enschede

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Chapter 1 – Introduction

In this introduction the purpose of this research is explained. First, changes in the music industry are described, followed by the effects they have had on the Dutch music industry. Then the Dutch music organization of Buma Cultuur is described, followed by the changes they will need to make to remain a relevant organization in the Dutch music industry. Finally the central research question, the related sub questions and the research constraints are defined.

1.1 Changes in the music industry

The digitalization of media has created a big change in the way media is used (Lam and Tan 2001). The arrival of networks like the internet and file sharing applications have increasingly made media more available and accessible. Media users have changed from passive consumers to active participants (O' Hara 2006). This has caused a different mindset with users of media products.

This change in mindset has a large influence on the music industry. Customers want music to be available and accessible, similar to other sources of information (Kusak 2005). This has caused customers to share music files with other users. New entrants adapted to these needs and have found innovative new ways to exchange and interact with music. These activities have resulted in an increase of consumer control over the distribution of music.

The incumbent music business actors feel the unsettling effect of these developments. The sale of audio CD's has declined rapidly, while music downloads through all channels are increasing. In 2000, 12.8 billion dollars worth of CD's were sold worldwide, while in 2008 this number had dropped to 6.5 billion dollars[1]. At the same time, downloads through legal channels[2] have steadily increased from 20 million dollar in 2001 to 1.6 billion dollars in 2008[3]. Following the current trends, it is predicted that digital music sales will nearly equal CD sales in the US by the end of 2010[4]. Downloads through illegal channels are difficult to analyze accurately, but in 2006 they were thought be at least a tenfold of the legal downloads[5]. The effects of legal downloading have had the biggest impact on the major music groups or 'Majors'. The Majors are the four biggest music groups in the world, which together own more than 90%

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[1] 'RIAA 2008 Consumer Profile' based on US manufacturers' shipments: *http://76.74.24.142/8EF388DA-8FD3-7A4E-C208-CDF1ADE8B179.pdf*

[2] Legal downloads are downloads for which a licensing fee is paid to the proprietary owner for the use of the music copyright

[3] RIAA's '2008 Year-End Shipment Statistics' based on US manufacturers' shipments: *http://76.74.24.142/D5664E44-B9F7-69E0-5ABD-B605F2EB6EF2.pdf*

[4] 'Digital music increases share of overall music sales volume in the US', 18th of august, 2009: *http://www.npd.com/press/releases/press_090818.html*

[5] 'NPD: Illegal downloads outpace legal downloads by 10 to 1 margin', 26th of march, 2007: *http://www.twice.com/article/254998-NPD_Illegal_Downloads_Outpace_Legal_Downloads_By_10_1_Margin.php*

of the music market[6]. Currently, the Majors consist of Universal Music Group, Warner Music Group, EMI Group and Sony Music Entertainment.

In the traditional business model, recording companies would find and record talented artists, and sell the recordings to consumers (Krasilovsky and Shemel 2007). Store front music retailers would sell the music that was delivered by the recording companies to their customers. Because the traditional distribution channels are now being replaced by music download networks and internet websites, the traditional business model of the music industry has become less effective.

The changes have caused a new group of regime actors to enter the music industry. Hardware manufacturers, telephone companies and the former customers of music products have all entered the newly created market for online music distribution (Kusak 2005). This regime shift has forced the incumbent organizations of the music industry to apply new strategies to cope with the changes. The coping strategies differ between the different music industry actors. Business actors are heavily defending their music copyrights to retain control over their music and apply risk-avoidance, while artists are finding new ways to earn their living with music (Leonhard 2008).

1.2 The Dutch Music Industry

In The Netherlands, similar effects can be observed in music distribution behavior. Audio sales are declining and downloads in any form are taking over. The overall number of music sales has been steadily increasing (1.1 % in 2008) even though the overall sales of music products are dropping (6.7% in 2008)[7]. More elaborate statistics of music sales in The Netherlands can be found in Appendix: 'Market Information Dutch Music Industry 1975 – 2007'

There are two effects that are specific for The Netherlands. First, the Dutch are hardly substituting the former CD sales for legal downloads. The Netherlands used to be a large consumer of music CD's, but the current decline in CD sales is only slowly compensated by legal downloads of music. Although the amount of downloads has increased with 20 % in 2007 and 17.5 % in 2008, the growth of the legal download market stays behind with the growth of the international download market[8].

Second, Dutch artists are signed less to Major labels. The Majors are investing less to adapt to the changes in consumer behavior. Only the most promising new talents are signed. As Dutch artists usually perform in English, the record labels feel they are taking less risk by investing in young talent from the United States and the United Kingdom. With less internationally signed artists, the Dutch music business will probably be supported less by the Major music groups.

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[6] IFPI Music Report 2009

[7] 'The entertainment branch 2008-2009' provided by the NVPI: *http://www.nvpi.nl/assets/nvpi/JBNVPI08web.pdf*

[8] Numbers on the Dutch music market, provided by NVPI, 2008: *http://www.nvpi.nl/assets/nvpi/NVPI%20Marktinformatie%20Audio%202008.pdf*

1.3 Buma Cultuur

Buma Cultuur has been a Dutch music business actor since 1962. Their mission is to promote the use of Dutch music copyright in The Netherlands and throughout the world. They don't create, distribute or sell music, but provide services to other music industry actors.

Buma Cultuur is mainly financed through a percentage of the copyright licensing revenues that are received by BUMA, which have to be reinvested in cultural activities. This allows Buma Cultuur to be an objective organization that supports many aspects of Dutch music copyright, in all genres of music. Their operations have gained them an exceptionally large network of Dutch music industry actors and some world renowned events like Amsterdam Dance Event and Noorderslag/ Eurosonic Music Festival.

The organization structure of Buma Cultuur is divided into an events department and a corporate department[9]. Together they promote and support Dutch music through various activities. The current activities of Buma Cultuur can be divided into four areas: music promotion activities, knowledge support activities, trade support activities and artist support activities. Although all activities aim to promote Dutch music, only a few promote directly. These promotional activities include export promotion and promoting Dutch copyright music with radio stations and consumers.

Other activities aim to promote copyright through other means. In the knowledge creation area, Buma Cultuur engages in conversations with political and business actors to promote Dutch music. In the area of trade stimulation Buma Cultuur creates business synergy by organizing the events where artists and business actors can meet to buy and sell music. Finally, in the area of support, Buma Cultuur supplies services and information for upcoming and professional music authors.

1.4 Research Questions

The current changes in the music industry create a complicated situation for Buma Cultuur. While the artists and business actors are deploying their coping strategies, Buma Cultuur needs to find new services to provide to the music industry actors. Since Buma Cultuur is positioned in the middle of the music industry, they need to adjust their set of activities to the current and future needs of the different music industry actors. It is unclear which new activities Buma Cultuur needs to deploy to remain a relevant organization in the Dutch music industry.

To find new activities, it should first become clear what the exact implications of the regime shift are for international business actors and artists. Subsequently, the different coping strategies of the international music actors should be analyzed for both larger and smaller incumbent organizations, since many of the smaller incumbent organizations focus on the cultural side of music. For large incumbent organizations, the theoretical assumptions towards effective defense and adaptation strategies can be found. For smaller incumbent organizations with the same specialized complementary assets, the effects of the regime shift and the effectiveness of coping strategies have hardly been studied.

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[9] Appendix: "The organization structure of Buma Cultuur" can be consulted for a graphic representation of this structure

Buma Cultuur can determine the direction of the new activities, when the effects of the coping strategies of international music industry actors become clear. Following the threats and opportunities that follow from those international coping strategies, new activities can be designed for the Dutch music industry actors. From there, new activities for each of their four areas of activity can be defined to accustom to the new needs of the various actors. This research will explore what new activities Buma Cultuur can deploy to continue to support and promote Dutch music in an industry that is changing radically due to changing possibilities in technology and consumer preferences. Therefore the central research question is defined as:

What new activities should Buma Cultuur deploy to adapt to the regime shift in the music industry?

The main question is divided into three sub question:

1. *What are the implications of the regime shift in the international music industry?*

2. *What are the effects of the coping strategies that are deployed by international music industry actors?*

3. *Which new activities can Buma Cultuur deploy to Dutch support music industry actors?*

Since Buma Cultuur is a small organization with a specific mission, a research constrained has been defined that limits the research to finding new activities that don't require a radical reorganization.

The research questions are addressed in the rest of this thesis. In the second and third chapter a theoretical background of the problem is given. In chapter four the methodology is presented. In chapter five, the regime shift and its implications for the record companies and artists are explored. In chapter six the coping strategies of these incumbent actors are explored and the coping strategy effects are presented through a model. These chapters should provide the answers to research questions one and two.

In chapter seven, an overview is created of the suggested new activities that Buma Cultuur can deploy, according to the respondents of the interviews. This should answer research question three. In chapter eight, a selection of the suggested new activities is used to create three new roles that Buma Cultuur can deploy to support the Dutch record companies and artists. To answer the central research question, the results of the effects of the coping strategies of the various music industry actors are combined with the new activities that were suggested by the respondents of the interviews. This results in three recommended new activities that can be deployed. In chapter nine, the conclusion, recommendations and discussion of this research are presented.

Chapter 2 - Regime Shifts

In this chapter system innovations and regime shifts are explained to gather a broader understanding of the changes that are happening in the music industry. Definitions are given for the landscape, regime and niche innovation aspects of system innovations. Then the timing and nature of the interactions of these aspects are given as variables of a regime shift.

2.1 Sociotechnical innovations

The changes that are happening in the music industry can be understood as part of a system innovation in music. System innovations are defined as "large-scale transformations in the way societal functions such as transportation, communication, housing, feeding, are fulfilled" (Geels, 2005a: p.19). The radical innovations that are changing the music industry can be seen as part of a system innovation of music, since they do not only affect firms and industries. They also affect the regulations, industrial networks, infrastructure (Geels 2005a) and user practices, policies and cultural meaning (Geels and Schot 2007) of music. Therefore a model can be used that is a level above the organizational level of technological discontinuities (Tushman and Anderson 1986). This level is referred to as sociotechnical, as it looks at technological developments from the perspective of society as a whole.

Regime shifts are a part of a system innovation. Regime shifts are defined as "changes from one sociotechnical regime to another" (Geels & Schot, 2007: p.399). The transition that is happening during a regime shift is the result of interactions on three levels (Rip and Kemp 1998): niche innovations, sociotechnical regimes and the sociotechnical landscape.

Technological niches are defined as "the the micro-level, where radical innovations emerge" (Geels & Schot, 2007: p.400). The sociotechnical regimes are defined as "communities of social groups (engineers, scientists, policy makers, users and special interest groups) that pattern technological development through shared cognitive routines and alignment of activities (Geels & Schot, 2007: p.399). A sociotechnical landscape is defined as "an exogenous environment beyond the direct influence of niche and regime actors (macro economics, deep cultural patterns, macro-political developments)" (Geels & Schot, 2007: p. 400).

2.2 Regime shift dynamics

Regime shifts are understood to be a function of two processes. They result from pressures of sociotechnical landscape developments, economic pressures, pressures from innovative niches (Smith, Stirling et al. 2005) and from the coordination of resources available to the regime to adapt to these pressures (Geels and Schot 2007). A functionalistic perspective of the interaction of these processes can be found in fig. 1.
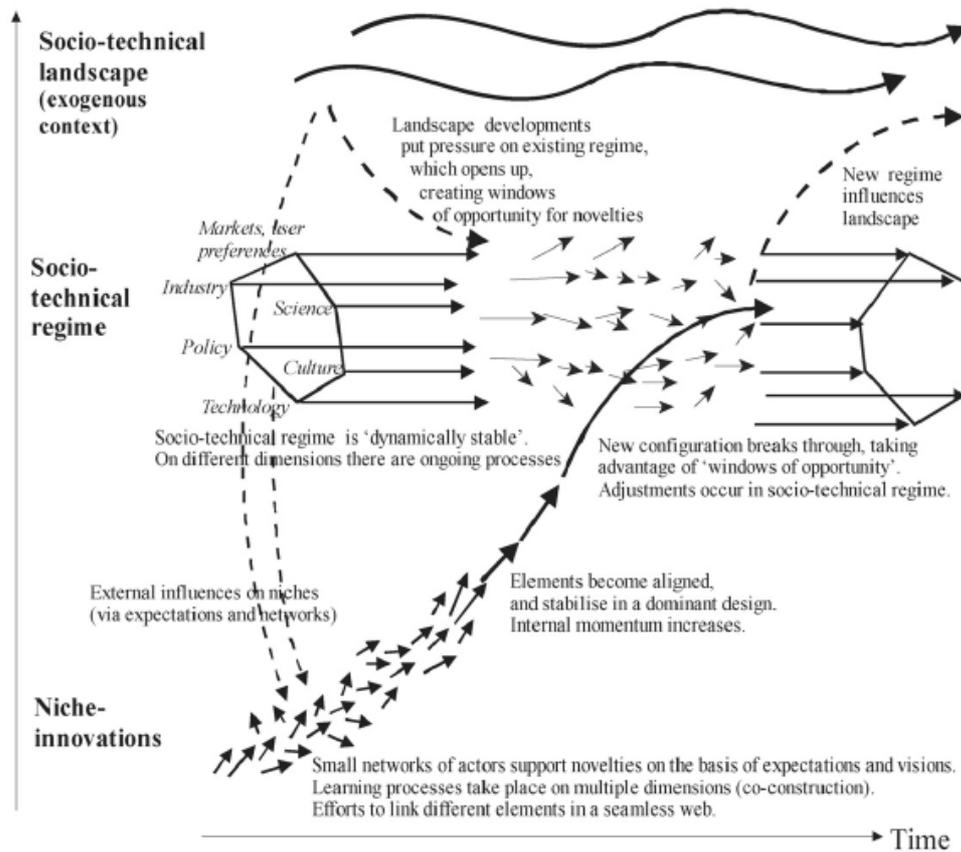
Fig. 1: A functionalistic perspective of the regime shift interactions (Geels and Schot 2007)

The sociotechnical landscape can exert a pressure that influences the regime and niche actors. This landscape pressure occurs at a macro level and can't be influenced directly by regime or niche actors. When no landscape pressure is eminent, no radical changes occur between the regime actors and the niche actors. There will still be economic competition among regime actors, but there won't be any landscape support for the niche innovators to become established as a regime (Smith, Stirling et al. 2005)

When landscape pressure does occur, it can become beneficial to the niche innovators. The regime actors will have to adapt to this pressure, leaving them dependent on the allocation of resources to adapt.

In a landscape pressure situation, the timing and nature of the pressure can become relevant. Niche innovations are not always sufficiently developed to be able to fill the 'window of opportunity' that is created by the pressure. The niche innovators are dependent on their ability to create a dominant

design (Geels 2002). The timing of the pressure defines if the niche innovators are able to use the landscape pressure to their advantage.

The nature of the pressure defines the effect it can have on the current regime. When landscape pressure is slow to build, the regime is more likely to allocate the necessary resources to adapt to the changes. With a strong or fast rise of landscape pressure, the regime actors have to adapt more quickly. This situation creates more opportunities for the niche innovators (Geels and Schot 2007).

This understanding of regime shifts cannot be used to predict future situations from the two variables of timing and nature of landscape pressure. It is merely a model that can be used to understand the dynamics of a transition. To enhance the understanding of the situation, the three conceptual levels in the transition can be pointed out. The variables of timing and nature of landscape pressure can help to understand how the actors are progressing through the transition.

2.3 Summary

In this chapter the dynamics of regime shifts have been explained. They are the result of pressures on the three conceptual levels of landscape, regime actors and niche innovators. When a regime shift situation occurs, regime level organizations are dependent of the landscape pressure development, the development of a dominant design by the niche innovators, but also on their ability to allocate the necessary resources to adapt to the changes in landscape pressure. The timing and nature of landscape pressure can steer the new regime situation. The understandings of regime shift cannot be used to determine the regime shift outcome but can help to understand the dynamics of occurring regime shifts.

In the next chapter, several coping strategies are proposed for regime level organizations that find themselves in a regime shift situation. In chapter five an analysis is made of the regime shift situation in the music industry, where the various actors are described and the current dynamics are explained according to the methodology of this chapter.

Chapter 3 - Coping strategies

This chapter presents three different coping strategies for incumbent organizations dealing with a regime shift situation. First a defense strategy is discussed and then several adaptation strategies are presented. These are followed by an overview of possible combinations of defense and adaptation strategies. Since incumbent organizations can choose to deploy a defense only strategy, an adaptation only strategy or a timed combination of both strategies, the last part of this chapter will present the strengths and weaknesses of each of the coping strategies. The strengths and weaknesses are presented in a model to understand the effects of each of the coping strategies in a regime shift situation

3.1 Organizations and regime shift

To understand the dynamics of a regime shift situation from a business perspective, each of the system innovation levels is represented by a business entity. The regime actors are represented by the *incumbent firms* and the niche-innovators are represented by the *new entrants*. The incumbent organizations hold a competitive position, while the new entrants are just starting their businesses. The new entrants can be innovative start-ups, but also mature organizations from other market segments (Tripsas 1997).

A change in landscape pressure should push incumbent firms to adapt to the new situation as fast as possible since it creates a 'window of opportunity' for new entrants. Fast allocation of relevant resources can be necessary to be able to adapt in time (Smith, Stirling et al. 2005). This can require incumbent firms to change their current operations.

Incumbent organizations can choose from two strategies to deal with landscape pressure changes. The first strategy is to defend the current business model with all available assets. The second strategy is to adapt to the new situation as quickly as possible. Choosing a coping strategy is necessary because the new entrants can have a natural advantage over the incumbent organizations (Christensen and Overdorf 2000)

Technological substitution (Geels 2005a) can cause an organization's current capabilities to lose their relevancies. They can have trouble adapting to these technological changes, because of *learning traps*. These learning traps are created when an organization starts to favor the familiar, the mature and the search to solutions near existing solutions (Ahuja and Lampert 2001). The existing capabilities provide a basis for an organizations competitive advantage, but limit it in its capability to compete in the future (Leonard-Barton 1992).

Learning traps are usually found in efficient organizations in entrepreneurial situations, like most of the incumbent organizations that have to deal with a change in landscape pressure. They can prohibit an incumbent organization to acquire the relevant new capabilities needed to adapt to the changes. Time and resources can be required to overcome these learning traps (Ahuja and Lampert 2001). Therefore, incumbent organizations effectively start with a disadvantage in the change process.

The new entrant organizations have an organizational advantage over the incumbent firms. They can more easily adapt to the changes in technology. The scope of new entrants is usually focused on the new market only. This enables them to put all their resources on that goal (Christensen 1998). They are also able to innovate more strategically, since their innovation processes are less likely to be caught in the learning traps of the incumbent organizations (Ahuja and Lampert 2001).

These abilities to adapt are aided by a more flexible organization structure. Organizations usually start out with very flexible organization structures, which can be quickly adapted to the demands of the market. A more flexible organization structure allows new entrants to shift more easily between *innovation streams*, which are the different phases of the innovation process (Tushman, Anderson et al. 1997). This can help to find a successful approach more easily.

The ability to more easily adapt to changes in technology and the flexible organization structure can allow the new entrants to adopt the new technology more rapidly and put it to better use than the incumbent organizations. When this occurs, the incumbent organizations will have to deploy a coping strategy to remain a relevant part of the industry.

3.2 Defense Strategy

The first strategy that will be discussed is a defense strategy for incumbent organizations. This strategy is based on using appropriate, specialized complementary assets. When incumbent organizations have specialized assets that the new entrants do not have, they can use these assets to defend their market from new entrants.

When a change in landscape pressure leaves an incumbent organization with an inferior level of technology, they can use specialized complementary assets to compensate for this disadvantage (Tripsas 1997). These assets can be anything that gives the incumbent organization an advantage over the new entrants, such as distribution channels, dedicated customers, service networks, but also trade secrets and propriety rights[10] (Teece 1986).

As a specialized complementary asset, property rights can create especially strong advantages for incumbent organizations. Tripsas (1997) shows the effectiveness of trademark fonts as a competitive advantage in her study of a century of creative destruction in the typesetter industry. In an earlier study, Gilbert and Newbery (Gilbert and Newbery 1982) found that pre-emptive patenting can be a very effective method for maintaining a monopoly position. Both studies show that property rights can be used as a defense mechanism against new entrants

The effect of using propriety rights as specialized complementary assets depends on the environment they are deployed in. The strength of the propriety environment depends on the nature of what is protected in the propriety right and the legal system in which it is deployed (Teece 1986). Since regime shift can affect the public opinion and the legal system (Geels and Schot 2007), the strength of the

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[10] Propriety rights include rights from trademarks, patents, copyrights and other propriety assets

propriety environment can vary over time. Eventually every propriety right loses the effect it has, due to imitation, surpassed duration of the right or decreased relevance (Gilbert and Newbery 1982).

