

# The Role of Intellectual Property in New Business Models in Music

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## ABSTRACT

*'Op op op op, oppa gangnam style'* these are undoubtedly the lyrics of Psy's greatest hit Gangnam Style. The music video still is the most watched video all time on YouTube (YouTube, 2015). YouTube was also the platform where Gangnam Style became famous. According to an analysis by The Associated Press he earned at least \$7.9 million in 2012. How is this possible, only by a video on YouTube? Psy earned that amount of money thanks to the protection of his intellectual property. This study is about the role intellectual property plays in music now and in the future. New business models in music show that the sales of music decline. Accessibility to of music is becoming more important and artists will seek other sources of income. One of them is the income they receive thanks to intellectual property, which is regulated by a neighbouring rights organisation. They collect money for music that is played in public and distribute this to producers and artist. This source of income is becoming increasingly important for artists. It is uncertain if this way of receiving money from intellectual property rights continues for the artists. This research indicates that the way consumers listen to music is changing from listening to the radio to on-demand listening. This can have a major impact on the intellectual property rights. A neighbouring rights organization does not have the mandate to license and protect the music that is consumed on-demand at the moment, as this mandate lies with the record companies. If the neighbouring rights organization does not obtain this in the future the intellectual property rights will be protected by the record companies' themselves. It is doubtful whether the artist will receive the same amount of money from a record company in comparison with a neighbouring right organization.

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**Keywords:** Intellectual property, new business models, music, future

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## 1. Introduction

*'Over the past years, the record industry has become one of the largest and most profitable cultural industries worldwide. Unfortunately, this conventional industry has had to face the strongest challenges in its history.'* (Dong-Her, Ming-Hung, David, & Che-Lun, 2014)

These two sentences perfectly illustrate the challenges that the music industry faces at the moment. On the one hand the music industry is a big industry in which a lot of money is involved, the total turnover of the global music industry came out last year at 15 billion dollar (IFPI, 2014); on the other hand they are dealing with the greatest challenge in its history (Dong-Her, Ming-Hung, David, & Che-Lun, 2014). The music industry is becoming a digital industry where the revenues from digital music overtake physical sales for the first time in 2014 (IFPI, 2014). First there was the LP, then the CD and now the music industry has become digital. The times that one could just listen to music through the radio and buy a cd only in record stores are over (Fox, 2004). Online one can buy music by iTunes, Amazon and other online music distributors. People can also stream music online, for example with Spotify. All of those changes have led to global digital music sales in 2014 to become higher than the sales of CDs for the first time (IFPI, 2014). Also the access to listening to music has become much easier, it's not hard for people to listen or even download music for free, for example by YouTube (Fox, 2004). These developments in the music industry and the rise of digital music will also affect companies who are representing the rights of the musicians.

*An intellectual property rights protection body will contribute to the value chain by enforcing property rights and fighting piracy of digital music.* (Bockstedt, Kauffman, & Riggins, 2005)

With a new digital era coming up it is important that the intellectual property rights of music are well protected (U.S. Chamber of Commerce, 2009). Companies that are protecting these property rights at this moment have to keep up with the changes in the industry, the foundation Sena is an example. Sena stands for 'Stichting ter exploitatie van Naburige Rechten'. The foundation has two main tasks. Initially they provide companies or organizations that use music with licenses on behalf of the holder and collect fees; Sena also does the controlling part. The second task of Sena is to ensure a fair sharing of the artists and producers benefits. At the moment Sena is doing well, the revenues they earned in 2013 (66 million) are the highest ever and the aim for this year is to do even better (Sena, 2014). Also they are becoming increasingly important to the Dutch music industry, their income increased in 2014 with 23 per cent (NVPI, 2015). So companies that are protecting the intellectual property are doing well at the moment. But how will this go in the future? Will the revenues they gain at this moment still be relevant in a few years? With the fast changing music industry organisations must be prepared to find ways to adapt changes soon and at the same time gain enough revenues.

## 2. Framing the research problem

*'Inspired by new digital technologies, diverse actors in cultural and creative industries propagate conflicting visions of how to adequately innovate – or rather preserve and strictly enforce – copyright-related business models.* (Dobusch & Schüssler, 2014)

The problem is that because of the many changes in the music industry it is hard to predict how the intellectual property of artists will be protected in future. At the moment these are protected well by rights protection foundations and the law (Ballin & d'Ancona, 1993). But will this be the case with new business models coming up? For example what if a supermarket decided to use a YouTube mix for music in their supermarket instead of a radio station, whom will they pay. Currently there is no universal perspective on how to deal with the new digital technologies and the copyright related issues. So it is unclear how to deal with intellectual property in the future. To deal with the problems stated above. The following research question is formulated:

**'What is the influence of new business models in music on intellectual property and how can intellectual property rights remain guaranteed?'**

### 2.1.1 Sub questions

The first sub question is: *What is intellectual property?* In order to know what influence new business models have on intellectual property, it is important to have the right definition of the term intellectual property. At this moment the intellectual property rights are regulated by the government and foundations like Sena and BumaStemra (Ballin & d'Ancona, 1993). But what exactly is meant when we talk about intellectual property. This will be answered in this sub question one.