In a tight propriety environment, propriety rights are a good protection against competitors (Teece 1986). They can delay new entrants when they want to enter a market, because it requires the new entrants to acquire licenses or workarounds for certain assets they require (Gilbert and Newbery 1982). When new entrants need to acquire licenses from an incumbent organization to participate in the new market, the licenser can decide who gets a license and with what conditions. This way the incumbent organizations can control the new entrants through contracting agreements for use of the propriety right. The fear of withdrawal of an essential license can also decrease the motivation of new entrants (Teece 1986).

Usually incumbent organizations, who are confronted with a radical change in their market, tend to choose the wrong strategy to remain part of the regime (Christensen 1998). Defending a market with propriety rights won't secure that market, but it can create valuable time to find the necessary new assets that will secure a market (Teece 1986). During this defense period the rights holder with appropriate propriety rights can not only delay the competition, but also secure the market value over that period of time (Teece 1986).

When propriety rights are appropriately deployed in a strong propriety environment, they can be used as a defense mechanism. These specialized complementary assets won't secure a market, but will at least create some time to find the necessary assets and to deploy an adaption strategy.

3.3 Adaptation Strategy

The second strategy that will be discussed is an adaptation strategy. This process can require incumbent organizations to find new applications for their competencies, find new capabilities and change their core competencies. These adaptation strategies can enable an organization to compete with the new entrants.

The main points of interest in an adaptation strategy are the core competencies of an incumbent organization, like the use of their specialized complementary assets. These elements should be used as effectively as possible, since they have created the competitive advantage in the past (Leonard-Barton 1992). Not all core competencies are qualified to be used in the adaptation process. Only the competences which are still relevant after the regime shift can qualify.

3.3.1 New applications for core capabilities

The technological substitution process that starts a regime shift can disable the old business model of incumbent organizations. To adapt to these changes, incumbent organizations should find new applications for their core competencies. When new competencies are developed internally, incumbent organizations can fall into the competence traps that have gained them their competitive advantage in the past ((Levinthal and March 1993). To develop the more radical innovations that can be needed to

adapt to the changes, organizations should avoid these traps. Organizations can achieve this by looking beyond their boundaries and by stimulating entrepreneurship.

Rosenkopf and Nerkar (Rosenkopf and Nerkar 2001)have found that incumbent organization should look beyond their organizational and technological boundaries to avoid the danger of competence traps. By building on the developments of other organizations they can assure a competitive relevance. They have also found that exploring outside the technological boundaries of an organization can stimulates the tendency to only use the best expertise available. Although exploration beyond either of these two boundaries has a positive effect on the process of finding new applications, the combination of both forms of exploration can provides the highest level of impact (Rosenkopf and Nerkar 2001). By focusing on what other organizations are doing and using expertise from outside, organizations are more likely to find relevant applications for their current core capabilities.

Another way new applications can be found, is through stimulating entrepreneurship within the organization. Entrepreneurship inside the incumbent organization can be developed by stimulating experimentation and diversity. This can lead to the necessary breakthroughs to regain a leading position in a market (Burgelman 1983); (Covin and Miles 1999). But as incumbent organizations can suffer from learning traps when new applications are developed internally, entrepreneurship should be stimulated through experimentation with novel, emerging and pioneering technologies (Ahuja and Lampert 2001). By stimulating entrepreneurship through experimentation with unfamiliar technologies, the incumbent organizations can create an opportunity to find new applications for old capabilities.

3.3.2 Creation of new capabilities

When relevant new applications have been found for the core competencies of an incumbent organization, these applications should be made ready for use. These applications might require the creation of new capabilities. When the new applications are used in projects, these new capabilities can be learned (Leonard-Barton 1992).

Efficiency based organization structures are usually not developed for the chaotic entrepreneurial situation these projects require (Christensen 1998). Since the incumbent organizations have gained their success through efficient operations, the new projects can be in danger of being eliminated. To avoid elimination of potentially successful projects, the incumbent organization should harness the different processes, values and resources of these projects (Christensen and Overdorf 2000)

The separate organizational structure can be used to gradually ease into the new processes, values and resources. Christensen & Overdorf (2000) explain that the new capabilities can be created internally or through spin-outs. When the necessary capabilities are found in processes, the new applications can be developed internally, with a new boundary pulled up around the project group. The new capabilities can also require different values than the ones in the incumbent organization. For this purpose a spin-out organization can be created to physically separate the project from the rest of the organization. New capabilities can also be created through acquisitions (Christensen and Overdorf 2000), but this may still require the separation of the new application projects from the main organization.

The success of the development of new applications for the incumbent's core competences is often unpredictable. Because of this uncertainty, the new projects should be given a fair chance to survive. Depending on the phase of the project, different cultures and structures should be fully supported by the incumbent organization. The temporary ambidextrous organization structure that is required to fully support both the efficient and the entrepreneurial organization structures asks for a division of attention and resources among the sustained structures (Tushman, Anderson et al. 1997). As Christensen and Overdorf (2000) put it: "… *we have never seen a company succeed in addressing a change that disrupts its mainstream values without the personal, attentive oversight of the CEO –…*" By separating the entrepreneurial projects from the efficient organization, and giving it the full support it deserves, the necessary capabilities can be created and the new project can be a success.

3.3.3 Adoption of new core capabilities
The new applications for the relevant core competencies can be adopted when new capabilities have been found and created. When these projects are successful, newly created capabilities can be made core capabilities. At the same time, non-relevant core capabilities can be eliminated.

As the new projects with new applications for the incumbents' old competencies are evolving, new technologies and capabilities will be developed (Senge 1990). When these capabilities and technologies become important enough to create a potential competitive advantage, they should become a core capability (Teece, Pisano et al. 1997). These potentially new core capabilities are relevant in the new situation after the regime has shifted and should be adopted by the organization.

During the project phase, the restrictive side of the core capabilities can be discovered when certain aspects of the organization collide with the requirements of a new project. These core rigidities can hinder projects that don't fit with the organization (Leonard-Barton 1992). When rigidities are encountered in a project, they can be used as a way of learning about the core rigidities of an organization (Senge 1990). When core rigidities are recognized, they can consciously be replaced with capabilities that better fit the situation.

For an organization to be able to adopt the new core capabilities, it should allow adaptation on all dimensions of the organization. Leonard-Barton (1992) describes four dimensions that should be satisfied before a capability becomes a core capability. The dimensions of knowledge & skills, the technical systems and the managerial systems should be adjusted to the new core capability. The dimension of values and norms can require a cultural change in an organization (Tushman, Anderson et al. 1997), which can be much more difficult to achieve.

A capability should be adopted on all four dimensions to allow the creation of a competitive advantage for incumbent organizations. This can require a complete change of organizational culture. It is a process that requires full support from all involved. This process can require some time to implement, but can also be very relevant as it can secure a much better fit with the environment.

As core rigidities are lost and new, relevant core capabilities are integrated in the organization, an incumbent organization should become able to adapt to changes in landscape pressure. In this new

situation, the incumbent organization can again compete with the new entrants and other incumbents who survived the regime shift.

3.4 Strategy combinations

The defense and adaptation strategies can also be deployed in a combined form. When both strategies are combined, the timing of the adaptation strategy becomes the most relevant factor. Therefore the timing determines the type of strategy combination. The adaptation strategy can be deployed parallel to the defense strategy, after the defense strategy or somewhere during the defense strategy, which results in three types of strategy combinations. These are *parallel*, *punctuated* and *crossover combination* strategies (fig. 2).

Parallel combination of strategies

Defense strategy

Adaptation strategy

Punctuated combination of strategies

Defense strategy

Adaptation strategy

Cross-over combination of strategies

Defense strategy

Adaptation strategy
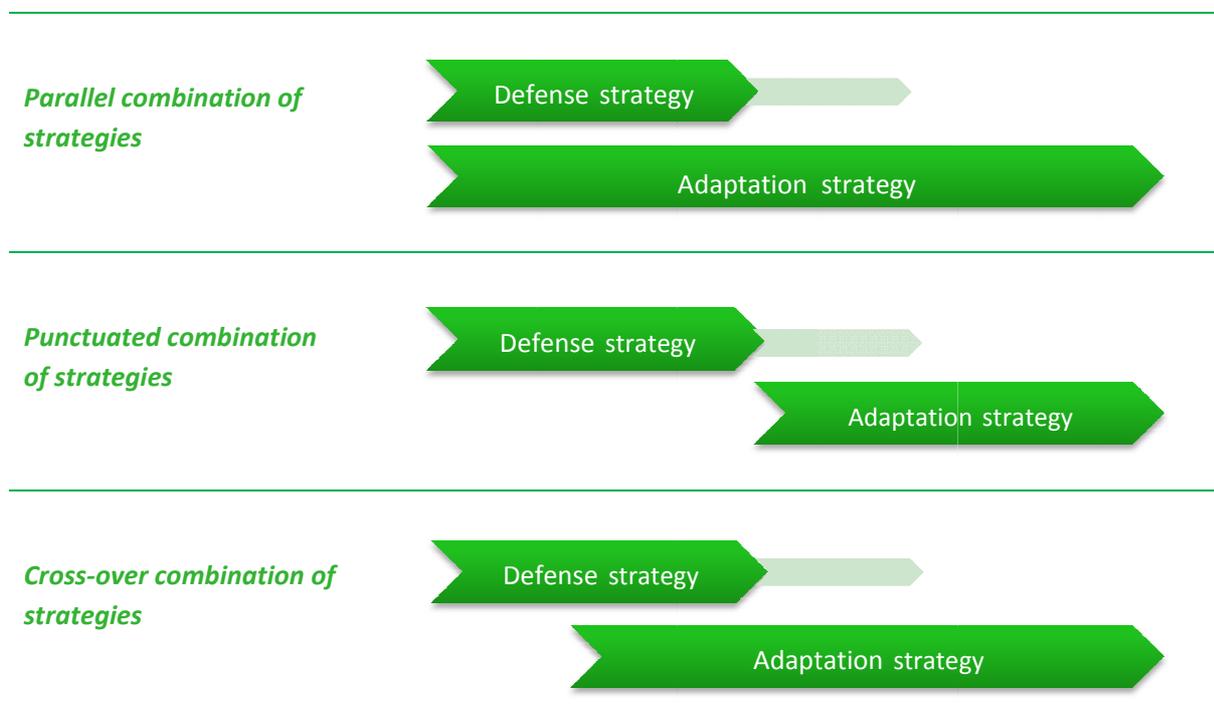
Fig 2: Types of strategy combination, based on the timing of the adaptation strategy.

The timing of the adaptation strategy has consequences for the organizational structure of the incumbent organization, since the defense strategy and the adaptation strategy both require their own organization structure. The defense strategy is focused on current specialized complementary assets. Therefore the current organizational structure shouldn't have to be adjusted. But when an adaptation strategy is deployed, new applications, capabilities and core capabilities can require a change in

organizational structure. When both strategies are combined, both the defense and the adaptation strategy need their own organizational structure to be deployed successfully.

According to Tushman and Anderson (1997), an ambidextrous organization can sustain both an efficient organization structure and an entrepreneurial organization structure. Therefore both the parallel combination strategy and the cross-over combination strategy can require creating such an ambidextrous organization. In the punctuated combination strategy, an ambidextrous organization can be required for the adaptation process, but is not necessary for the combined strategy, as the adaptation strategy is started when the defense strategy has lost its effectiveness. Therefore an incumbent organization that deploys the punctuated strategy does not necessarily have to deploy two different organization structures at the same time.

The timing of the adaptation strategy also has consequences for the amount of time that is available for processes related to the adaptation process. The amount of time available for exploration and experimentation, predicting the necessary capabilities for the future situation and preparing an organization for the upcoming changes varies among the different combined coping strategies. A relative estimation can be made of the amount of time available for each of the adaptation processes for each of the combined coping strategies (fig. 3).

	Parallel combination	Punctuated combination	Cross-over combination
• Exploration and experimentation	+	-	+/-
• Following market developments before adaptation process	-	+	+/-
• Preparation for change in systems and culture	-	+	+/-

Fig. 3: Amount of time available for several adaptation processes, according to type of combination strategy.

In a parallel situation, an organization can start with a defensive strategy to maintain some control over the market. At the same time it can deploy an adaptive strategy to adapt to the new situation as fast as possible. New capabilities can require some time to find, since organizations will have to explore outside their boundaries (Rosenkopf and Nerkar 2001) or experiment with unfamiliar technologies (Ahuja and

Lampert 2001). Therefore an early start of the adaptation process can result in a higher chance of success. But at the same time, an organization still has to face the same challenge as with the adaptation only strategy. Right after the system change it is difficult to find the right adaptation strategy, since new capabilities still have to prove to be useful in the future (Christensen and Overdorf 2000).

In a punctuated situation, first a defensive strategy is deployed. When the defensive strategy is losing effectiveness, an incumbent organization can switch to an adaptation strategy. In this situation, the defensive strategy can create the most time to prepare the organization to the adaptation process. This time can be used to implement the new systems (Leonard-Barton 1992) or change culture (Tushman, Anderson et al. 1997). It can also create time to choose the right competencies to develop, which can prevent the wrong choice of adaptation strategy (Christensen and Overdorf 2000). But as a result, an organization has less time to successfully develop the new competencies necessary to adapt to the new situation, as experimentation time (Ahuja and Lampert 2001) and exploration time (Rosenkopf and Nerkar 2001) are decreased.

In a crossover situation, elements of both the punctuated and the parallel situation are combined. First a defensive strategy is deployed. When it becomes clearer which adaptation process can gain successful results, an adaptation strategy is formulated and started. In this situation, the defensive process can create some time to explore organizational boundaries (Rosenkopf and Nerkar 2001) and experiment with unfamiliar technologies (Ahuja and Lampert 2001) to find new capabilities. It also provides some time to prepare the organization for a change in systems and culture (Leonard-Barton 1992); (Tushman, Anderson et al. 1997).

3.5 Coping strategy effects model

Defense and adaptation strategies can be a successful method for dealing with a change in landscape pressure. The success of these coping strategies depends on the incumbent organizations ability to adapt to the changes. But there is no coping strategy that is effective for every organization. Therefore a model has been created to provide an overview of the different coping strategies and their general opportunities and threats (fig. 4). Opportunities can be used to adapt to the changes more easily, while threats should be overcome to be able to adapt successfully.

A defense only strategy can be deployed when there is no desire to adapt or when no adaptation possibilities are available in the current market situation (Geels and Schot 2007). The defense strategy can secure some market revenue and delay the competition in their efforts to enter the market (Teece 1986). But the defense strategy is based on specialized complementary assets that can become obsolete over time (Gilbert and Newbery 1982). The defense strategy is therefore only a temporary strategy.

An adaptation strategy can also be deployed without the defense strategy. Such an adaptation only strategy can be deployed when there is no interest in defending the current market, or when none of the defensive options are available (Geels and Schot 2007). The adaptation strategy can be used to develop new applications for current capabilities, create new capabilities and adopt new core capabilities. To find new applications and new capabilities, an incumbent organization needs to invest

resources in boundary spanning exploration (Rosenkopf and Nerkar 2001) and experimentation with unfamiliar technologies (Ahuja and Lampert 2001). To adopt new capabilities into the organization, an organization can also be required to change systems and culture to adopt the changed processes and values (Leonard-Barton 1992); (Tushman, Anderson et al. 1997)).

	Opportunities	*Threats*
• Defense strategy	• Secure revenue from market • Delay competition	• Temporary strategy
• Adaptation strategy	• New applications for current capabilities • New capabilities • New core capabilities	• Change in systems and culture • Resource costs of exploration and experimentation
• Combination strategy (*parallel, punctuate &, cross-over)*	• Secure revenue from market • Delay competition - - - - - - - - - - • New applications for current capabilities • New capabilities • New core capabilities - - - - - - - - - - • *No temporary strategy*	 - - - - - - - - - - • Change in systems and culture • Resource costs of exploration and experimentation - - - - - - - - - - • *Core rigidities from switch of strategy*

Fig 4: Coping strategy effects model: opportunities and threats of each of the three coping strategies

By merging the defense and adaptation strategy into a combined strategy, an organization can defend its market position and create new capabilities. This combined strategy has lost the temporary nature of the defense strategy, since an incumbent organization can continue with the adaptation strategy when the defense strategy becomes obsolete. Therefore it can delay the competition and secure market revenues as it is developing new capabilities. New entrants will have less chance to enter the market and the incumbent organization can create an opportunity to maintain a market position in the new situation.

The combination of the two strategies has consequences similar to the adaptation strategy. Resources have to be invested in boundary spanning exploration and experimentation with unfamiliar technologies. A change in systems and culture can also be necessary to adopt the new processes and values related to the new capabilities. To add to these consequences, each strategy requires its own organizational structure, which can lead to the need for two different organizational structures at the same time.

In this situation, a division of resources and attention should be achieved by implementing two different organization structures in a single organization. Since the defense strategy is of a temporary nature, the incumbent organization will eventually have to switch all resources and attention to the adaptation strategy. The core competencies that were successful in the defense strategy can now become core rigidities in the adaptation strategy (Leonard-Barton 1992).

3.6 Summary

The defense strategy focuses on using appropriate specialized complementary assets to compensate for the inferior technology. Proprietary rights assets can be especially strong when deployed in a strong proprietary environment. Incumbents can use these assets to delay new entrants from entering the new market and secure some revenue. This can create valuable time to adapt to the regime shift effects.

The adaptation strategy focuses on using core competencies of the incumbent organization in new applications. The methods for finding new applications include boundary spanning exploration and experimentation with unfamiliar technologies. The projects that use new applications can be separated organizationally and should be fully supported. These projects can create the necessary new capabilities to become successful. The new capabilities that are successful enough to create a competitive advantage can be made core competencies, which can require a change in systems and culture.

When these strategies are combined, the timing of the start of the adaptation strategy determines the resulting opportunities and threats of each coping strategy. Early starts allow for more time to explore and experiment, which can result in finding new competencies. To fully support these entrepreneurial activities, an ambidextrous organization structure should be created. Later starts can create time to prepare an organization for a change in systems and culture, which are essential for implementing the new capabilities. It also allows an organization to wait with the adaptation process until it becomes clearer which competencies should be developed, but decreases the time for exploration and experimentation.

This chapter has focused on modeling the various coping strategies for incumbent organizations to cope with regime shifts. The model can be used to determine the opportunities and threats in coping strategies. It will be used in chapter six to analyze the coping strategies of the various actors dealing with the regime shift in the music industry.

Chapter 4 - Methodology

In this chapter it is explained how the theoretical findings from chapter one and two are used to find new activities for Buma Cultuur. First the research method of a multi-level case study is presented. The following section presents the research setting through descriptions of the various stakeholders, Buma Cultuur and the current situation within the Dutch music industry. Finally, the sources of data collection and the methods of analysis are explained.

4.1 Research Method

To research which activities an organization should deploy to deal with a regime shift, the research method of a single, multi-level case study has been chosen.

4.1.1 Case study

Following Yin's (Yin 2003) division of research strategies and situations, the case study design has been chosen for three reasons. First of all the case study design provides a research method that does not require control of behavioural events. Since the behavioural events are not controlled by the investigator, this should be a characteristic of the research method. Secondly, this research is likely to involve many more variables of interest than data points, which works well for the case study research method. As a third reason, the method should be able to focus on contemporary events, since this event is currently happening.

4.1.2 Single, multi-level case study design

The choice for a single, multi-level case study has been determined by the unique nature of Buma Cultuur. As will be explained in section 4.3, Buma Cultuur is the national music support and promotion organization and therefore interacts with many different stakeholders. Most of these stakeholders should feel the effects of the regime shift in the music industry very directly. Since music support and promotion organizations do not operate for profit but for stimulation of the music industry, they provide an excellent starting point to investigate the effects of this regime shift. The adaptation of Buma Cultuur to the regime shift is focussed on the various levels of the artist, the record labels and industry as a whole. A single, multi-level case study provides a good research method for investigating an illustrative case like this (Yin 2003).

4.2 Research setting

This section will elaborate on the research setting, the various actors and their relations. It starts with a description of the various stakeholder groups that are involved. Then a short description of the old business model of the music industry and its actors is given. This is followed by a more detailed description of the organization of Buma Cultuur. The current activities will be described according to the four areas of activities. Finally, the relationship with copyright retribution organisation BUMA will be explained in more detail.

4.2.1 Stakeholder groups

The following stakeholder groups have been defined for this research:

Buma Cultuur - The main organization of focus in this research. The mission of Buma Cultuur is to promote Dutch music copyright now and in the future. Their search for new activities is the objective of this research.

Music business - All actors involved in the creation of a music product except for the creation of the music itself. Music business actors create a music product through the location, development and exploitation of talent. They include: record labels, publishers, manufacturers, aggregators, distributors, retailers and many more. In this research special attention is given to major and independent record companies, since they fulfill a hub function in the music industry (see: Ch. 4.2.2: The old business model of the music industry).

Artists - All actors involved in the artistic process of music creation. They include composers, songwriters, performers, producers, instrumentalists, lyricists and more. In this research the composers and songwriters are given special attention since their activities result in newly granted music copyrights.

Consumers - All actors involved in the consumption of music. Some of these passive consumers have changed into more active distributors of music. This activity has caused the current changes in the music industry.

Government - Government actors support, control and make policies on various aspects of the music industry. Involved departments include Economic Affairs, Educational, Cultural & Science department and the Justice department. The direct influence of government is small, since the music industry is thought to be an industry that is strong enough to deal with market forces uninterruptedly. Still, some influence is perceived through investigations, grants and political attention. On the topic of this research, government mainly wants to stay informed about the current developments, except for some illegal copyright related issues.

Music support organizations - All actors who are involved in some form of support towards the music business or artists. Their aim is not to create profit from music but to support music on a certain level. For this research relevant support organizations involve: BUMA, which is the Dutch music copyright collecting organization, and MCN (Dutch Music Center) who support the cultural development of music in The Netherlands. The MCN has to focus on the cultural quality of the artists they support, while Buma Cultuur can support any artist that creates Dutch music copyright.

4.2.2 Old business model of the music industry

The old business model of the music industry is slowly loosing relevance as new distribution possibilities disable record companies to directly regain their investments in new talented musicians. That business model of the music industry has not really changed since the existence of the possibility of recording music to a medium (Leonhard 2008). Even with the current changes this business model will remain some relevancy for certain areas of music business. To understand the dynamics of the old business

model, a short history will explain how music became a music product, which could be exploited by record companies.

Music is created by musicians. A live musician supplies a service to the listener. But for music to be heard outside the direct environment of the musician, it needs to be documented in some shape or form. This used to be done by writing songs down as sheet music, thus enabling different musicians to play the same song. With Edison's invention of the phonograph in 1877, it became possible to record music to a medium. This turned music into a product that could be sold to listeners. Even though the storage media have changed, this principle still is the backbone of the music business as we know it today.

Within the music business, it is all about locating, developing and exploiting talented artists. Related activities include the selection, production, recording, publishing, distributing and marketing of music (Krasilovsky and Shemel 2007). To explain how these processes interact, the supply chain of recorded music is modeled from the recording and the publishing side.

The supply chain of the recording side is the most visible side of the industry. An artist plays a song. This song is produced by a producer. A record company records the song to a medium and markets the song and the artist. The medium is reproduced by a record manufacturer, which is then distributed to retailers by the record distributor. Finally, the customer can buy the medium from a retailer.

The supply chain of the publishing side is shorter and doesn't involve any consumers. Here, a composer writes a song. With this creation, the composer automatically receives copyright on the works. Then publishing rights to this copyright are bought by a music publisher. The publishing company exploits the copyright by pushing the song for radio airplay, music in TV or film, or selling it to another artist.

The recording industry is the most influential component of the music industry and can be divided into 'Majors' and 'Indies'. The *Majors* are the four major music groups of EMI, Warner, Sony BMG and Universal, which control about 90% of the market. Each of the four majors holds several different publishers and many record companies with even more labels. Each record company usually has its own distribution system and manufacturers. The *Indies* consist of all record labels, record companies and music publishers who are independent of the majors.

Other industries that are related to music are broadcasting, retailing, education, arts & entertainment, and manufacturing industries. Together with music organizations like copyright collectives, performers associations and musicians unions, they make up the whole of the music industry.

The business model associated with this lay-out of this industry focuses on the record company as an investment organization. At some point in their career a band or composer cooperates with a record company. This can be done to use the core competencies of the record company, like marketing and distribution, or when the artist requires financial support, for instance, to make a quality recording with a good producer. The record company pays the band or artist an amount of cash up front for the licenses to use the copyright to their music.

Of the many bands and composers a record company signs, only about 1 in a 100 become famous enough to create a profit that is large enough to make up for the other 99[11]. This way the record company can make a profit and the new band or composer is given a chance to break through. For artists who do not write their own material, this system works almost the same, except that they do not sell copyrights to their works but the performing rights to the recorded material.

The previously described business model only works when the investment organisations, which are the record companies, can expect their investment to return with profit. The current developments in the music industry cause music sales to drop dramatically. Therefore this old model is not effective anymore for most record companies. Since the record companies have a key role in the music industry, the whole industry feels the effect of the changes.

4.2.3 Buma Cultuur

Buma Cultuur is the music support and promotion organization in The Netherlands. It is an organization that has been around since 1962 to support Dutch composers in their activities and to promote Dutch music nationally and internationally.

With around 20 employees, it is a relatively small organization. The organization is divided into a corporate department and an events department. Both departments together promote and support everything related to Dutch music. The division of workers can be found in the overview of the organization structure, which can be found in the appendix: 'Organization structure of Buma Cultuur'.

Buma Cultuur plays an important role in the Dutch music industry business model. Their mission states that "Buma Cultuur does its best for Dutch music. Buma Cultuur supports and promotes music and music copyright by initiating and contributing to projects and initiatives in The Netherlands and outside it, regardless of genre."[12]

The music promotion activities of Buma Cultuur stimulate the sale of music composed in The Netherlands and improve the export of Dutch music. With their knowledge support activities they can supply music industry knowledge to other actors. Their trade support activities help make The Netherlands an important business hub. The activities of Buma Cultuur that support artists aim to support Dutch composers and indirectly ensure more people are choosing to compose music as a career.

Buma Cultuur does not have to judge the music it supports for quality. Every act, band or artist can use their services. Getting support, promotion or playing at a Buma Cultuur event can effectively launch an artist into the paid venue scene, since these artists can expect exposure to increase drastically. Supported genres cover the entire scope of Dutch music: from M.O.R.[13] and pop to dance and rock. Since 2007 Buma Cultuur also promotes and supports jazz, cabaret and classical music.

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[11] From the interview with NVPI. Although exact numbers can be slightly different, it illustrates the business model
[12] 'Year report Buma Cultuur 2008':
http://www.bumacultuur.nl/nl/file/download/id/239/hash/89f651df91cfe57c14a1e351fbb3c64b
[13] M.O.R. stands for 'Middle of the road', which is a music format that is inoffensive and very melodic. It is easy to listen to.

Buma Cultuur has an exceptionally large network of music producers, artists, composers, publishers, distributors and any other function related to Dutch music. It tends to be an objective organisation that supports everything related to Dutch music.

4.2.4 Current activities of Buma Cultuur

Most people know Buma Cultuur from the 'Amsterdam Dance Event'[14] and 'Noorderslag'[15] music festivals, which have become world renowned business events for the music industry. However, Buma Cultuur initiates a whole array of activities, including festivals, export promotion, media, talent development, sponsoring and awards & honours. Functionally, all these activities serve the main mission of promoting Dutch composed music. Although some activities directly promote Dutch music copyright, most activities promote music copyright through knowledge creation, trade stimulation and author support.

Music promotion activities

The direct promotional activities of Buma Cultuur include export promotion and promotion towards media sources. In the area of export promotion, the 'MusicXport.nl' website provides a detailed list of Dutch artists for foreign consumers and bookers. Buma Cultuur represents these artists collectively at various international music fairs and events. It also maintains the 'ETEP' program that exchanges talented Dutch artists with other European countries. These artists get to perform locally in both countries, which can effectively increase exposure for both parties.

On the other side, Buma Cultuur promotes copyright directly with broadcasters, consumers and actors outside the music business. With the 'OLON CD-service' and promotion CD's, new Dutch talent is presented to broadcasters and other music business actors. Certain radio weekends are dedicated to Dutch composed music only and Dutch video clips are promoted through contests. Through information and public relations, parties outside the music business are informed of Dutch music developments and the relevance of Dutch composed music.

Knowledge support activities

Buma Cultuur currently engages in knowledge supplying and creating activities through conversation and idea generation projects with political, governmental and other music actors. It has already engaged in setting up a new initiative for the music industry. A 'Creative Challenge Call'[16] subsidy request to the government has been made to build a virtual music warehouse to aggregate small artists. This request was initiated by Buma Cultuur as a reaction to information that small artists were not able to sell their music on the larger distribution sites.

Trade support activities

The trade support activities of Buma Cultuur consist of organizing business events and actively maintaining a network of all relevant actors in the music industry. At 'Amsterdam Dance Event',

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[14] http://www.amsterdam-dance-event.nl

[15] http://www.noorderslag.nl

[16] Creative Challenge Call was a governmental subsidy program for organizations in the creative sector to develop projects to connect with other industries: *http://www.creativechallengecall.nl*

'Noorderslag Weekend' and also 'Jazzdag.nl', composers and business actors can find each other, which stimulates the business synergy amongst these actors.

Buma Cultuur is already a world leading organization in the area of organizing music events for the music industry. With the 'Amsterdam Dance Event' and 'Noorderslag Weekend', it has two events that encompass conferences, seminars and showcases in the genres of dance and popular music that brings thousands of people from all over the world to The Netherlands. The organisation is actively pursuing buyers to come to these events. It has consultants to do promotional activities in Germany, United Kingdom and the United States. The result is a high level of music sales, which in turn attracts more visitors.

The event organizers of Buma Cultuur stay up to date with current issues by consulting their network, professional literature, forums, consultants and professionals with up-to date insights. This determines the direction of the workshops and panels. The network of music actors forms a main pillar in all business event activities and is maintained carefully.

Artists support activities
The activities of Buma Cultuur to support Dutch music authors consist of various activities. Amongst these activities are talent development and awards & honours that contribute to the development of Dutch music authors.

At the 'ADE Next' and 'Muzikanten dag' events, upcoming musical talent is prepared for a career in music business. Lectures from representatives of every division of the music industry are offered as well as Q&A sessions with artists, A&R managers, broadcasters and programmers. Everything is focused on the starting musician. All relevant topics are discussed, including finding a label, finding investors, breaking through the glass ceiling of the internet, selling your music, promoting your music and distributing it online.

Buma Cultuur was started to give out awards and honours to exceptional Dutch music authors. Since 1962 the authors are have been and still are recognized through ceremonies like 'De Gouden Harp', 'De Zilveren Harp', 'De Exportprijs', 'De Radio 2 Zendtijd Prijs', 'De Popprijs and De Annie M.G.Schmidt Prijs'.

4.2.5 The relationship of Buma Cultuur with BUMA[17]
BUMA is the main financer of Buma Cultuur. It serves as the Dutch association for the commercial exploitation of music copyright for playing live or recorded musical works in public. For efficiency purposes, the BUMA organization has merged with Stemra to form BUMA/Stemra, but BUMA remains the financer of Buma Cultuur.

BUMA of Buma/Stemra has to refinance 10% of copyright exploitation revenues into cultural development initiatives. Buma Cultuur, with its mission to promote Dutch composed music, is one of these initiatives. Such an initiative operates most effectively when the organization can independently

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[17] BUMA will be written in capitols throughout this thesis to avoid any mix-ups with Buma Cultuur

choose which projects to start up and how to run them. Therefore Buma Cultuur can operate mostly independently, except for some supervision by BUMA on strategy issues.

From the first of March 2006, the old name of 'Conamus' was replaced with the new name 'Buma Cultuur' to emphasize the link with financer BUMA, who founded Buma Cultuur. BUMA wanted to show they do more than just provide licenses to users of copyrighted music works, especially now that copyright has become a big issue with the new forms of music distribution.

4.3 Data collection & analysis

The data collection process has focussed on transcripts of interviews and documents related to Buma Cultuur and the Dutch music industry. This data was analyzed to be able to answer the research questions.

4.3.1 Source of Data

The main source of data is found in interviews with the various stakeholders within and outside of the Buma Cultuur organization. A secondary source of evidence is found in documentation from within the organization and a selection of news clippings. The data from the documents and the interviews will be cross-examined during data analysis (Altrichter 2002).

Interviews

Interviews are an essential source of case study evidence when human affairs are involved. Well informed respondents can provide important insights into a situation that cannot be obtained from other sources of evidence (Yin 2003).

To start off the interview process, the stakeholders of Buma Cultuur were defined. These stakeholders were defined from the stakeholders of this research, a general environment scan of the organization and preliminary interviews with managers of Buma Cultuur. After the initial set of stakeholders was defined, the most important stakeholders were suggested by one of the managers. This created insight in the relations between the various stakeholders and Buma Cultuur.

First, the well informed respondents within the stakeholders of Buma Cultuur had to be found. The aim was to conduct 15-20 interviews with individuals from outside of as well as from within the organization, with at least one respondent for every category of stakeholder. During the preliminary talks with managers at Buma Cultuur, several potential respondents emerged. These respondents were a solid starting point for the interviews, since they were close enough to the organization of Buma Cultuur to know what projects were currently running.

Next, these respondents were contacted by telephone. Most of the respondents were only loosely affiliated with Buma Cultuur, which resulted in interesting conversations, where new points of view were introduced. Some of the respondents emerged as informants. New sources of evidence would be pointed out or new respondents with similar or different opinions would be recommended. Through

contacting potential respondents and through further talks with Buma Cultuur management new potential respondents emerged, until all groups had at least one available respondent.

The actual interviews were started from this point. During the course of the interviews, the last respondents were found through leads and referrals of other respondents. These respondents were chosen to be mainly composers, since they represent the largest group of current and future customers of Buma Cultuur (fig. 5). The interview with the respondents from the government's department of education, culture and science (OCW) was unlike the other interviews, since the interview was conducted with three people, instead of one.

Proximity	Group	Number of respondents
Internal	Corporate	1
	Events	3
	Board	1
External	Composers	4
	DJ	1
	Distributor	1
	Producer	2
	Publisher	1
	Support	1
	BUMA/Stemra	2
	Government's EZ	1
	Government's OCW	3
	Media	1
TOTAL		22

Fig. 5: Respondent diffusion

In the course of two months all the respondents were interviewed. After the initial contact and the making of an appointment for the interview, an explanatory email was send. The explanatory email prepared the respondent for an interview of around one and a half hours. The actual interview durations varied from forty-five minutes to two hours. The preferred setting was a closed office or some other private area, which was usually at hand. When such a place was not available, a quiet, public place with no relation to the respondent or the research subject was chosen.

Before the interviews started, a list of interview subjects was formulated. These subjects concerned the changes in the music industry due to new digital technology and internet distribution, ways to promote and support Dutch composed musical works and questions related to new internal and external activities Buma Cultuur could deploy to adapt to the regime change. From this list of subjects, a focussed interview protocol was made for every interview. This protocol contained questions that were relevant for a specific interview.

The individual interviews had a semi-structured nature and were conducted in a fluid, conversational manner. Usually, the interviews also involved a reoccurring element to check different opinions on a subject. These questions would be asked in the same, open way every time to allow respondents to provide a fresh commentary about it (Yin 2003). This practice was mostly used to determine influence factors and to value design ideas.

Recording & Transcription
Data from the interviews was gathered by taking elaborate notes while conducting the interviews. The notes were taken by writing down key words and short sentences, which explained the line of thought. When the literal words of a respondent provided more information than separate keywords would, the sentence was written down as a quote.

Taking notes sometimes also doubled as a silent way of asking a respondent to elaborate on their answers, because the pause between the last spoken sentence and finishing that part of notes would create the time to think of new answers (Emans 1990). This was especially useful when thinking of new ideas for activities at Buma Cultuur.

The notes and quotes were worked out to typed reports within several hours after the interview had finished, ensuring that the feeling of the interviews was maintained. These recounts were written in a narrative style with many enumerations. The length of the reports varies from *3 to 8 pages.* Each report also provides the date, time, location and other relevant information concerning the interview.

The preferred method of transcription was to take notes of the interviews and work these out to reports. Recording the conversations was not a preferred practice. Although recording might have provided a more complete reproduction of the interviews, it would have disabled the mechanism of checking if all the necessary information was gathered. In several occasions the interview was recorded to a digital recording device as well as written down. The transcriptions of the recorded interviews are around 15 pages in the same conversational matter as the interview. From this transcription, a standard report was made.

Recordings were done when interviews were conducted with more than one person, by telephone or when the course of the interview was very unpredictable (Emans 1990). In these cases the recording device was introduced at the beginning of the interview. If a respondents felt they couldn't speak freely somewhere during the interview, the recording was stopped and the interview was continued with only the written account.

Documents

Data from documents are the second source of evidence in this study. Document collection has focussed on proposals for new projects, year reports, evaluations of organized events, newspaper clippings, online articles and other articles appearing in mass media (fig. 6).

Document type	*Documents*
Proposals for new projects	1 x Creative Challenge Call proposal for starting a new music warehouse
Year reports	1 x year report of 2006 1 x year report of 2007 1 x year report of 2008 (released June 2009) 1 x NVPI year report 2007/ 2008 about the entertainment industry. 1 x NVPI year report 2008 /2009 about the entertainment industry.
Evaluations of organized events	1 x Evaluation report of Amsterdam Dance Event "Appreciation of the conference visitor"
News clippings	Many articles on current events in the music industry, found mainly on the internet, but also from newspapers and in magazines.

Fig. 6: Collected document types and documents

The collected documents were not used as evidence without the information from interviews to avoid overreliance on this type of evidence. The evidence from these documents was used to augment evidence found in interviews and for a basis for further investigation when evidence found in the interviews didn't match the evidence found in the documents (Yin 2003).

To collect the data on the current activities, documentation was consulted in the form of the last three year reports. These list the different projects from 2006 to 2008. The current activities formed the starting point of the interviews with Buma Cultuur management on current and future planned activities.

The news clippings found in any sort of media were introduced since the regime shift situation in the Dutch and international music industry seems to gather a lot of media attention. Articles from consumers, press releases of companies, policy changes of governmental parties and technology and market updates surface every day. This heightened media attention is probably caused by the fact that consumers of music are so directly affected by the regime shift (Lam and Tan 2001). These news clippings provided lots of subjective information.

Especially for the determination of the coping strategies of the various music industry actors, many news clippings have been used. Most of the clippings were meant to create an overview of the different new applications and capabilities that were achieved by the Majors since the start of the regime shift.

Some of this information was surprisingly available through public information on lawsuits and through the various new applications intended for music consumers. On the other hand, information regarding profits, new business models and cooperation was much harder to find. This information was eventually found through released market information of the various support and control agencies related to the music industry.

Information on the adaptation of independent music companies was much harder to find, as many Indies don't posses enough news value to be notices by the various news sources. Some information was freely available, since the smaller independent music companies and net labels attempt promotion through all possible sources, including news sources. Most information related to the larger independent music companies was eventually acquired through respondents of the interviews.

Information on the adaptation of artists was more accessible, since many of their adaptation activities are directly intended for music consumers. Especially for the bigger artists, information was easy to acquire. Their fame results in lots of news coverage.

Issues
There are several issues concerning the data collection process. First, interviews should be considered verbal reports only, and can be subject to problems of poor bias, poor recall, and poor and inaccurate articulation (Yin 2003). Second, the interviews are conducted with individual persons about an organization. This can result in a subjective view of the organization. Third, the objectivity of the documentation can highly depend on the source of the documentation.

The collected data was put into perspective by being aware of the context and source of the data. To further decrease the influence of these issues, the interviews were compared to the documentation for cross examination, whenever this was possible. This did not solve the biases of the collected data, but these triangulations helped to increase the validity of the outcomes (Yin 2003).

4.3.2 Data Analysis
The collected data needs to be analysed to be able to answer the research questions. This data analysis process was devised of two stages. Data reduction was applied during and after the data collection process to be able to build useful explanations. Triangulation was applied during analysis to find regularities between the data from the multiple sources.

After the first set of interviews, the answers were compared to the theoretical framework and the research questions to determine if vital information was missing. This resulted in some interview questions being revised to generate more elaborate answers. Other interview questions that failed to generate relevant answers all together were take out.

During the various interviews it became evident that some external stakeholders did not know enough about the individual activities of Buma Cultuur. This created room for more attention to the effects of the regime shift and the development of future activities. During the interviews, personal notes were taken to follow relevant stakeholder views on theoretical concepts and the research questions. These notes helped to guide the conversation and create a preliminary index of concepts.