The second sub question is: *What is the current situation of intellectual property in music?* After finding out the right meaning of intellectual property, I will be looking at the current situation of the intellectual property. As mentioned above, government, Sena and BumaStemra are protecting the intellectual property rights. But in what way are they doing this and what are at this moment the pitfalls? This question is important, because it is vital to understand the current state to learn more about future for intellectual property.

To know the definition of intellectual property and to understand the current situation is important. But to answer the research question I also need to identify the new business models in music. So sub question number three is: *Which new business models can be identified in the world of music?* Known business models have become dated because of changes in the music industry. So the industry has to develop new business models. One of the newly developed business models is a model described by Spil (2013). This model consists of three separate models, a socially focused, an artist focused and an extra value activity focused business model for a new digital music service (Bookholt, Spil, & Katsma, 2013).

The last sub question is: *What is in the future of intellectual property in new business models?* The interviews at Sena are expected to be very useful in answering this question. For the

people of Sena is thinking about the future of intellectual property their every day's work so they are likely to have a clear vision on this subject. After having found the answers on all four sub questions the research question can be answered.

### 3. Relevance

*'Enforcement of IP rights is crucial to the viability of online Information-based goods markets'* (Bockstedt, Kauffman, & Riggins, 2005)

The music industry is becoming an information-based goods market. And as Bockstedt (2005) stated it is in this sort of market important that intellectual property rights are being protected well. This underlines the relevance of the problem statement and research question. It shows how important it is that intellectual property rights of artist and producers should remain protected. At the moment the copyright law protects the work of authors like writers, composers, lyricist, filmmakers and visual artists (Regout & Malefijt, 1912). Besides copyright laws so called 'neighbouring rights' exists. These rights give protection to the efforts and achievement of performing artist, music producers, film producers and broadcasters (Ballin & d'Ancona, 1993).

*'It is now easier than ever for consumers to copy their music to their various music-playing devices (MP3 players, computers, CD players, etc.) and also to share the music they enjoy with friends and even with strangers.'* (Okoli & Zhang, 2014)

As Okoli (2014) mentioned in his study it is very easy to download and share music from the internet for free. How much money does the artist get when his song is downloaded from YouTube? Who is protecting the rights off this artist? These kinds of questions are unanswered at this moment.

*'It is crucial for the key players to enforce intellectual property rights restrictions, and promulgate effective copyrights and licensing for digital music distribution'* (Bockstedt, Kauffman, & Riggins, 2005)

Foundations like Sena are protecting the 'neighbouring rights', specifically performing artist and music producers. One of the things they do is collecting fees when music from an artist and music companies are being played in public. In an environment with new business models everything changes fast, especially in a digital industry change is likely to happen very fast. This includes the function of music. In one model music gives people social benefits, in another it creates a relationship with the artist. Music has a different function in diverse business models and will be used differently (Bookholt, Spil, & Katsma, 2013). To ensure that there will be no abuse of the music within the different business models it's important that foundations as Sena and other key players keep up with these business models and hold a strong position in protecting the rights neighbouring to copyright laws.

Another reason for keeping up with these changes is that these foundations will lose their position in the current music landscape and will be superfluous. At this moment Sena represents all Dutch artists, big and small. There is a risk that when Sena loses its function the range in music becomes less various. Popular bands will figure a way out to get another way

of income, but the small ones who are dependent from the fees of Sena will lose an important source of income and may stop making music.

## 4. Methodology

This section elaborates how analysing literature and retrieving information from interviews contribute to gather the information to know the influence of new business models on intellectual property.

To answer the research question: *'What is the influence of new business models in music on intellectual property and how can intellectual property rights remain guaranteed?'* A literature review will be the main method of research. This will be complemented with information that is retrieved from interviews that will be done at Sena. Basically the interviews will serve to find out about Sena's current situation and what their perspective is on the future of intellectual property rights.

### 4.1. Literature Review

For the literature review Wolfswinkel & al (2013) will be used. They advocate a theory to rigorously do a literature review that produces new insights and conceptualizations. This theory is called the Grounded Theory (Wolfswinkel, Furtmueller, & Wilderom, 2013).

According to this theory one has five steps to follow. In order to efficiently perform a systematic literature search the first step is to define (Wolfswinkel, Furtmueller, & Wilderom, 2013). Defining criteria for inclusion and exclusion one has to do first. Secondly one has to identify the fields of research. Thirdly one has to determine appropriate sources and at last I will decide on which specific terms to use. The criteria to define for this research will be concern intellectual property and new business models in music. Sources for this research are Scopus and Web of Science.