The interview information was also added to the information from news clippings concerning regime shift effects and coping strategies. On the subject of coping strategies, all information was structured to create a complete picture of strategy developments. This picture became the basis for understanding the coping strategies. New news clippings were added, when some questions remain unanswered. Eventually an almost complete picture became available to create a comprehensive database of music industry developments.

After the data collection process was finished, the results of the interviews and documents were connected to the research questions. This process was very complex due to many different sources of evidence. The transcriptions and notes from the interviews, the side notes to guide the conversations, the most relevant quotes, documentation, news clippings and informal conversational data all told their own separate stories. The various sources of data were cross-checked to find the regularities among the various sources of data and divided into three sets, representing the three research questions. Data that did not seem to match any of the questions was separated. This data would eventually be used to create some context on research setting related subjects.

After establishing the three sets of evidence around the research questions, pattern matching was applied to be able to establish preliminary categories that related to the research questions. Data has been compared, combined and separated many times to find the most relevant categories for representation of the data. The data has been sorted on similar phrases, patterns, relationships, distinct differences and any other possible connection among variables, as proposed by Miles and Huberman (Miles 1994). Since all three research questions required different category structures, it was not uncommon for data to be used in more than one category.

The representation of the results of the data collection process has been kept as subjective as possible to not lose the feeling of the data. It has been attempted to use all the evidence and to order the results in a meaningful way that would also clearly state all different and sometimes rival explanations and suggestions found in the data collection process. The most discussed categories are represented first, while following the relevant framework of each research question. This way all possible description and explanations were addressed.

The final combination of the theoretical framework and the data collection result will incorporate Yin's (2003) four principles of high quality data analysis to avoid jumping to conclusions. These require to attend to all evidence, address all major rival interpretations, address the most significant aspects and to use prior, expert knowledge. Some research questions will require theoretical replication of the evidence to achieve a high internal validity, while others will benefit more from counter arguments and rival explanation building. The found patterns will lead to preliminary conclusions and verification of the data.

After patterns are found that match the theoretical frameworks, explanations can be build. These explanations will form the answers of the research questions and the central question, giving meaning to the collected data and explaining the final recommendations.

Chapter 5 - Regime shift in the music industry

In the next four chapters, the results of this research are presented. In this chapter the changes in the music industry are analyzed and the implications for record companies and artists are described. In the next chapter the coping strategies of these actors are described. In chapter seven the new activities for Buma Cultuur are designed to adapt to these changes. And in chapter eight the new roles and activities to implement by Buma Cultuur are presented.

In chapter two, regime shift situations were explained to understand the dynamics of the changes in the music industry. When a regime shift situation occurs, regime level organisations are dependent of the landscape pressure development, the development of a dominant design by niche innovators, but also on their ability to allocate the necessary resources to adapt to the changes in landscape pressure. The timing and nature of the landscape pressure can steer the new regime situation.

To analyze the regime shift situation in the music industry, first the developments in landscape pressure and the subsequent niche developments are described. Then the implications of these changes are described through the opportunities and threats that have risen for the most influential regime actors, which are the major record companies, the independent record companies and the artists.

5.1 Landscape Pressure developments

The landscape pressure developments that affect the music industry followed from a growing need for information within our society. This need for information has lead to many inventions that allow more information to be exchanged (O' Hara 2006). One of developments that followed from these inventions is the digitalization of media. By digitalizing media, the content becomes structurally identical and can more easily be exchanged.

Another technological development that emerged, is the convergence of many different forms of communication to one single network infrastructure, called the internet. This allows users of the internet to communicate with fewer boundaries. The internet created new possibilities for social and media networks. These networks have made global promotion and distribution of media available for everybody. The combination of digitalization of media and network developments has caused the general mindset of media consumers to change (Lam and Tan 2001).

Since music is no longer stuck to a single carrier, it has become possible to download, stream and exchange music files over computer networks. As a result, CD sales have dropped dramatically. Online file sharing applied to the collective information needs of consumers. It has caused an enormous increase in the availability and accessibility of music (Kusak 2005). The technological developments enabled passive music consumers to become active music distributors. This has put consumers in

control of the distribution of music (Leonhard 2008). As a result, the demand for music has risen, although most music is never listened to or paid for[18].

5.2 Niche Innovators

The nature of this landscape pressure development created pressures severe enough to force current music industry regime actors to adjust their activities. The timing of these developments was just right for niche innovators. It created the necessary 'window of opportunity' for niche innovators, who had been developing new services and products that incorporated these technological developments.

The niche innovators have used this 'window of opportunity' to bring their products and services to music consumers worldwide. Some music is still distributed on carriers for certain groups of music enthusiasts. And in some parts of the world where computer usage is low, online downloads are not relevant yet. However online distribution has become the dominant design for music distribution. With this dominant design the niche innovators have taken over the traditional distribution channels from record companies and music distributors.

The niche innovators that created the online distribution services were new entrants from the music hardware and telephone service industries, but also music consumers who wanted more control over the distribution channels. The online distribution services are diverse and operate with or without consent of record labels.

The first places where music was distributed online, were file sharing networks like Napster, Gnutella and Bit Torrent. These networks connect users directly, without the interference of servers. This allows users to access an enormous diversity of music for free. These networks operate without consent of record labels and are referred to as illegal file sharing networks.

Another way to exchange music is through user generated content websites like Myspace.com, Youtube.com and Last.fm. These websites allow users to generate content, which can be streamed by others. These websites are based on social networks and are usually free. Record labels cannot effectively stop these social network sites from spreading music, since the music is uploaded by users.

Finally, there are websites where a consumer can pay to download music from a centralized server. This includes websites like 'I-Tunes', 'Amazon.com' or 'Nokia's Comes With Music'. The successful download sites usually have strong connections with music hardware or were already successful in another related, online market. Record labels receive copyright licensing fees for every song sold on these websites.

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[18] 'Ups and Downs, economic and cultural results of file sharing for music, movies and games' by TNO, 12th of January, 2009: *http://www.ivir.nl/publicaties/vaneijk/Ups_And_Downs.pdf*

5.3 Implications for regime level organizations

The business model of the music business relies on controlling the content. It spends large amounts of money on finding, producing and marketing their products. The rise of online file sharing and other forms of online music exchange was created from a completely different point of view. It aims to exchange information as freely as possible. These two points of views collide heavily. Large record companies, small record companies and artists are confronted with different implications from this regime shift.

5.3.1 Major record companies

The major music groups did not see the regime shift coming until it was too late. The digital technology of the CD had just resurrected the music industry. Consumers wanted to get the music they already owned on LP or cassette on CD. The large music corporations were unalarmed by the new distribution developments, since large profits were made of the sale of CD's. Therefore online music exchange networks were free to become established. When the music corporations realized the potential of online music exchange, the niche innovators had taken control of online music distribution.

The rise in music downloads caused CD sales to drop. Since most music downloads went through distribution channels where music could be downloaded for free, music sales dropped as well. Even though music is also sold as download through dedicated websites, the total revenue from music sales decreased.[19] With less revenue from music sales, major record labels receive less compensation for the investments made in new talent, production and marketing of music.

With the arrival of online distribution, the major record groups lost their dedicated distribution channels. As a result they lost the direct promotional connection with the customer. Impulse buying in music stores, which used to be an effective method of pushing new talent, is no longer possible.

5.3.2 Independent record companies

Independent record companies encountered the same changes as the major record companies. CD sales are down and online downloads are unable to compensate for lost income. The independent organizations do have some advantages over the big music groups. They focus on less popular genres of music and do not invest as much in new talent. Therefore mass promotion of their product is not necessary for success.

Most independent artists have loyal fan bases that support their artists with much more dedication. Although independent music is also spread through file sharing systems, it is less of a problem. Independent music listeners are more likely to support their artists by visiting concerts and buying their music, often still on CD's or LP's. The accessible distribution and promotion channels have enabled them to connect with fans more easily.

The rise of the internet meant a new and inexpensive way to globally promote and distribute music. Underground music has also become more popular due to the higher availability of information on the

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[19] Numbers on the Dutch music market, provided by NVPI, 2008:
http://www.nvpi.nl/assets/nvpi/NVPI%20Marktinformatie%20Audio%202008.pdf

internet. Although these effects have enabled Indies to distribute globally it has also caused competition between Indies to increase. This effect is amplified by the arrival of 'net labels'. These labels only operate online. They do not usually operate for profit and do not require many resources to start[20].

5.3.3 Artists

The record sales drop translates directly into a decrease in income for artists. Acts used to be able to release an album in the US and tour there for three months, after which they would release the same album in Europe, followed by another three months of touring. This model to sell albums has now become outdated. Since the demand for live music is on the rise, live performances have now become a primary way to make money.

Customers have changed their focus from buying albums to buying single tracks, since the online distributors mainly sell single tracks[21]. In their efforts to create the hit track that will generate enough revenue, artists tend to copy each other's success formulas. In the end it has become even more difficult for artists to take the necessary time to produce a complete and unique album.

Artists have gained a relatively inexpensive way to distribute and promote their music globally. Promotion through social networks, forums and dedicated websites can create enough exposure to stand out. At the same time, many more artists have arrived, since inexpensive production techniques and the inexpensive distribution channels have caused the amount of music releases to increase. Since all artists have access to the same inexpensive possibilities, it has become important to stand out through unique promotion campaigns.[22] This 'glass ceiling' of the internet prohibits many artists to get enough exposure to become professional artists.

5.4 Conclusions

The digitalization of media and the development of the internet have changed the mindset of music consumers. It has caused enough landscape pressure to force regime actors to adjust their activities. The timing of this landscape pressure development was right to enable niche innovators to deliver their new online distribution services worldwide.

Major record companies are confronted with a steep drop in CD sales and not enough music downloads to make up for this. The drop in music sales resulted in less return on their investments in talented musicians. The independent record companies experienced less dramatic decreases in music sales, since they have a more dedicated fan base. Although revenues did drop and more competition arrived, a global fan binding, promotion and distribution channel has been gained. Artists experience the same global benefits, but income from music sales has dropped. The 'glass ceiling' of internet promotion prohibits substantial exposure and more artists have arrived. Musically, artists are confronted with a rise in demand for live music and single tracks.

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[20] Wikipedia on Net labels: *http://en.wikipedia.org/wiki/Netlabel*

[21] I-tunes only allows albums when single tracks can be downloaded: *http://www.itunes.com*

[22] From interview with distributor

Chapter 6 - Coping Strategies of international music industry actors

In the previous chapter it became clear that the implications of the regime shift situation have forced major record labels, indie record labels and artists to reconsider their current positions. Music is still a product with a high demand, but the old business model is not fit to cope with the changes.

In this chapter the coping strategies of the major record companies, the independent record companies and the artists will be analyzed to determine their coping ability. First, an overview is created of the coping strategies that are deployed by each of the international music industry actors. Then, the effects of these coping strategies are analyzed according to the methodology of chapter three.

In chapter three, several coping strategies have been offered to incumbent organizations that are confronted with a change in landscape pressure. The defensive strategy focuses on using specialized complementary assets to compensate for inferior technology. The adaptive strategy focuses on using core capabilities in new applications. Both strategies can be deployed separately, but effectiveness is increased when combined.

6.1 Major record companies

The major record companies have been efficient organizations in the exploitation of their music copyrights. The drop in music sales that followed from the arrival of the online distribution channels has caused them to reorganize their business. The reorganizations that followed included mass lay-offs and mergers. As a result the major record labels preferred risk avoidance and protective behavior.

The coping strategy of the major record labels is based on a cross-over combination of the defense and adaptation strategy. First a defense strategy based on the copyrights of their music catalogues has been deployed. During this defense strategy, the adaptation strategy was started. The adaptation strategies are based on finding new copyright protection measures and new applications for their catalogues of music.

6.1.1 Defense through music copyright

The major record companies own the copyrights to their music catalogues. These copyrights prohibit the use of their music by others without their consent[23]. When the landscape pressure developments created a situation where music became freely available online, the record companies started a defense strategy based on their copyright to disable new entrants from entering the market of music distribution.

The first distributors of music were forced to follow the copyright guidelines of the major record companies if they wanted to legally distribute the music from their catalogues. This enabled the Majors to setup constructions where legal online distributors could only distribute music from major record

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[23] Music copyright law in the USA, p. 4: *http://www.rbs2.com/copyrm.pdf*

companies for a fixed price[24]. When legal online music sales proved a successful concept, other organizations started to legally distribute music online as well. After the cooperation with the first legal online distributors, the major music groups refused to cooperate and new entrants were unable to distribute music effectively.

But legal online music distributors were not the only new entrants. Illegal online music distributors had been operation underground and had gained a large market share. To prohibit illegal music distribution, the major music groups have always had copyright protection agencies to enforce copyright laws[25]. These agencies attempted to decrease the illegal use of copyrighted material. Their message has been simple. The internet has made information freely accessible, but copyright law prohibits music duplication and performance without the consent of the copyright owner[26].

Traditionally, the execution of these copyright protection measures is done through trade associations and other separate entities[27]. These entities now executed several different measures. Websites, users and networks that spread or enable the spread of copyright materials have been sued. Organizations that are involved indirectly are under pressure as well. Internet service providers (ISP) and user generated content (UGC) sites have been sued for enabling users to publish copyright materials.

Different results have been booked with these measures. Some organizations have been forced to shut down their network, some organizations have been forced to scan and eliminate all illegal content on a site or network[28], some organizations have been forced to ban members or users and some organizations were cleared of all charges.

6.1.2 Adaptation through new forms of copyright protection

The defense strategy of fighting copyright violations through legal means is effective when the violators can be found and sued. But especially for the illegal online use of music copyright, the violators can be hard to find. At the same time the regime shift changed the public opinion of what is legal and what isn't. The strength of the copyright as a specialized complementary asset depends on the proprietary environment it is deployed in. Copyrights are traditionally enforced by law, but internet developments have caused the public opinion and the legislative system to start favoring of less strict copyright regulations[29].

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[24] Majors force their business model on music download stores like I-tunes: *http://www.downhillbattle.org/itunes/*

[25] A widely used slogan in the 80's was: "Home taping is killing music":
http://en.wikipedia.org/wiki/Home_Taping_Is_Killing_Music

[26] RIAA on piracy: *http://www.riaa.com/physicalpiracy.php*

[27] Copyright protection agency RIAA (US): *http://www.riaa.com/*

BREIN (NL): *http://www.anti-piracy.nl/english/english.asp*

[28] Torrent site 'Mininova' activates content filter for illegal movies in anticipation of court case
http://tweakers.net/nieuws/60013/mininova-haalt-videotorrents-door-auteursrechtenfilter.html

[29] "The mouse that ate the public domain", copyright extension issues:
http://writ.news.findlaw.com/commentary/20020305_sprigman.html

To adapt to the upcoming changes in copyright regulation, the lobby activities of the recording industry have been taken to national and European level[30]. The music corporations want to achieve that copyright regulations are tightened and penalties for copyright abuse are increased. At the same time, moral and legal campaigns were started to convince the public that downloading[31] and uploading copyright material is illegal, referring to illegal downloaders as 'Pirates'[32]. As a result, non-commercial, individual spreaders of copyright material have been sued by many of the copyright associations worldwide.

These copyright protection measures greatly diminished the popularity of the music corporations with consumers of music, since the spreaders of copyright materials were usually also the customers of the corporations. As a result some copyright protection measures are being abandoned and piracy fighting organizations have changed their focus from lawsuits against individual file sharers to cooperation with ISP's to fight the worst offenders[33],[34],[35]. Therefore the major record companies have been looking for new applications for their copyright protection capabilities.

To adapt to the changing public opinion and the inability to find the violators of music copyright, the major music corporations have started to develop new copyright protection measures that do not rely on a justice system. These measures include the development of DRM protection of CD's and MP3's, home copy retribution on blank CD's and audio fingerprinting technology to find illegal content on networks.

Digital rights management protection measures were originally developed to control changes in online documents[36]. The Majors embedded DRM technology in new released CD's to protect them against copying. Later, when mp3's were sold through the larger online music distributors, the Majors demanded the use of DRM protection on their mp3's as well[37]. These measures were effective against illegal copying of music, but also scared potential buyers of CD's and mp3's. Therefore, DRM protection has largely been abandoned[38]

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[30] The French pass law that disconnects illegal downloaders from the internet after three strikes http://tech.blorge.com/Structure:%20/2009/05/13/france-passes-three-strikes-download-law/

[31] In the Netherlands, downloading music is legal, but uploading is illegal. The message is therefore based more on moral appeal than legal aspects.

[32] BREIN battles pirates: http://www.cpaglobal.com/ip-review-online/2402/brein_battles_euro_web_pirates

[33] File sharing mum is one of last lawsuits: http://news.yahoo.com/s/ap/us_tec_music_downloading

[34] Strict French copyright law that disconnects downloader after three strikes is struck down: http://news.cnet.com/8301-1023_3-10262406-93.html

[35] BayTSP reports infringements found at various networks and notifies ISP's: http://torrentfreak.com/bittorrent-king-of-copyright-infringements-090512/

[36] Explanation of DRM use from 1996, p.2: http://waste.informatik.hu-berlin.de/Grassmuck/Texts/drm-oai.pdf

[37] Steve jobs explains about DRM on I-tunes: http://www.apple.com/hotnews/thoughtsonmusic/

[38] EMI is the first to go DRM free in 2007: http://metue.com/07-02-2007/emi-labels/

The home copy retribution on blank CD's reimburses the record companies for lost income. Some industries are indirectly generating income through music, since they supply services or products that are necessary for illegal music reproduction or broadcasting. Therefore a home copy retribution on blank CD's has been in effect[39]. Internet bandwidth and media players are other potential reimbursement targets[40].

Audio fingerprinting technology has been acquired by the music groups[41]. It was originally developed by music enthusiasts to find meta-information of CD's[42], but was rebuild to scan networks for illegal content. Illegal content would then be reported to authorities and ISP's. This technology is currently still being used to find illegal content.

6.1.3 Adaptation through new sources of income

Next to the adapted copyright protection measures, the Majors have started to adapt to the regime shift by finding new sources of income. These sources of income originate from new methods of selling music, streaming music and their original investments in artists.

The major record companies have been looking for a dedicated online music distribution channel ever since online music distribution became the primary choice of music consumers. Since other online distributors already dominated the online distribution market through hardware device compatibility[43], the Majors agreed to sell their music at those stores. These distribution deals were not as favorable as their original distribution deals with CD stores since the online stores have created their own payment distribution systems. They do pay reproduction fees similar to the original CD reproduction fee system, but the profit margins are generally lower than the original fees paid for CD's by consumers. These fees however, do provide a new source of income from their music catalogues[44].

On a wholesale level, record companies start to make deals with big brands to solely supply music for events[45] and campaigns. On a consumer level, mobile telephones[46] and game consoles[47] are becoming bigger part of music sales through songs, ringtones and music videos. Since the music sale possibilities

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[39] Dutch Home copying Association: *http://www.thuiskopie.nl/*

[40] Japan to propose copyright fees on media players: *http://www.techshout.com/legal/2008/12/japan-to-propose-copyright-fees-on-ipods-media-players-and-digital-hard-disk-recorders/*

[41] Ex-Napsters' Shawn Fanning brings Gracenote audio fingerprinting technology to the music groups *http://www.nytimes.com/2004/12/03/business/media/03peer.html?_r=1&pagewanted=print&position=*

[42] Gracenote started in 1995 as CDDB: *http://www.gracenote.com/business_solutions/music_id/*

[43] The new I-tunes integrates perfectly with I-pod: *http://www.highbeam.com/doc/1G1-70431410.html*

[44] I-tunes royalty calculation: *http://msl1.mit.edu/furdlog/docs/baffling_itunes_royalty_calculation.pdf*

[45] Universal cooperates with Formula 1 to create a F1-music platform: *http://www.formula1.com/news/headlines/2009/3/9070.html*

[46] Nokia's 'Comes with music' subscription music service is expanded: *http://new.umusic.com/News.aspx?NewsId=733*

[47] 'Playstation 3' gets free streaming music video service as an addition to already available music downloads: *http://www.scei.co.jp/corporate/release/080821fe.html*

are seamlessly integrated into these devices, it offers a dedicated and user friendly solution. Some of the music groups have even attempted to start their own paid music download sites[48],[49] but so far they have not been able to compete with the user friendliness of hardware manufacturers or the competitive pricing offered by existing music distributors.

Streaming music has also become a new source of income for the Majors. The audio fingerprinting technology that was originally developed to find illegal music on networks has been redeveloped to determine license fees for copyrighted music on user generated content sites. Sites like 'Youtube.com', 'Myspace.com'[50] and 'Last.fm' thrive on the music contributions of their users. With software based on the original audio fingerprinting technology[51], copyright music works can now be detected and a fee is received every time a copyright protected piece of music is streamed from these websites. This innovative approach to licensing streaming music is still being developed further by the major record companies[52].

A different approach is found in getting a part of the income of artists from live performances and merchandise. Recording companies have made '360 degree' deals with artists[53], as they have invested in their promotion and development. These deals have become a relevant source of income for the most popular artists since live music has become a more valuable market. This new non-copyright based approach enables recording companies to explore the live music and merchandise market.

To deploy these new activities, the major record companies have been using joint ventures and acquisitions to adapt to the current changes. The music groups have focused on cooperating with organizations that have the necessary capabilities to be successful. The music groups usually enter the cooperation with their resources, promotional expertise and their exceptionally large catalogues of music. The other party enters with capabilities that vary from the technological skills needed to successfully operate online, to customer binding and market experience[54],[55],[56].

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[48] EMI launches own download site at EMI.com: *http://www.sohh.com/2008/10/emi_launches_digital_serv.html*

[49] Bertelsmann Music Group (seized to exist) wants to buy the remainder of Napster to have a system and an organization to distribute music online: *http://www.wired.com/print/techbiz/media/news/2002/05/52626*

[50] Myspace pays Sony for music streams: *http://press.sonybmg.com/2007/10/16/myspace-and-sony-bmg-music-entertainment-sign-new-licensing-pact/*

[51] Filter software for Myspace and Youtube: *http://tweakers.net/nieuws/46308/myspace-test-audio-en-videofilter.html*

[52] Youtube and Majors increase cooperation on streaming media: *http://www.wired.com/epicenter/2009/04/youtube-cant-sa/*

[53] Kevin Liles departs Warner Music Group after shifting WMG towards 360 degree deals: *http://www.recordoftheday.com/www/news/article.php?aid=741*

[54] Universal teams up with Google's Youtube.com to offer music video's in high quality and to a large audience: *http://news.cnet.com/8301-1023_3-10216172-93.html*

[55] Universal teams up with global communications service group WWP to form Brand Amp, with direct access to the Universal catalogue and marketing expertise from WWP: *http://www.wpp.com/WPP/Press/*

These joint ventures have allowed the Majors to start several different projects at once. They are strategically controlled by the organizations that have set them up, but they operate as separate organizations. The joint ventures do not have to compete for the same resources as the rest of the organization, so there is room for innovation and experimentation. It also allows for a separate culture to emerge, that is not burdened by the values of the mother organizations[57].

6.2 Independent record companies

The independent record companies have adapted to the effects of the regime shift by experimenting with new ways to connect with their customers. Their organizational structure is more flexible and allows many entrepreneurial activities. They adapted to the changes relatively quick compared to the major record companies. The Indies main challenge is found in the arrival of global competition and net labels. Some independent labels have joined industry wide copyright protection programs, but these defensive activities were mostly based on anticipation of the activities of the major record companies.

6.2.1 Adaptation through online promotion and distribution

Most of the independent record companies have made the transition to the new online environment. This transition enables them to distribute their music globally, while still maintaining their independent nature.

By experimenting with various new and innovative promotional and distribution methods, the Indies were able to use their flexible organizational structure to adapt to the changes. Successful promotion is achieved by supporting artists to build websites and using music promotion channels like MySpace.com and Last.fm.

New forms of music distribution have been found. The distribution of music can now be achieved through various channels. Some independent labels have collaborated to setup their own online music stores or have found online distributors that aren't allowed to distribute music from major record companies and have changed their focus to independent music[58]. Others create music sales through the websites of their artists[59]. Independent record companies that want to sell music directly turn to established online music distributors to sell their music. Aggregators collect batches of songs from different independent record companies and offer them to the larger distribution websites[60]. Some independent record labels have changed focus from music sales to live performances. Many smaller

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[56] MySpace settles litigation with joint venture with Sony, Warner and Universal. It combines the enormous audience and streaming technology of MySpace with the catalogue of the three Majors:

http://www.techcrunch.com/2008/04/02/myspace-to-launch-new-music-joint-venture-with-big-labels/

[57] 'Sony CEO hates the Internet': *http://www.techdirt.com/articles/20090526/1159125014.shtml*

[58] Online indie and unsigned artists music distributor: *http://www.boostindependentmusic.com/*

[59] Widget to sell your own music on your website: *http://www.websitemusicplayer.com/index.php*

[60] Aggregators handle many different artists and distribute them to outlets. They used to do the same with CD's, LP's etc, before the rise of the internet.

independent organizations traded their mail order systems for online ordering systems, although creating independent online sales and distribution systems can be difficult and expensive.

Global competition has made it more difficult to stand out among other independent labels. The arrival of net labels has increased competition among independent labels even further. As a result some independent labels have started to focus on even more specific areas of music[61]. But with underground music becoming more mainstream[62], this can potentially increase the sales of independent record labels.

Indies have lost less music sales than the Majors and they have gained an accessible new communication channel with their customers. Artist promotion can now be done by the artists themselves. Since the major record companies have been investing less in new talent, smaller labels have gotten access to bigger artists[63].

6.3 Artists

Artists did not have to completely change their ways to adapt to the regime shift. They could continue to make music just like before the regime shift. Hardly any defensive strategies were deployed, except by the most popular artists[64],[65], but artists have deployed several adaptive strategies. The current coping strategies of artists are centered on creating new sources of income and making the best use out of the new online possibilities. This requires artists to acquire new and more diverse capabilities than before the digitalization.

6.3.1 Adaptation through new sources of income

Artists have adapted through finding new sources of income from their music. This is achieved through a change towards single production, more live performances and new distribution methods.

Dance artists that want to sell music are changing their focus from making studio albums to releasing singles. Before the regime shift, artists would create albums to sell on CD. With the arrival of online distributors, it became possible for consumers to buy a single track from an album. Online portals like Bleep.com and Beatport.com have become the preferred place to buy single dance tracks[66]. Also in other genres, this tendency towards single releases can be found[67].

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[61] Very obscure but available Indie music niches: *http://www.bob-baker.com/musicpromotionblog/2009/05/niche-music-markets-7-great-examples.html*

[62] "The long Tail effect": *http://www.wired.com/wired/archive/12.10/tail.html*

[63] Many big names dropped from Majors: *http://hollywoodinsider.ew.com/2008/01/02/all-the-acts-th/*

[64] Metallica sues Napster: *http://hollywoodinsider.ew.com/2008/01/02/all-the-acts-th/*

[65] Big artists support copyright protection measures: *http://www.guardian.co.uk/business/2009/sep/24/lily-allen-filesharing-twitter*

[66] Beatport is the recognized leader in electronic music downloads: *http://www.beatportal.com/feed/item/beatport-launches-beatsource-online-urban-music-store/*

[67] I-tunes only accepts albums when single tracks can be downloaded: *http://www.webpronews.com/blogtalk/2008/08/28/apple-wrong-to-require-single-track-sales-on-itunes*

The focus on live performances as a main source of income is a result of the dramatically decreased income from recorded media altogether. Where live performances used to be promotion for CD sales, records have now become promotion for live performances. Therefore, artists who rely on their music for income are adopting these new capabilities to be able to stand out in the current market.

Music sales are still an important part of the income of an artist. An artist that wants to distribute its music is confronted with more options to release music than ever. Many artists still release their music through record labels, but artists can also release music by themselves[68]. This does not require a share for the record company and gives them full control over their music. They can experiment with the new distribution models. Some artists are enabling free downloading or spreading of music, while an advertising partner pays the copyright fees[69]. Others use Pay-what-you want systems[70] or spread an album for free online and create income from special collector's editions and the physical CD[71].

6.3.2 Adaptation through promotion

Next to the new possibilities for releasing music online, artists also have new possibilities for promotion. Bigger bands usually have their own websites, which allows them to stay up to date with fans and offer them special fan gear. The most radical change, however, is found in the creation of profiles at music related user generated content websites. Small and big artists alike use this medium to connect with fans, inform them of upcoming shows, promote tracks and allow fans to become a virtual friend[72]. Since this promotion tool is free, easy to use and easily accessible, artists and bands around the world are widely embracing its use[73]. The more direct online connection with fans can explain the presumed increase in the demand for live music.

Even though the new online possibilities for music distribution are accessible to everybody, there seems to be a big difference between small and big artists. To successfully release a record, a unique promotion campaign is necessary. Big artists can experiment to acquire the capabilities to start an inventive online promotion campaign. With these capabilities they are doing well with the endless and inexpensive possibilities of digital distribution and internet promotion[74]. Small artists don't have access to these capabilities. They can experience the limiting effects of generic internet distribution with more artists arriving and global competition emerging.

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[68] Widget to sell your own music on your website: *http://www.websitemusicplayer.com/index.php*

[69] Free download of "Het Goede Doel – Gekkenwerk", made possible by IT staffing who paid the copyright fees: *http://www.dutchcowboys.nl/marketing/13545*

[70] "In Rainbow's" from Radiohead: *http://www.time.com/time/arts/article/0,8599,1666973,00.html*

[71] Nine Inch Nails spreads new album for free and with collectors editions: *http://theslip.nin.com/*

[72] Myspace.com – *http://www.myspace.com*

[73] 8 million band profiles had been created on Myspace.com until 1 January 2008: *http://www.web-strategist.com/blog/2008/01/09/social-network-stats-facebook-myspace-reunion-jan-2008/*

[74] Like for instance Radiohead did with its independent, pay-what-you-want release of "*In Rainbows*": *http://www.wired.com/entertainment/music/magazine/16-01/ff_yorke?currentPage=all*

Before the regime shift, artists only had to deal with record companies to promote and release their music. Now they have to deal with more actors to achieve the same result. The new internet possibilities can be used as an extra marketing tool, but the new artists that become big through online promotion are usually still the result of good marketing campaigns or other forms of support[75], [76]

6.4 Coping strategy effects

The coping strategies that are deployed by the major record companies, the independent record companies and the artists can be analyzed with the coping strategy effects model (fig. 4). From this analysis several effects can be determined for each of the international music industry actors

6.4.1 Coping strategy effects for major record companies

The major record companies have deployed a cross-over combination of both a defense and an adaptation strategy. Each coping strategy has its own effects.

Their defense strategy has focused on music copyright. It has secured some revenue from the legal online distribution market through price negotiations. Some revenue from illegal online distribution has been secured through lawsuits for copyright violations. The lack of cooperation has delayed new entrants from entering the legal online distribution market. But the fierce copyright protection measures have not been able to slow down the illegal distribution of music. Although the strength of the proprietary environment of copyright is still strong in a juridical sense, changes are occurring in the public opinion. Therefore the nature of this defense strategy may become an issue in the future as copyright can lose its strength.

The copyright based adaptation strategy that has been deployed by the Majors has resulted in some new forms of copyright protection. From these new forms only the audio fingerprinting technology returned good results. This technology has been used to develop licensing tools for streaming media on user generated content sites, which has become a new capability.

The adaptation strategies that focused on new sources of income has been successful in supplying music to online music distributors, creating deals with big brands, supporting new hardware devices with music distribution functionality, controlling streaming music on UGC websites and creating live performance deals with artists. Most of these new applications have also become new capabilities for the Majors.

Most new sources of income and new forms of copyright protection have been found through joint ventures where experimentation and exploration activities could be deployed. This cooperation has resulted in new applications for the music catalogues and new capabilities regarding the exploitation of

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[75] Esmee Denters discovered by Justin Timberlake :
http://www.universalmusic.nl/artist_detail.php?aid=Esmee%20Denters
[76] Arctic Monkeys success not only from DIY marketing campaign:
http://www.guardian.co.uk/music/2005/oct/25/popandrock.arcticmonkeys

these catalogues. The joint ventures did require resources and attention to find and operate. The resource requirements of these joint ventures can possibly have limited the amount of joint ventures that have been setup to find new applications.

The cross-over combination of both strategies did create some time to explore and experiment. It also created some time to adopt changes in the organization, although these were limited due to the use of joint ventures to setup entrepreneurial activities. The time to predict the necessary capabilities has also been available. Still some wrong choices were made, such as DRM and selling music through Major run websites.

Changes in systems and culture have largely been avoided by using joint ventures to deploy entrepreneurial activities. Although this minimizes stress on an organization, it can also have limited the amount of adaptation of the organization as a whole.

Since the major record companies have focused on copyright protection as their defense and adaptation strategy, it has become a core capability. This core capability of copyright protection is based on proprietary rights and can be of a temporary nature. The proprietary environment of copyrights is changing due to a change in public opinion, which will eventually influence the legal system that determines the strength of copyright.

Some new applications like the 360 degree deal with artists do not require music copyright protection. To fully adapt to the regime shift, more new applications should be found that do not require music copyright to exploit music. As the current tendency towards copyright protection can prohibit such applications, it may have become a core rigidity. To avoid the related learning traps, new applications can be developed that are based on other core capabilities.

6.4.2 Coping strategy effects for independent music companies

The independent music companies have deployed an adaptation strategy based on new forms of income. This strategy has created several new applications and capabilities. Indies have found new distribution methods, new sources of promotion and improved methods for connecting with their fan bases. For some independents these new applications have become new capabilities.

At the same time some systems have been changed. Mail-order systems have been replaced by online distribution systems and more artists promote themselves. The adaptation strategy has also changed the culture of many independent labels. Labels have specialized even further in their music choice and dedicated net labels have evolved.

The resource costs of experimentation and exploration has become an issue, since especially the smaller independent labels do not have the resources to widely experiment with the new online possibilities. However these smaller independent labels also have less trouble switching between different adaptation strategies as their organization structure is very flexible.

6.4.3 Coping strategy effects for artists

Artists have deployed adaptation strategies based on experimentation with the new online distribution and promotion possibilities. These strategies have resulted in new forms of distribution and promotion, which do not necessarily require a record company to operate. The new applications have created the capabilities to deal with the online possibilities, which include dealing with more actors then before the regime shift.

The adaptation process has changed some of the traditional systems of income from music, since live performances and singles have become of more importance. This has caused a change in culture with many artists. The new promotional possibilities have created a culture where artists focus much more on fan binding and less on record companies.

The time and resource costs of experimenting with the new online possibilities have created a difference between bigger and smaller artists. Bigger artists have the resources to stand out through innovative promotion campaigns, while smaller artists still need to be 'discovered' before they can break through.

6.5 Conclusions

The coping strategy of the major record companies has so far been successful in adapting to the regime shift. Their copyright based defense strategy has delayed some new entrants and some revenue is secured from the market. Their adaptation strategy is based on cooperation with other organizations and has found new applications for their music catalogues. These applications have created new sources of income for the major record companies. At the same time, these new applications are mostly based on copyright. This has been successful in the past, but with the current regime shift, public opinions concerning copyrights are changing. Therefore the current adaptations can be of a temporary nature. To anticipate these changes, new applications can be developed that are based on other core capabilities.

The independent record companies have deployed adaptation strategies to cope with the regime shift. This has resulted in the new capabilities that are required to adopt the new online possibilities. The systems and cultures of many independent labels have changed in the direction of online distribution, promotion and more specific genres. Their flexible organization structures allow for quick changes following experimentation and exploration, although resources are limited for the smaller independent record companies.

The adaptation strategy of artists has focussed on experimenting with the new online possibilities. This has resulted in new forms of distribution and promotion without the need for a record company. Artists have created capabilities to use these new online possibilities and to deal with more actors than before. Especially fan binding and live performances have become an important element in artist culture. Global competition has created a need for innovative promotion campaigns, but the resource costs limit smaller artists in their possibilities for experimentation.

Chapter 7 – Suggested new activities for Buma Cultuur

In this chapter new activities for Buma Cultuur are presented. These new activities have been suggested by the respondents of the interviews. All new activities aim to help Buma Cultuur deal with the changes in the music industry.

First, the respondents of the interviews are presented to understand the source of the suggested new activities. Then the new activities are presented according to the current areas of activity of Buma Cultuur. In the next chapter, the activities that are most suitable to assist Dutch music actors in dealing with the regime shift are recommended.

In the research constraint it has been defined that the new activities shouldn't require a radical reorganization. Therefore the possible future activities for Buma Cultuur have been ordered according to their current music support and promotion activities. These current areas of activity are music promotion, knowledge support, trade support and artist support. An overview of all suggested future activities according to these current areas of activity can be found in fig. 7.

7.1 Interview respondents

The respondents of the interviews have all been found in the Dutch music industry. Each respondent is professionally occupied with Dutch music. Respondents can be divided into business actors, artists and Dutch music business respondents include music producers, a music publisher, a music distributor, a media publisher, representatives of Buma/Stemra and Muziek Centrum Nederland, governmental representatives of the departments of economic affairs and education, culture & science and Buma Cultuur. Respondents of Buma Cultuur have been found in the corporate department, the events department and a member of the board. Respondents among artists include composers and a DJ.

All twenty-two respondents have made suggestions towards future activities that Buma Cultuur can deploy. Only suggestions that were related to the current regime shift in the music industry have been used in this report. These suggestions for new activities are provided in the next part of this chapter. For a more detailed description of data collection and analysis, chapter 4.3 can be consulted.

Music promotion activities	Knowledge support activities
Enhance the use of current promotional infrastructures • Create promotional events • Promote on portals • Promote use of customer reviews • Promote through underground sources **Create new promotion infrastructures** • Platform to release Dutch music • Platform to promote Dutch music • Filters to distinguish Dutch music **Enhance export promotion** • Increase current export promotion programs • Create breach platform **Engage in public activities** • Promote legal copyright use • Enhance possibilities for live performance • Install quota's on radio • Reform airplay policies	**Solve music industry related issues** • Solve music industry issues **Start fundamental research** • Start fundamental research **Spread music industry knowledge** • Spread knowledge at events • Experiment with simple solutions to problems **Engage in visionary activities** • Assist in business model development • Facilitate good initiatives • Refocus on music • Take focus away from piracy
Trade support activities	Artist support activities
Enhance current music events • Continue to bring worldwide music industry actors to The Netherlands • Continue to present newest developments • Create new events based on underground and online music **Showcase more Dutch talent** • Promote artists that focus on online distribution • Showcase Dutch artists at events	**Support education and excellence in Dutch music** • Support quality in music • Expand educational events • Combine awards with excellence programs • Support experimentation in music • Assist in defining grant for artists • Establish more programs that support artists through network relations **Create facilities for Dutch artists** • Provide relevant information on creating revenue with music • Provide success factors for artists • Create online portals for artists • Provide practical information for established artists • Provide practical information for small artists and amateurs • Help to locate people with necessary skills for artists • Create standard websites for artists

Fig.7: New promotion and support activities as suggested by interview respondents according to current areas of activity.

7.2 Music promotion activities

The first area of activities that can be adapted to the changes in the music industry is found in music promotion. This area includes all activities that are directly related to the promotion of copyright material to consumers of music. The purpose of these activities is to increase the exposure of Dutch music copyright.

Activities that can be deployed in the area of music promotion are concerned with the business side of the Dutch music industry. They include creating promotional means in current and new infrastructures. But also joint operations with music spreading brands, heavier mediation in export promotions and involvement in public policy should be embraced. The purpose is to achieve more exposure for Dutch composed music, since the global effects of online distribution have diminished any advantages for national music.

7.2.1 Enhance the use of current promotional infrastructures

The promotion of Dutch music copyright should increase the visibility of Dutch composed music. Promotion can still be effective in the changing music industry. It creates new customers and keeps the existing ones. But the new situation asks for a new approach, where an audience is created through online fan binding.

"To increase visibility of Dutch composed music, Buma Cultuur can use more of the available infrastructures." – Media respondent

Starting with the currently available infrastructures, respondent's suggestions for new activities include promoting Dutch composed music through UGC and non-UGC websites. Suggestions include hosting special Dutch promo events, influencing the public appreciation through user reviews and paying attention to the underground movements. Social network websites are definitely on the rise and more consumers through all ages, are using online social networks. Buma Cultuur is already starting to find ways to get involved, but can increase its involvement.

"Less music fairs with bands, and more orientation on the internet. "- Government's OCW respondent c

"[Buma Cultuur] doesn't have to be a pioneer, because, unlike record companies, we don't have to make money on our artists. Being ahead of the crowd can be beneficial, but we need to focus on the core" – Buma Cultuur respondent 2

The first suggestions involve special Dutch promo events. Respondents suggest several applied examples. A Dutch Promo Special on MySpace, a Dutch Hip-hop Campaign on YouTube and other UGC-sites, but also weekly events where big international DJ's only play Dutch product. Like podcasts with an overview of Dutch Trance by famous Dutch Trance DJ's like DJ Tiësto or Armin van Buuren. For these events to be successful it can be important to create a lot of variation and that consumers can buy the music they hear.

The second set of activities aim at the portals of music distributing websites. Websites like music distributor I-Tunes have genre specific portals. One of these portals is dedicated to Dutch Rock music.

Furthermore, if you enter the Dutch I-Tunes site, Dutch music is prominently available. This can be supported by Buma Cultuur and can also be introduced at other music distributors to increase the visibility of Dutch composed music.

"There has always been the local need from the consumer to prefer Dutch artists over international ones."
– Publisher respondent

The third set of activities applies to online customer reviews. Most online music distributors allow users to write reviews of tracks and albums of artists. These reviews can be found at websites like Amazone.com, I-tunes and others. Reviewing a product can be done by anyone and sometimes organizations write reviews to make products look good. Although Buma Cultuur should not engage in these activities, they can stimulate consumers to write reviews for Dutch music.

A final set of suggestions aim at underground blogs, weblogs, forums and websites. These niche area's can be integrated more to promote Dutch music copyright. The underground movement is becoming much more important than it used to be because the *Long Tail* effect (Anderson 2006) makes niche markets increasingly more findable. But this source of promotion should not be applied too obviously or to abundantly. A little bit of promotion should be inserted whenever possible. That way underground can stay underground, and Dutch music copyright can be supported at the same time. These activities have a lower profile compared to activities intended for the more mainstream social networks.

"Let underground stay underground" – DJ respondent

7.2.2 Create new promotional infrastructures

Buma Cultuur can also create new structures to improve Dutch visibility in the international music world. The first and most necessary infrastructure that can be developed is a digital music platform, where it is possible to release Dutch composed music. This platform is greatly missing in the Dutch music business and should greatly enhance customer visibility of Dutch music. It can recreate the store front impulse buys with consumers, when it is linked to streaming music.

The second new promotional infrastructure that can be created, is a platform similar to MySpace, but aimed at the promotion of Dutch artists and composers. Such a platform could be used to boost Dutch composed music, and highlight the bands that need it at the same time. Such a platform should aim to attract visitors from all around the music business. Consumers can find their favourite bands, bookers can book them, record labels can find new talent and new artists can use it to break through. As a whole it could even serve as an encyclopaedia of Dutch music. For a more detailed description what this platform should look like, see Appendix: 'Creating DutchSpace'.

A third new promotional infrastructure aims to find ways to distinguish Dutch music. Many new artists have emerged and the global effects of the new distribution methods have caused Dutch artists to compete with artists throughout the world. But instead of separating Dutch composed music from other music, a system can be devised that can make Dutch music visible among all the other music. Buma Cultuur could develop systems that can filter through the enormous supply of music and show the music that is copyrighted in The Netherlands.

"When you search for Madonna you also need to find Ilse de Lange"- Respondent at publisher

"Any sound carrier can also carry a message in any form. You could provide every Dutch release with a certain sign. It's a crazy example, but perhaps every Dutch release should have something like an orange flag in the music file" – Respondent at publisher

7.2.3 Enhance export promotion

In the area of export promotion, the activities with 'ETEP' and ´MusicXport.nl´ contribute to dealing with the regime shift by promoting live music and Dutch talent. Band exchange programs and financial support for touring helps bands to build a bigger and wider fan base. These activities are already effective to help bands to get noticed by bigger labels and to get more live gigs. More similar activities can be deployed to promote Dutch music copyright beyond the Dutch borders.

Current European talent exchange programs like ETEP are very effective because they help through network relations instead of financial aid. More programs with the same construction can be deployed. This avoids the problem of artists working together just for the money and helps to create European exposure for more established bands.

"If a band wants to go abroad, then a program should be appointed, instead of the other way around." – Composer 4

Creating a breach platform can also be used for export promotion. Such a platform can serve artists which have not been noticed by big record companies or the consumers to start their international careers. Breach platforms can be created for specific countries. This way Dutch artists can, for example, be found by the German consumers and music industry.

7.2.4 Engage in public activities

To further promote Dutch copyright, Buma Cultuur can engage in public activities. Buma Cultuur can increase the use of Dutch copyright by shaping the public opinion in favour of copyright works. This can be done by letting several well known artists tell the copyright story whenever possible, for example at panel discussions at events, but also at a larger scale on broadcasting media like television. The focus should be on the economic importance of music and the relation between copyright and cultural development. This information can be provided on as many sources of media as possible.

Buma Cultuur can also get involved in the enhancement of the possibilities for live performances. Live performances are embraced by artists and can be a very effective form of promotion. Right now certain maximums for noise levels in pubs prohibit a lot of live performances, while this type of music entertainment is growing. Buma Cultuur can engage in conversation with authorities to make live performances less constrained by rules.

"Live music is very hot right now. If [Buma Cultuur] wants to promote Dutch music, this is clearly an area of improvement." – Composer 3

A related issue is concerned with installing minimal quotas for the amount of Dutch content on public radio stations. To promote Dutch music, people should hear it. Since Dutch radio stations barely play

Dutch copyright music, a percentage of all music on the radio could be of Dutch origin. This can stimulate more diverse music to come from The Netherlands, which would allow it to compete with international music. Furthermore, people like to hear local music, since it's accessible and easy to relate to. For more information on the effects of quotas in France can be found in the Appendix: 'Quota's for national composed music on the radio'.

"He [John Peel[77]] did more for bands by playing them [on the radio] than twenty marketing people could establish." – Composer 3

It might also be helpful to reform the way music for airplay is picked. Right now, at most radio stations, one person is picking most of the tracks the radio DJ's have to play. When DJ's are allowed to play more tracks they pick themselves, Dutch bands can get boosted more easily, since there is room to connect with the local music industry.

"The single DJ's have only limited free choice tracks per week. It was thanks to these free choice tracks that [respondents band] eventually broke through." – Composer 4

7.3 Knowledge support activities

The second area of activities that can be adapted to the changes in the music industry is found in knowledge support. Knowledge supporting activities include the collection, creation and supply of knowledge for a better music industry. This knowledge should be applicable to both artists and the music business. The need for knowledge and reliable information on the current and future developments is high. New online promotion and distribution possibilities are constantly being developed.

Buma Cultuur currently engages in knowledge supplying and creating activities through conversation and idea generation projects with political, governmental and other music actors. Buma Cultuur has the right competences to become an even more dedicated knowledge center. It has a lot of knowledge of the music industry and is objective enough to assist in the creation of a new business model for the music industry.

7.3.1 Solve music industry related issues

When the newest developments in the music industry are being followed, lots of information will be gathered. For this information to be useful, it should be translated to the users of this information. Buma Cultuur has a very large network, which can be used to find enthusiastic people with ideas of what is going on and how certain problems should be dealt with. More difficult problems can be solved by hiring experts and whiz kids who can observe the market and translate the developments into useful

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[77] 'John Peel was an English disc jockey, radio presenter and journalist. […] His significant promotion of performers ranging from alternative rock, pop, death metal, British hip-hop and dance music is widely acknowledged': *http://en.wikipedia.org/wiki/John_Peel*

strategic information. When no solutions can be found, successful approaches can be copied from other industries or other countries.

7.3.2 Start fundamental research

Fundamental research can be done as well. By actively starting research groups with actors from the network of Buma Cultuur, specific problems can be solved. Knowledge can be created on where the market is going, how to improve the success rate of Dutch artists, what can be learned from the surrounding countries, how the online music structures work, how these new developments can be used effectively and how this can be applied to the activities of Buma Cultuur. More specific research can be started as well. As an example, such research could investigate the effects of media exposure to the success of new bands.

7.3.3 Spread music industry knowledge

As a knowledge center, Buma Cultuur can use the collected knowledge externally to support all the actors within the industry and internally to keep attracting visitors to its main events. When starting external initiatives, a few simple solutions that trigger new insights into the current situation can be a good way to start. This has also been a successful approach in making the Dutch design industry become recognized worldwide[78]. Buma Cultuur should not shy from experimentation or niche development and the project development phase should be short. A new activity should be started quickly, so it will not take too long determine if the new activity is successful or unique. Since Buma Cultuur is setup as a funded organization, it is able to take these risks.

"Buma Cultuur is a subsidized entity. They can't go bankrupt. If they pick a wrong track, they can always pick another one. That's why Buma Cultuur is there. Otherwise the business side can and will want to do it themselves." – Publisher respondent

7.3.4 Engage in visionary activities

In the current situation of the regime shift, parties are individually choosing their defenses and financial securities, which seem to deadlock a possible business model. Buma Cultuur can have an independent and visionary role in the development of a new business model for the whole industry. It can initiate the conversation with the music industry with actions and experimental activities that show the way. They can focus on facilitating all kinds of good initiatives that will eventually stimulate consumer and wholesale use of Dutch music copyright.

"It appears as if the parties are getting more and more scared of each other. Perhaps Buma Cultuur can initiate the conversation that will avoid a standstill in the whole industry" – Government's OCW respondent b

The current digital paradox can possibly be broken is by refocusing on the music. By investing in the music and creating some distance from the recording medium, Buma Cultuur can take the focus away from fighting piracy and stimulate the reinvention of the record companies into music companies.

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[78] An example can be found in Orange Alert! which is a Dutch fashion and textile exhibition at the Fashion Institute of Technology in New York: *http://www.dutchdesignevents.com/orangealert_fit.html*

Reliable information, new research and smart, cooperative initiatives can create a strong backbone to start the reinvention of the industry.

"We know BUMA as quite a conservative organization. That's why Buma Cultuur should be taking on the role of jester to break open the discussion within BUMA. That will be difficult, but it is also their task. If BUMA is smart, they will recognize this value." – Government's OCW respondent a

7.4 Trade support Activities

The third area of activities that can be adapted to the changes in the music industry is found in trade support. Trade support activities include the creation of business opportunities for composers and the Dutch music business. Activities related to trade support consist of organizing business events where composers and business actors can find each other through conferences, seminars, showcases and meeting rooms. By actively connecting artists and business actors, the exposure of Dutch composed music is increased on a national and a global level

7.4.1 Enhance current music events

The Amsterdam Dance Event and Noorderslag Weekend are two very successful events that bring thousands of music actors from all over the world to The Netherlands. By physically bringing the composers and business actors together, it continues to stimulate the business synergy among these actors. The high level of music sales continues to attract more visitors. Enhancing these events can help the Dutch music industry to deal with the issues of the regime shift through showing that the music business is still a successful industry and that new talent can still be found in The Netherlands.

The workshops and seminars at the current music events result in panels on successfully using the new means available and finding new ways of using music. This approach is very effective and should be contained. But it can also be necessary to invite more music innovators as speakers and to the conference. This secures that all the aspects of possible new business models are represented at the events and that the two worlds of current and future business do not grow apart. Buma Cultuur can continue to set a standard for the industry to follow by implementing the newest music developments directly at their events.

The increased availability of less popular and underground genres of music results in a bigger need for events based around those genres. Buma Cultuur has already started to adopt genres like Jazz, and contemporary music. For these genres, business events should be organized. The Dutch Jazz Day has been started, but more and bigger events can be expected to be demanded by the industry actors. Since Buma Cultuur has an excellent track record for organizing these meeting places, they can setup more events according to market demands.

7.4.2 Showcase more Dutch talent

The digitalization of music has created endless online possibilities for artists looking to distribute and present themselves, but online possibilities are limited since all artists have access to them. This glass

ceiling that limits artists to really stand out on the internet can be bypassed by performing on Noorderslag or ADE, where the music industry is actively looking for new artists to promote.

To enhance the promotion of Dutch music copyright, more Dutch artists can be showcased at events. Showcasing talented artists during these events enables business actors to shop around for acts to sign or program. With live performances becoming an increasingly important source of income for artists, this show case effect can also become increasingly important. Especially with the decrease of investment of big music corporations in Dutch talent, showcasing can place talented Dutch artists in the spotlight.

"There should be much more Dutch artists on [events of Buma Cultuur]. […] ADE is a great place to get exposure" – composer 5

7.5 Artist support activities

The last area of activities that can be adapted to the changes in the music industry is found in artist support for Dutch music authors. Artist support activities are not focused on the business side of the Dutch music industry but on the needs of Dutch composers. Better and more professional composers can become the best form of promotion for Dutch music copyright.

7.5.1 Support education & excellence in Dutch music

Increasing the level of education and excellence can increase the quality of Dutch music. Right now, the Netherlands are hardly scoring in international pop music. Although it is difficult to measure the quality of music, several respondents agree that Dutch musicians are lacking in quality. A high quality music product is more likely to get attention than a lesser quality product. This can be supported by Buma Cultuur through educational and excellence programs. For a governmental vision of how education leads to more copyright sales, see Appendix: 'Promote music through education'.

"I don't think that the promotion of Dutch music benefits from the actual promotion of Dutch music, but from education in Dutch music. It benefits […] from experimentation and developments in all genres, including pop music, film music and amateur music. As long as a lot of music is made. … We should get rid of 'Ilse de Lange is so great, she should be heard everywhere' to 'how do we get the next Ilse de Lange'. And not one, but four, and in different genres" – Government's OCW respondent a

Currently, Buma Cultuur is engaging in education through starter support. The third day of Amsterdam Dance Event and the 'Muzikanten Dag' starter events are not as big as the ADE and NOO events, but these events might even be more essential in dealing with the regime shift effects, since most of the effects hit the starting musicians. These starter events are currently aimed at musicians who want to enter the professional music industry, but the same events can also be used to educate all musicians by focusing on both the business element and the qualitative element of making music. Buma Cultuur can expand these events as well as start with more educational events.

Excellence programs in the current activities of Buma Cultuur are found in awards and grants. When the market forces will not allow an artist to grow, excellence programs can increase a talented artists potential. Buma Cultuur currently helps to organize award ceremonies, where talented Dutch artists are rewarded with prizes and publicity. These rewards can also be combined with high level education and experience programs to increase the excellence of Dutch artists. However, more experimental and innovative music should also be rewarded to create a more diverse field of artists.

"Music quality and uniqueness can be improved when producers are stimulated to stop copying successful concepts... […] There should be less push for the same performances that attract the same crowds over and over."- Composer 1

Grants can be very helpful in subsidizing quality and uniqueness the Dutch music scene. They can help more established artists to reach a certain stage in their career. When the right grant is rewarded at the right time, this can be an effective method for supporting artists through times of financial uncertainty. Buma Cultuur can support artists by determining which grants are needed for certain artists.

"Buma Cultuur should give grants to perform live. But it shouldn't say Buma Cultuur too loudly, because that will make the performing bands look like dorks" – Composer 4

7.5.2 Create facilities for Dutch artists
Almost all respondent from the creative part of the music industry agreed that more facilities are needed to support Dutch artists. These facilities should support every element of the art of music making. Buma Cultuur can start by providing relevant information on several areas. Since Buma Cultuur does not coach artists individually, the success factors of top artists can be provided. Practical information about the music industry and the way artists can use the current developments can also be much needed. This includes continuing to give lots of attention to the use of music in movies, games, commercials and TV series. Buma Cultuur can also provide lots of information to small artists and amateurs, especially now that the global competition has made it even more difficult to get famous.

"Don't coach individual bands, but learn from individual bands". – Internal respondent 2

Practical information can be provided through workshops and presentations at events, which is a common practice for Buma Cultuur. But information can also be made accessible through online portals. Online portals can be very effective in facilitating artists in their information needs. Not all portals are the same. Amateur and more professional artists require different forms of information. Therefore, Buma Cultuur can support the creation of a portal for each group. The social network developments have created many opportunities to develop such a portal more easily.

The portal for more professional artists can consist of a platform, where all separate bits of useful information are gathered and presented. It can facilitate bigger artists with practical information on current developments, copyright payments, radio exposure, technical information, links to relevant forums and all other kinds of useful information that will allow them to maintain their focus on making music.

Small artists and amateur artists also require a lot of practical information. The information platform for this enormous community of artists can focus on enabling the free exchange of information. This platform can be open-minded and easily accessible to everyone. Every artist and producer can make their own page where they can display their own philosophy and skill set, visual content and background information. Additionally, there can be a forum where every aspect of creating, producing and performing music can be discussed. It can serve as an information source, similar to self-help groups on the internet and at the same time have the promotional power to facilitate scouting by the music industry.

"A lot can be achieved for amateurs in the music business. Amateurs can become important new artists when information is available on how to run their music as a business" - Publisher

Buma Cultuur can also support artists in their more direct needs. They can help to locate people with the skills to take care of all the extra disciplines that are necessary when performing music. Skills like choreography, taking care of the styling on stage, taking care of the look of the whole performance and pressing CD's. Since live performances are becoming an increasingly important part of the artist's revenue model, such actions can help to support Dutch artists.

Another area where Buma Cultuur can support authors of Dutch music is through the creation of a standard artist website. To help artists with their own promotion, Buma Cultuur can provide a standard artist website that can be personalised by the artist without too much effort. Features of this website can include an online store, which can be directly linked to any of the major music distributors, like I-Tunes, Amazon or their record label. By allowing artists to sell their own records, Buma Cultuur can create a dedicated revenue source for artists.

"We have started to supply our artists with simple websites that they can modify themselves. […] This has triggered positive reactions" - Producer

7.6 Conclusion

Many activities can be deployed in each of the current areas of activity of Buma Cultuur to assist Dutch music industry actors in their coping strategies. Major record companies will benefit from an increase in use of their copyrights and new cooperation partners, while independent record companies will benefit more from exposure for their artists. Artists will benefit most from possibilities for unique promotion events, live performances, effective fan binding and connections with professional business actors. To ensure that new activities won't require radical reorganizations, all possible new activities have been designed within the current areas of activity of Buma Cultuur.

Chapter 8 - Recommended new activities for Buma Cultuur

In this chapter, three roles are defined that Buma Cultuur can adopt to deal with the regime shift effects in the music industry. First, each role and the related activities are presented according to the regime shift needs of each of the three types of actors, which are the major music companies, the independent music companies and the artists. Then some struggles between the three roles are closer examined. Finally three types of activities are recommended that can be deployed by Buma Cultuur to support the Dutch music industry as a whole.

In the previous chapter the respondents of the interviews have suggested new activities that Buma Cultuur can deploy to deal with the regime shift effects. These activities can be found in the current areas of activity of Buma Cultuur. These are: music promotion activities, knowledge support activities, trade support activities and artists support activities. The activities that can be deployed in each of the three roles originate from these suggested new activities.

In chapter six, the coping strategies of the three music industry actors have been analyzed to define the effects of these coping strategies. Following the coping strategies, several threats and opportunities have been defined for each actor. The three roles that Buma Cultuur can deploy to assist these actors are defined according to these threats and opportunities.

The threats and opportunities that followed from the coping strategies are based on the global effects of the regime shift. By supporting the three actors in a Dutch context, Buma Cultuur can assist the Dutch music industry. This way Buma Cultuur can follow their mission of supporting and promoting Dutch music.

Each role supports one of the three actors. Since each role is defined to support the main actor of that role most effectively, some side effects towards other actors exist. Therefore some of the activities that can be found in these roles can also be beneficial to other actors than the main actor.

8.1 The major record company support role

The major record companies have deployed a cross-over combination of defense and adaptation coping strategies to deal with the regime shift effects. This resulted in secured revenue, delay of competitors, new applications of copyright protection and new sources of income. At the same time some new applications were terminated and little has been achieved against illegal distributors of their music catalogues.

Opportunities are found in cooperation with other organizations that poses relevant capabilities to create new sources of income. Threats followed from the focus on copyright, which can become a less effective means of protection, since public opinion on the use of copyright is changing. Therefore another opportunity rises in the creation of a new business model, where copyright protection is less essential.

To support these threats and opportunities, the major record company support role consists of activities that support business model creation, activities that assist in finding new cooperation partners and activities that promote music copyright.

8.1.1 Activities to support new business model creation

To support major record companies in finding new methods for exploitation of their music catalogues, Buma Cultuur can assist in the creation of a new business model where copyright is less essential. Buma Cultuur can assist in the development of such a business model by using their large network of music industry actors and their objective position in the Dutch Music industry. They understand the old business model and understand the commercial exploitation of music. Their network consists of all involved actors in the music industry, but also of problem solvers and researchers of music related subjects. The experience Buma Cultuur has with conversation and idea generation projects with political, governmental, commercial and other partners nationally and internationally can provide an excellent basis for such a role. Furthermore, their experience with organizing events can be helpful to bring all these actors together to find a starting point for a new business model. Buma Cultuur can assist in the creation of a new business model for the Dutch music industry through knowledge support activities (Ch. 7.3).

In their role to assist the creation of a new business model, Buma Cultuur should focus on their current skills and organizational structure to create the largest impact. Activities related to fundamental research (Ch. 7.3.1) and music industry problem solving (Ch. 7.3.2) require new capabilities when preformed inside the organization. Therefore Buma Cultuur can focus on finding researchers and problem solvers within their network to perform fundamental research and problem solving activities. Activities related to the spreading of music industry knowledge (Ch. 7.3.3) and deployment of visionary activities (Ch. 7.3.4) can be performed by Buma Cultuur as their current skills and structure provide an excellent starting point for these activities.

8.1.2 Activities to assist in finding new cooperation partners

To assist major record companies in finding the organizations that poses the relevant capabilities to create new sources of income, Buma Cultuur can assist in finding new cooperation partners. Buma Cultuur has been an excellent organizer of world famous music business events like Amsterdam Dance Event and Noorderslag Weekend. On these events, music organizations can present themselves. Innovative new organizations come to these events to find resources and connections with other companies. Buma Cultuur can stimulate this behavior by continuing to bring worldwide music industry actors to The Netherlands and continuing to showcase the newest developments in the music industry. It can also start new events that focus more on underground and online music. This can enable the major record companies to find new cooperation partners that have the relevant new capabilities to create new applications for their music catalogues. Activities that assist in finding these cooperation partners can be found in enhancing current music events (Ch. 7.4.1), which is part of the trade support activities that were suggested by the respondents of the interviews (Ch. 7.4)

8.1.3 Activities to promote music copyright

To assist major record companies in maintaining their current business model until a new model has been found, Buma Cultuur can promote the use of music copyright to the public. A big part of the current business model is based on copyright, maintaining the current form of copyright becomes relevant for the existence of the Majors. Since the public opinion is changing on the use of copyright, Buma Cultuur can attempt to promote its use. This can be achieved by promoting the cultural value of copyright and promoting the legal use of copyright. Activities that are related to the promotion of copyright can be found in engaging in public activities (Ch. 7.2.4), which is part of music promotion activities (Ch. 7.2).

As a positive side effect, BUMA would also like Buma Cultuur to promote the use of copyright, since BUMA is fiercely defending its position by fighting the illegal use of music copyrights. BUMA is the main financer of Buma Cultuur and the future of Buma Cultuur does depend on the existence of BUMA as a collection agency for copyright use. Although business models are changing, an increase in the legal use of music copyright material can increase the sale of Dutch music copyright. Such an increase is beneficial for BUMA and can indirectly secure future financing of Buma Cultuur.

8.2 The independent music company support role

The independent music companies have deployed an adaptation strategy to cope with the regime shift. This has resulted in new forms of online distribution, new sources of promotion, improved methods of connecting with fan bases and specialization in music releases.

Opportunities for independent music companies can be found in their flexible organization structure, which can more easily allow experimentation and exploration. Furthermore, underground music is becoming more mainstream and the demand for live music is increasing, which can be an advantage for Indies. Threats can be found in the time and resource costs of experimentation with the new online possibilities for promotion and distribution and the increase in global competition.

To support independent music companies, Buma Cultuur can deploy activities to assist in global exposure, activities to support experimentation and exploration, and activities to support exposure of talented artists.

8.2.1 Activities to assist in global exposure

To assist Dutch independent music companies in global competition, Buma Cultuur creates as much exposure for Dutch artists as possible. Many new artists have emerged and the global effects of the new distribution methods have caused Dutch artists to compete with artists throughout the world. Buma Cultuur has experience in setting up international talent exchange programs and promoting through a diverse set of infrastructures. Buma Cultuur can assist in creating exposure by deploying activities that enhance the use of current infrastructures (Ch. 7.2.1), activities that create new promotional infrastructures (Ch. 7.2.2) and activities that enhance export promotion (Ch. 7.2.3), which are all part of music promotion activities (Ch. 7.2).

8.2.2 Activities to support experimentation and exploration

To support Dutch independent music companies in their time and resource costs to experiment and explore the new online possibilities for promotion and distribution, Buma Cultuur can take over some of the experimentation and exploration time and resource costs. It can supply information on the music industry and assist in the development of new applications. Buma Cultuur has a wide network of expertise and has a large amount of knowledge of innovative developments in the music industry. Activities that can be deployed to assist independent music companies with experimentation and exploration include spreading music industry knowledge (Ch. 7.3.3) and engaging in visionary activities with Indies (7.3.4), which are part of the suggested knowledge support activities (7.3).

8.2.3 Activities to support talent exposure

To support independent music companies in their efforts to create visibility for their talented artists, Buma Cultuur can help to let them stand out amongst other artists. The business events of Buma Cultuur are widely visited by international music business organizations. Therefore talented artists can be showcased on these events to create the exposure they need to stand out. Since underground music is becoming more mainstream, new events can be started that focus on the less mainstream areas of music. Especially on those types of events, Dutch underground artists and labels can be recognized. This will stimulate all Dutch underground music. Activities related to talent exposure can be found in enhancing current music events (Ch. 7.4.1) and showcasing Dutch talent (Ch. 7.4.2), which are part of the new trade support activities (Ch. 7.4).

8.3 The artist support role

The artists have mainly deployed adaptation strategies to cope with the regime shift effects. This has resulted in unique forms of distribution that did not require a record. It has also resulted in an embrace of live performances, new and improved methods to connect with fans and promotion through UGC-sites. On a downside, artists have focused more on the quick success of single releases and especially smaller artists have not been able to stand out amongst global competition.

Opportunities that followed from these developments can be found in the potential to release music without a record company and the potential to release music globally. Threats are found in the lack of information on self promotion, fan binding and dealing with more actors than before. The global competition element has also created less visibility for artists.

To support artists, Buma Cultuur can deploy activities that create national exposure, activities to support self promotion, fan binding and dealing with the new actors, and activities to create international visibility.

8.3.1 Activities to create national exposure

To create national exposure for Dutch artists, Buma Cultuur can use their expertise on promotion to focus attention on national music. With the arrival of global competition for artists, the consumers of music find it difficult to recognize Dutch artists. Buma Cultuur can promote Dutch artists to regain focus on Dutch products. Current and new infrastructures can be used to create this attention. Underground

sources of music can also be used to regain awareness of Dutch artists. Activities that can be deployed to create national exposure include the enhanced use of current infrastructures (Ch. 7.2.1) and the creation of new promotion infrastructures (Ch. 7.2.2), which are part of the suggested music promotion activities (Ch. 7.2).

8.3.2 Activities to support self distribution, fan binding and dealing with new actors

To support artists in self promotion, fan binding and dealing with new actors, Buma Cultuur can supply information and facilities. Especially the smaller artists find it difficult to find information on how to effectively deal with these new online possibilities. Learning these capabilities enables artists to take control of their own distribution and promotion. Buma Cultuur has a large network of successful artists that can provide this information. This information can be brought together to form a knowledge database for artists. To further assist in this process, Buma Cultuur can also supply the facilities to engage in self promotion and fan binding. Activities related to information and facilities can be found in create facilities for Dutch artists (Ch. 7.5.2), which is part of the possible new artist support activities (Ch. 7.5).

8.3.3 Activities to create international visibility

To create international exposure for Dutch artists, Buma Cultuur can support the creation of better artists. The creation of exposure for Dutch composed music is not very effective without high quality Dutch compositions. Putting more effort in educating Dutch composers should result in higher quality music compositions. Other organizations like 'Muziek Centrum Nederland' also have this kind of function, but Buma Cultuur can provide these services to any artists. Where 'Muziek Centrum Nederland' has to focus on the cultural quality of the artists they support, Buma Cultuur can aim to create more successful composers and increase professionalism among all artists. With better artists and better compositions, international exposure can be easier to achieve. This is a relatively long process that requires continuous support over a longer period of time to be successful. Better artists can be created by deploying education and excellence support activities (Ch. 7.5.1), which are also a part of the artist support activities (Ch. 7.5)

8.4 Struggles between roles

Some of the activities that are related to one role are also beneficial to other roles. On the other hand, there are also some struggles between roles. The first difference between roles can be found in the focus on copyright. The major record company support role sustains Majors by promoting the use of copyright. This element is much less relevant in the other two roles. These roles tend to focus on the exposure of music regardless of the business model behind the sales. The promotion of Dutch music regardless of the use of copyright has the benefit that it becomes less vulnerable to changes in public opinion or changes in business model. For the Majors copyright has already become such a relevant aspect of music sales, that this struggle is unavoidable.

A second difference between roles is found between the support roles of the Majors and the Indies. As both operate in the same business, competition among these two types of business is unavoidable.

When more exposure is created for Major artists, Indies will sell less music and vice versa. This struggle is rooted in the setting of this thesis, where a specific choice has been made to compare large incumbents and smaller incumbents in their ability to adapt to the regime shift effects.

The last struggle can be found between the artist support role and the two business support roles. One of the suggested activities aims to assist artists in self distribution. This means a record company is not required to release an artist's music. This has become a problem for especially the Majors, since their biggest artists already have received enough promotion to create a large fan base. It has become a tendency of larger artists to leave a major record label and take full control of their own promotion and distribution. But also for smaller artists, this has become a relevant option. The independent music companies that would normally distribute such an artist are hardly able to create more exposure that the artists can achieve by itself.

8.5 Recommended activities

Buma Cultuur has traditionally supported all actors of the music industry. It has been able to maintain equilibrium between support and promotion of Majors, Indies and artists. Therefore, the recommended activities that Buma Cultuur should deploy, should benefit all three actors. At the same time it should also benefit Dutch music in general.

To determine these recommended activities, elements of each of the three roles are combined. The resulting activities should not create any struggle amongst the three actors and should be able to be deployed side by side. Three activities have been found that qualify according to these criteria. These activities are:

8.5.1 Start creating exposure for Dutch music through all online channels

The first recommendation is to promote Dutch music through all channels. Since global distribution and promotion has become available to all artists worldwide, Dutch music can easily become less visible to consumers. By promoting through all channels, Buma Cultuur can create exposure for Dutch artists nationally and globally. Buma Cultuur has always promoted Dutch music. With that expertise and the available resources Buma Cultuur can create exposure that is otherwise unavailable for artists.

Many new promotion channels have become available since the arrival of the internet. Many new channels are becoming available with the further integration of internet in social structures. All these channels should be used to promote Dutch music. This includes promotion on music portals, forums, user generated content sites and many more. But it also includes special Dutch music events online and podcasts with only Dutch music, hosted by more famous Dutch artists and other inventive promotion campaigns. By experimenting with online promotions, new successful promotion tools will be found. Therefore new infrastructures should also be created to promote Dutch music nationally and internationally.

Majors, Indies and artists all profit from exposure of Dutch artists. The smaller artists and labels benefit, since they do not have the resources to setup extensive promotion campaigns. Bigger labels and artists benefit, since they get access to channels that are otherwise unavailable to them. Activities that are related to creating exposure for Dutch artists nationally and internationally can be found in enhancing the use of current promotional infrastructures (Ch. 7.2.1) and creating new infrastructures (Ch. 7.2.2).

8.5.2 Setup and support experimental and visionary activities

The second recommendation is to setup and support experimental and visionary activities. This can be a very effective tool in business model creation. By setting up experimental and visionary activities, Buma Cultuur can set an example that the other music industry actors can follow. Experimental and visionary activities deployed by other actors should also receive full support. At the same time, new activities will be avoided which can also be set up by other music business actors.

Buma has the organizational and financial structure to support and experiment with all types of events and programs. If a program or event is not successful, a new one can be started without the risk of bankruptcy. Eventually these experimental activities will result in the relevant activities of the future. It also contributes to the knowledge of the music industry. With their network of people with more expertise of the music industry, new initiatives can effectively be setup and supported. Underground and online initiatives should be fully embraced in this process.

Majors can benefit from the potential of business model creation. They also benefit from the creation of new applications for their music catalogues that do not rely as much on copyright as their current applications. Indies can find support in their own innovative exploration and experimentation attempts. Artists will benefit as the new events and programs are based around Dutch music. All three can benefit from the new knowledge that will be created through new events and programs. Activities related to experimental and visionary events can be found in spreading music industry knowledge (Ch. 7.3.3), engaging in visionary activities (Ch. 7.3.4) but also in enhancing current events (Ch. 7.4.1).

8.5.3 Support the development of better Dutch artists

Buma Cultuur can create visibility for Dutch artists without increasing promotional activities by supporting the development of better Dutch artists.

The creation of better Dutch artists is also the only activity that does not require a working business model or copyright. It is an investment in the quality of Dutch music. Buma Cultuur has access to all available knowledge on how to create successful Dutch artists through their extensive network. Although they cannot support single artists to become better, they can create programs that aim to achieve an increase in the quality of all Dutch artists. These programs can be required to run for some time before any direct effects are noticeable, but with the current organizational and financial structure, Buma Cultuur can maintain such programs.

Majors, Indies and artists are all experimenting with new business models. These new business models will eventually result in a new equilibrium between artists and record companies. Since it is unclear which business model will eventually become dominant, all Dutch music industry actors can benefit most through successful Dutch artists, as successful artists will continue to promote themselves.

By deploying new activities that increase the success of Dutch artists regardless of possible sales, Buma Cultuur and Dutch music in general can become less dependent on the landscape pressure developments, which can change the function of music in society. Despite functional changes, music will remain a very important cultural phenomenon, which will eventually stabilize in a new business model. Activities related to supporting the development of better Dutch artists can be found in supporting education and excellence (Ch. 7.5.1)

Chapter 9 - Conclusion, recommendations and discussion

Conclusion

This research focuses on the current changes in the music industry and the new activities that the Dutch music promotion and support organization Buma Cultuur can deploy to adapt to these changes.

The digitalization of media has created a big change in the way media is used (Lam and Tan 2001). The arrival of networks like the internet has made media more accessible and available. This has changed the mindset of music consumers. They stopped buying CD's and switched to music from online distributors.

These changes in the music industry are the result of a regime shift. A regime shift can be started when regime actors like the traditional music industry actors, are affected by landscape pressure developments (Smith, Stirling et al. 2005). These landscape pressure developments can influence consumer preferences, policies, technology and even culture (Geels and Schot 2007). When landscape pressures are severe enough, they can force regime actors like the music industry to adjust their activities (Smith, Stirling et al. 2005). This can create a 'window of opportunity' for niche innovators, like the new online music distributors. If they can establish a dominant design, they can enter the regime (Geels 2002). The online music distributors have created a dominant design with their current online music distribution services. This dominant design has given them control of global music distribution and has created the regime shift in the music industry.

The first research question has been formulated as: *"What are the implications of the regime shift in the music industry?"*

The answer to this research question differs for record companies and artists. The major record companies, which are Universal, Warner, EMI and Sony Music, are confronted with a drop in music sales and the loss of their dedicated distribution channel. This has caused their return on investments in talented artists to drop.

Independent record companies also suffered losses in music sales, but these losses were less heavy due to the loyal fan bases of their artists. The rise of internet gained these record companies a global distribution and promotion network and increased the demand for underground music. As a result more independent record companies emerged through 'net labels', which has increased competition.

Artists suffered a drop in income due to the drop in record sales and have been confronted with new market demands for live performances and single tracks. Similar to the independent record companies, they gained global distribution and promotion possibilities. At the same time more artists appeared due to cheaper music production and distribution methods.

The second research question has been formulated as: "*What are the effects of the coping strategies that are deployed by international music industry actors?*"

Regime actors like music companies and artists can deploy coping strategies to defend their current position and to adapt to the regime shift implications. Many news sources have been consulted to determine the coping strategies and the effects of these coping strategies. These effects have been combined in a coping strategy effects model, which provides an overview of the opportunities and threats that follow from each coping strategy.

The <u>major record companies</u> have started with a defense strategy based on the copyright of their music catalogues. A defense strategy based on copyrights can delay new entrants and secure some market revenue (Teece 1986)The major record companies have been able to delay some online distributors. They have also secured some market revenue through price negotiation and lawsuits. But the Majors have not been able to slow down the illegal distribution of music online.

The adaptation strategies of the major record companies have been based on new forms of copyright protection and new sources of income. New applications can be found through exploration and experimentation (Rosenkopf and Nerkar 2001); (Ahuja and Lampert 2001). The Majors have been able to find new applications for copyright protection through DRM, home copy retributions and audio fingerprinting technology. New sources of income have been found through supplying music to online distributors, events and new hardware devices. Streaming music and 360 degree deals have also provided Majors with new sources of income.

The combination of a defense and an adaptation strategy has created some time to setup several adaptation processes. The adaptation processes were usually executed through cooperation. Joint ventures have created the entrepreneurial organization structure that the Majors required for new capabilities (Christensen and Overdorf 2000)At the same time, cooperation does not require adoption of new capabilities on all organizational dimensions, which threatens the implementation of new core capabilities (Leonard-Barton 1992). Also, the reliance on copyright has become a threat, since the landscape pressures that started the regime shift are influencing public opinion and legislative powers to change the concept of copyright.

<u>Independent record companies</u> did not deploy any defensive strategies, but focused on adaptation. Indies tend to have a more flexible organization structure, which allows for experimentation and exploration with new online promotion and distribution possibilities. New forms of distribution have been found in various types of online music distribution and aggregators. New sources of promotion have been found in artist websites and user generated content sites. But to effectively promote music, time and resources are needed to develop unique promotion methods that will stand out against net labels and global competition. To compensate, independent music companies have used the increased demand for underground music to focus on more specialized genres.

Most artists did not deploy any defensive strategies either. They proved agile entrepreneurs in finding new sources of income, distributing their own music and connecting with fans. Artists adapted to the demands for live performances and singles. They experimented with the new online possibilities by distributing their music for free, creating special collectors editions, dedicated websites and other means to keep fans connected. The new distribution methods have eliminated the need for record companies. But with the increase of global competition, unique promotion campaigns have become essential to get enough exposure. Small artists are usually unable to acquire the network or the resources for such campaigns.

The third research question has been formulated as: *"Which new activities can Buma Cultuur deploy to support Dutch music industry actors?"*

To answer this question, interviews have been conducted with respondents from the Dutch music industry. These respondents have suggested numerous new activities which Buma Cultuur can deploy to support Dutch artists and record companies in their efforts to deal with the regime shift effects.

The research constraint stated that "*no radical reorganizations should be required to implement the new activities*. Therefore, the new activities have been designed according to the current promotion and support activities of Buma Cultuur, which can be divided into music promotion, knowledge support, trade support and artist support.

The music promotion activities of Buma Cultuur can be adapted to the changes in the music industry by enhancing the use of current promotional infrastructures, creating new infrastructures, enhancing export promotion and engaging in public activities. Examples of activities are: starting podcasts where DJ's mix Dutch artists, creating a platform to release Dutch music and promoting the legal use of copyright.

The knowledge support activities can be enhanced by solving music industry related issues and starting fundamental research, spreading music industry knowledge and engaging in visionary activities. Examples of activities are: starting conversations with Dutch business actors and deploying innovative activities that show the way for the rest of the industry.

The trade support activities can be adapted to music industry changes by enhancing current music events and showcasing more new talent. Example activities are: starting a new event that is based on the current music industry developments and showcasing more Dutch artists at events.

The artist support activities can be changed to deal with the regime shift effects by supporting education and excellence in Dutch music and through the creation of facilities for Dutch composers. Examples of activities are: supporting experimentation in music through awards, providing practical information on creating revenue through the new distribution channels and providing standard websites for artists.

The central question of this research stated *"What new activities should Buma Cultuur deploy to adapt to the regime shift in the music industry?"*

To provide an answer to this final question, three roles have been created which Buma Cultuur can adopt to deal with the regime shift effects in the music industry. Each role supports either the major record companies, the independent record companies or the artists, all in a Dutch context. The threats and opportunities of the coping strategies of the international music industry actors have been used in combination with the suggestions for new activities that were provided by the respondents of the interviews to form the related activities for each role.

The major record company support role consists of activities that support business model creation, activities that assist in finding new cooperation partners and activities that promote music copyright. Buma Cultuur can assist in the creation of a new business model for the Dutch music industry through finding researchers and problem solvers within their network to perform fundamental research and problem solving activities, but also through spreading music industry knowledge and deploying visionary activities. Activities that assist in finding cooperation partners for major record companies can be found in enhancing current music events. Activities that are related to the promotion of copyright can be found in engaging in public activities.

The independent record company support role consists of activities that assist in global exposure, activities to support experimentation and exploration and activities to support exposure of talented artists. Activities that assist in global exposure can be found in enhancing the use of current infrastructures, creating new promotional infrastructures and enhancing export promotion. Activities that can be deployed to assist independent music companies with experimentation and exploration include: spreading music industry knowledge and engaging in visionary activities with Indies. Activities related to talent exposure can be found in enhancing current music events and showcasing Dutch talent.

The artists support role consists of activities that create national exposure, activities to support self promotion, fan binding and dealing with the new actors but also activities to create international visibility. Activities that create national exposure for Dutch artists can be found in the enhanced use of current infrastructures and the creation of new promotional infrastructures. To support self promotion, fan binding and dealing with new actors, facilities can be created for Dutch artists. To create international visibility, better artists can be created through deploying education and excellence support activities.

Recommendations

To finally answer the central research question, three recommendations are made. These three recommendations combine elements of each of the three roles. Buma Cultuur has traditionally supported all actors of the music industry and has been able to maintain equilibrium between support and promotion of Majors, Indies and artists. Therefore the elements of copyright protection and self promotion of artists have been abandoned. The three recommended activities benefit all three actors and support Dutch music in general.

Recommendation # 1: Start creating exposure for Dutch music through all possible online channels

> Many new promotion channels have become available since the arrival of the internet. Many new channels are becoming available with the further integration of internet in social structures. With global distribution and promotion possibilities increasing, Dutch music can easily become less visible to consumers. Buma Cultuur can use its experience and resources to create exposure that is otherwise unavailable for Dutch artists.

Recommendation # 2: Setup and support experimental and visionary activities

> Buma has the organizational and financial structure to setup and all types of experimental events and programs. By setting up experimental and visionary activities, Buma Cultuur can set an example that the other music industry actors can follow. New initiatives can effectively be setup and supported as the network of Buma Cultuur can provide expertise of the music industry. Activities should include underground, experimental and visionary initiatives deployed by other actors. Eventually these experimental activities will result in the relevant activities of the future.

Recommendation # 3: Support the development of better Dutch artists

> Buma Cultuur can create visibility for Dutch artists, without increasing promotional activities, by supporting the development of better Dutch artists. Majors, Indies and artists are all experimenting with new business models. Since it is unclear which business model will eventually become dominant, all Dutch music industry actors can benefit most through successful Dutch artists, as successful artists will continue to promote themselves. By deploying new activities that increase the success of Dutch artists regardless of possible sales, Buma Cultuur and Dutch music can become less dependent on the landscape pressure developments that have changed the music industry.

Discussion

In this research, regime shift theory has been used to describe the dynamics of the changes in the music industry. Even though this theory originates from the more philosophical systems and institutions theory, it has been very useful in describing the organizational and business effects of the changes in the music industry. The regime shift theory uses social elements like values, morals, mindsets and consumer preferences, policies and legislative developments. By connecting and implementing these social elements, the link between digitalization of media, internet developments and the resulting organizational changes in the music industry became clear.

The value of this research can be found in the use of the landscape pressure developments in describing the changes in the music industry. Although the concept of change over longer periods of time has been used before, landscape pressure can provide a more distinct view on the long term processes that cause the adaption to change to be so difficult. In this research the landscape pressure developments were defined as 'the increasing need for information within society'. It explained why not only the consumer preferences changed with the developments of internet and media digitalization, but also the legislative system was affected.

This research has also contributed to the understanding of the possible coping strategies that can be deployed by incumbent organizations. The addition of three types of combinations of coping strategies has provided insight into the reasons behind the defensive nature of the major record companies. The fierce protection of their catalogues of music through music copyright has created time to start up various adaptation processes. This time has allowed the major record companies to setup an organization structure where efficient and entrepreneurial activities could coexist.

Unlike the ambidextrous organization of Tushman and Anderson (1997), the major record companies have integrated both the efficient and entrepreneurial organization structure without adjusting the culture of their organization. This entrepreneurial structure was eventually found in joint ventures with organizations that possessed the necessary capabilities to exploit their catalogues of music. These joint ventures could operate independently, but were controlled by the major record companies. A side effect of this type of cooperation can be the lack of sustained adaptation to the regime shift effects.

One of the main strengths of a combination of both a defense and an adaptation strategy is that the temporary nature of the defense strategy is eliminated. This enables the integration of the defense strategy strengths of delaying new entrants and securing market revenue, without the threat of the temporary nature of propriety rights. But the major record companies have mainly adapted to the regime shift by setting up new applications based on the same propriety rights. By relying on copyright for both the defense and adaptation strategy, this threat still exists. These developments suggest that the adaptation process of major record companies is only halfway.

Future research can therefore focus on the future adaptations of the major record companies. This should result in more conclusive proof if a combination of both coping strategies can actually eliminate the threat of the temporary nature. It can also become clear if the joint venture strategy for an

entrepreneurial structure that has been deployed by the Majors prohibits full adaptation through the lack of adaptation of culture and values. Finally, more data on combinations of coping strategies can reveal if the timing of the adaptation process can actually provide a sustained competitive advantage by creating enough time to setup and define the adaptation processes.

A final suggestion for future research concerning music industry developments, is to include cultural perspectives when analyzing motivations. In this research the motivations of smaller independent record companies and smaller artists were influenced by something, which can be described as the 'love of music'. This highly influenced the loyalty of fans and resulted in more moderate file sharing effects for independent record companies. The drive to create the best music has been the reason why many smaller artists and some independent record companies couldn't care less about music industry developments. They continue to professionally create, promote and distribute music not for financial profit, but for the 'love of music'.

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Appendix: 'Market information Dutch music industry 1975 – 2007'

Market Information Dutch music industry 1975 - 2007

Amount and turnover of soundmedium in the Netherlands (in millions) - Source: NVPI

Jaar:		1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Albums:																																		
- LP's	Turnover	155	179	193	213	204	184	178	168	150	139	120	103	68	37	15	9	5	2	2	2	2	1	1	1	2	1	1	2	2	2	2	1	0,2
	Amount	25,0	29,0	33,0	35,5	32,0	27,0	24,0	21,0	18,6	16,7	16,3	14,9	15,5	12,7	4,3	2,6	1,3	0,6	0,3	0,3	0,2	0,2	0,2	0,2	0,2	0,1	0,1	0,2	0,2	0,2	0,3	0,01	0,01
- MC's	Turnover	18	23	32	36	27	29	29	30	34	34	38	31	21	22	17	15	14	10	9	7	4	4	3	1	1	1	1	1	0,08	0	0	0	0
	Amount	2,5	3,0	4,5	5,5	4,0	4,5	4,0	4,0	4,5	5,0	4,8	5,2	4,8	3,3	3,4	2,7	1,8	1,6	1,3	1,2	0,8	0,6	0,4	0,3	0,3	0,2	0,1	0,06	0,01	0	0	0	0
- CD's	Turnover	0	0	0	0	0	0	0	0	4	11	30	67	150	239	324	465	529	477	479	474	471	454	492	469	466	461	403	335	302	262	247	238	238
	Amount	0	0	0	0	0	0	0	0	0,1	0,3	0,8	1,9	5,6	13,5	23,5	35,0	39,2	33,2	34,6	35,0	34,6	34,4	36,9	34,2	35,0	33,5	34,1	32,4	28,0	25,1	23,4	20,2	19,0
- DVDA/SACD	Turnover	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0,6	0,7	5,6	2,9	2,0	1,1	0,2
	Amount	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0,03	0,20	0,10	0,10	0,10	0,06	0,01
Total (incl. Music video's)	Turnover	173	202	225	249	231	213	207	195	184	184	209	221	291	338	382	502	555	497	495	486	482	462	497	475	462	468	463	406	344	307	248	238	232
	Amount	27,5	32,0	37,5	41,0	36,0	31,5	28,0	25,0	23,2	22,0	22,6	21,6	26,3	31,0	31,1	41,0	43,2	35,6	36,5	36,2	36,4	35,4	37,7	34,8	34,0	34,5	32,7	28,3	25,6	23,7	20,6	19,5	19,0
Singles:	Amount	7,5	8,0	9	11	14	17	14	12	15	12	13	12	12	8,4	7,1	6,3	5,0	4,2	5,7	5,9	7,9	7,9	7,8	6,6	5,5	5,4	5,0	3,6	3,2	2,7	2,0	1,7	1,0
	Turnover	18	20	25	32	39	32	34	41	32	36	36	27	29	29	23	23	23	33	38	40	30	28	26	23	16	14	12	13	12	12	8,0	6,4	4,2
Music video:	Amount	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Turnover	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0,6	2,3	4,9	5,2	4,6	3,5	2,8
Downloads:	mobile	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	2
Amount	online	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	6,3	10
	Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5	7,3	12
	Turnover	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12	45	86			
Total:	Aantal	35,0	40,0	48,5	55,0	53,0	45,5	40,0	39,5	35,2	34,5	34,8	33,5	38,4	39,4	38,2	47,3	48,2	39,8	42,2	42,1	44,3	43,3	45,5	41,4	39,5	39,9	38,3	34,2	33,7	31,6	32,2	32,0	34,8
	Omzet	209	242	275	313	309	277	275	277	248	256	281	297	363	392	440	560	601	543	551	552	558	548	577	535	518	520	521	483	458	423	351	320	298
Price Index:		59	63	68	70	73	78	84	88	91	94	96	96	95	96	97	100	103	106	109	112	114	116	118	120	124	127	133	138	141	143	145	147	149
Corrected turnover:		354	384	404	447	423	355	327	315	273	272	293	309	382	408	454	560	583	512	506	493	489	472	489	446	418	409	392	350	325	296	242	218	200

Appendix: 'Organization structure of Buma Cultuur'
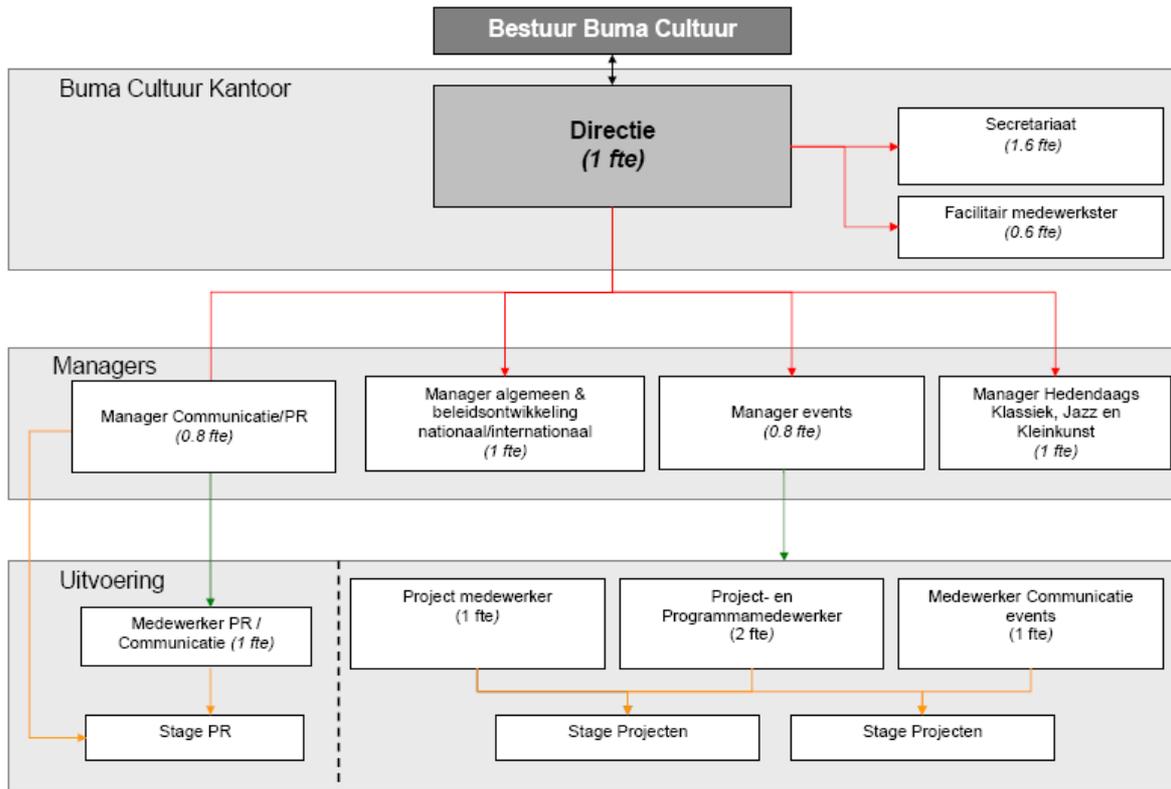
Organization structure of Buma Cultuur

Source: Buma Cultuur

Appendix: 'Financial future of Buma Cultuur'

On the 16th of July 2008, the European Union has adapted the rules for European collecting societies to prohibit agreements or practices that restrict free trading and competition between the societies. The first change allows authors to choose their own collecting society. The second change makes it easier for users to obtain all licenses from a single collecting society of their choice, even if these apply beyond the border.[79]

These changes affect the Dutch collecting society Buma/Stemra, which also have to follow these new European guidelines. Buma/Stemra wants to maintain its current position and the Dutch government supports Buma/Stemra in their current goals.[80] It is possible that in the future, Buma/Stemra will be in a worse financial position through these changes. Since Buma Cultuur is financed by Buma,[81] a change in financial position will also result in a lower budget for Buma Cultuur.

The department of Education, culture and science explains that less budget for Buma Cultuur is undesirable. It would rather increase the budget than decrease it. This could preferably be done by increasing the percentage of the international CISAC standard with 5 percent. Much of this money is from the United States to begin with. Only a small portion is Dutch money, since the US has aggressively pushed their entertainment media to the rest of the world.

They further explain that it is not the intention of the Dutch government to subsidize Buma Cultuur, when its budget shrinks. The music industry is a strong sector and shouldn't need that kind of support. It might be possible to finance certain parts when there is political support and a big contribution to policy goals. But Buma Cultuur and its events should mainly be supported by the industry.

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[79]EU Memo/08/511: Antitrust: Commission prohibits practices which prevent European collecting societies offering choice to music authors and users – frequently asked questions:
http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/08/511
[80]Copyrights policy letter from the Ministers of Justice, Economic Affairs and Education, Culture and Science of 200th of December 2008: *http://www.minjus.nl/images/20071220_5520988%20Auteursrechtbeleidsbrief_tcm34-95934.pdf*

[81] Before distributing collected fees to members, and after adjustments for assets and liabilities, Buma sets aside 10% which goes into the cultural & social funds. This 10% is based on international CISAC agreements. These agreements are used by most organizations and by all European organizations. Buma spends part of this 10 percent on subsidizing Dutch music through Buma Cultuur.

Appendix: 'Creating DutchSpace'

One way to for Buma Cultuur to promote Dutch composed music is through a platform that allows a consumer to find Dutch artists. Such a platform would have to be newly developed, since it isn't already available. The focus of the platform will be on the artist/ composer. Every artist can make its own profile page and is expected to moderate this page as well. Also non-Dutch artists are welcome as they help to establish the platform.

This more promotional side of online activities, with the emphasis on creating a new system, is embraced by the respondent from the distributing sector, who assures it is very important to start activities to promote and support Dutch composed music.

The idea of how Buma Cultuur should promote Dutch composed music is through an artist based platform with functionalities that enable finding and booking Dutch artists. Creating a new platform with new functionality attracts attention. When Buma Cultuur controls this platform it can highlight Dutch members. With lots of service towards visitors, this can be a very effective way of promoting Dutch composed music.

Such a platform aims at attracting visitors from all the different parties found in the music business. Consumers can find their favorite bands, bookers can book them, and record labels can find new talent. It should integrate a search function that lets you find your music quickly and a cross-promotion function to link smaller bands to bigger bands.

The content on these profile pages can easily be created since most artists already have elaborate content and information on other user generated content websites like MySpace, Last.fm and others. The difference with other websites is that this platform focuses on promotion of artists. Therefore this platform should also include up-to-date booking information and availability. Perhaps a live booking system could be implemented by combining forces with the Dutch association of Dutch Pop venues (VNPF)

The platform will also become a living encyclopedia of the pop scene. The website of the Dutch Music Centre (MCN) already has an encyclopedia of Dutch music, but that information is often limited and incomplete. Here, bands can also define their influences, which will link to other pages to make a comprehensive whole.

To attract visitors and remain interesting, this platform should be created from a service point-of-view. A decent level of service towards all visitors, translates in a high level of activity. This can be reached by integrating live broadcasts of festivals or special shows. Visitors can decide which act they would like to see next month at a live broadcast. By keeping the information supplied on the platform up-to-date and interesting, continuation of the platform can be assured.

Appendix: 'Quotas for national composed music on the radio'

Many countries have quotas on various aspects of radio broadcasts. These can be on origin of the production or on language. The French quotas on language provide an expressive example of the effects of quotas.

In 1996, France installed a 40% quota for the amount of French compositions on the radio. The purpose of this quota was to create "a reservoir for new, young talent". The quota was revised in 2000 to accommodate different quotas for different radio stations. As Hodson (2006) points out this resulted in the rise of French Hip hop, an American culture phenomenon, with French language added. Still, the biggest acts coming from French did have English vocals, since that seems to be the way to global fame (Hodson 2006).

The policy of the Dutch Ministry of Education, Culture and Science is clear.

"The media are independent. When they are forced to play unknown music, they'll lose listeners, which means they aren't fulfilling their public duty. When the quality of the music is increased, there is no need for quotas on language of origin of production."- Governments OCW respondent a

Quotas do exist for independent producers on television, but there will probably never be quotas for language.

The same governmental respondent points to the film and design industry in The Netherlands. With coordinated efforts, a lot more is achieved. It starts with culture policy and should be followed by economic policies, which include investments for export promotion and enlargement of the market, just as any other industry. That is also how the musicXport.nl was started; although it has a special status since cultural affairs is still involved in the program.
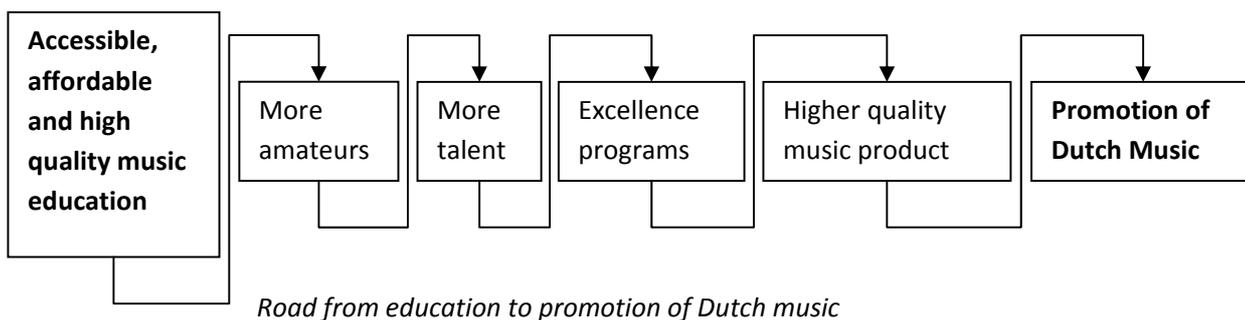
Appendix: 'Promote music through education'

Fig 5 represents the government's department of education, culture and science's view on how to promote Dutch music through education. It starts with accessible, affordable and high quality music education. Examples of successful education can be found in neighboring countries. In the North Rhine-Westphalia region in Germany, the "*Ein Instrument für jedes Kind*" program enhances music education. The same effect can be found in Belgium, where the West-Flemish are thought to have a higher quality of education and music practice, since a steady stream of decent pop bands and talented Flemish classical musicians is delivered.

Next, high quality music education delivers more amateurs. A higher number of amateurs should result in a higher number of talented individuals. Radio might play an important role here, since they can provide a medium for new talent. With some media exposure, new talent can influence others.

Then, when more talent is eminent, the next level of education is introduced through excellence programs. Excellence is stimulated through several funds and programs, like programs that stimulate active involvement, programs that send classical musicians on a two year intensive training in an effort to get them performing on stage, and more. And not only the musicians have to be educated, but also the producers, managers and record companies should be of a high level, , although some respondents believe Dutch music management is good enough and Dutch venues are among the best of the world.. But only when the whole chain is of a high level, it becomes possible to make high quality music.

"When lots of kids get an instrument pushed in their hands, with a high level [of education] and at a low price, that's where it start! That's when you have a good product. Then the rest will follow automatically"
– Governments OCW respondent a

Road from education to promotion of Dutch music

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