The second step is to actually mine databases looking for useful literature (Wolfswinkel, Furtmueller, & Wilderom, 2013). The third step is to select the right articles (Wolfswinkel, Furtmueller, & Wilderom, 2013). One should filter out doubles and other papers are set aside by virtue of not fitting the criteria. All the literature found and selected up to this point relates to the precise boundaries setting of the desired topic of study.

The fourth step is to analyse the findings (Wolfswinkel, Furtmueller, & Wilderom, 2013). Analysing the selected articles gives an idea about what is scientifically known about the current situation in the music industry and what changes are expected. This is done by reading the articles randomly and highlighting the relevant parts. Using the open coding method will conceptualize and articulate hidden aspects of a set of quotation. That way one can label or build a set of concepts and insights based on the excerpts supported by the articles. After open coding one will use axial coding, this will represent the main themes or patterns of the findings in the data and finally one will be using selective coding.

According Wolfswinkel & al (2013) the grounded theory end result of the analytical process the discovery of gaps in knowledge that are important for research explorations with a theory-building focus. So analysing the articles following the

grounded theory gives an insight in what way the new different new business models in music developing. The information will be used to design a structure of a new business model and the position of intellectual property in that model.

## 4.2 Qualitative interviews

The findings in the literature are the basics of those new business models. But it is not the only source of information in this research. Interviews held at Sena will be the second research method. As mentioned in the introduction Sena is a foundation which protects the intellectual property of artist. Doing qualitative interviews at this foundation provides me with the chance to observe the problem from another perspective. A perspective one doesn't often come across in literature, so this may give new insights. According to Rubin & Rubin (2005) qualitative interviews are like goggles, permitting us to see that which is not ordinarily on view and examine that which is looked but seldom seen (Rubin & Rubin, 2005). The type of qualitative interview will be Semi-structured interview. Fontana & Frey (2000) argue that in semi structured interview there is an incomplete script. The researcher may have prepared some question beforehand, but there is a need for improvisation. The information gathered from the interviews will help to answer the research question in a more complete way (Fontana & Frey, 1994). Interviews lasted between 30 and 65 min and were conducted in Sena's office.

The interviews give an opportunity to find out what a foundation like Sena's position is at the moment and what employees' perspective are on the changes in the music industry. According to Barriball and While (1994) a semi-structured interview is well suited for the exploration of the perceptions and opinions of respondents regarding complex and sometimes sensitive issues and enable probing for more information and information answers (Barriball & While, 1994). What factors have an impact on Sena's daily activities and how do they respond to those factors? This way gives an impression of their strategy in the current situation. For the interviews audio tapes are used. The use of audio tapes when permitted has ensured that an identical replication of the contents of each interview is available which will facilitate analysis (Barriball & While, 1994).

The following hypothesis will be used in the interviews: *'Sena still sees an important role for herself in the new business models in music.'*

Combining the information gathered from the grounded literature review and the qualitative interviews will enable to answer the sub questions and the main research question.

## 5. LITERATURE REVIEW

In this part of my research paper I will give the answers to sub-questions with existing literature. As mentioned in the methodology the last step of analysing is the selective coding. This is the process of identifying and developing relations between the main categories. According to Wolfswinkel & al (2013) preliminary results of analysing the randomly selected texts/studies actually guide the consecutive reading and further analysing of the remaining texts.

Specific search words formed a filter to find the rights articles. The specific terms searched for were; intellectual property, music, new business models and future.

## 5.1 What is intellectual property?

The answer to this question is twofold. First we have to know the definition of Intellectual property and secondly what this means for the music industry.

### 5.1.1 Definition

According to the World Intellectual Property Organization (WIPO) intellectual property refers to creations of the mind, such as inventions; literary and artistic works; designs; and symbols, names and images used in commerce. These creations of the minds are protected by law, for example, patents, copyright and trademarks, which enables people to earn recognition or financial benefit from what they invent or create (WIPO, 2010). According to WIPO by striking the right balance between the interest of innovators and wider public interest, the intellectual property system aims to foster an environment in which creativity and innovation can flourish.

### 5.1.2 Purpose

The WIPO states that ideally intellectual property creates a setting in which a musician can prosper. Piper (2015) agrees with this definition. She argues in her article that the purpose of copyright acts have been to remunerate and recognize creators, protect against unauthorized copying, and provide a legal regime that encourages creativity and innovation. Intellectual property is also critical to the government's focus on trading the products of the creative economy (Piper, 2015).

Smith (2011) argues that intellectual property law has developed with a view to protecting the particular interests of inventors, owners and authors. It was devised to support the exploitation of the final products, whether art works, music, inventions, industrial design and trademarks. By nature, it applies to the results of value-added data processing (Smith, 2011).

## 5.2 What is the current state of intellectual property in music?

According to Smith (2011) one of the most successful systems already in operation for digital data is centred around the commercial exploitation model for the music and record industry. The music industry relies on the service of copyright management associations or performing rights societies, which track and assess the degree of use (reproduction) of all types of music and other published works that are subject to copyright. In some, countries, the performing rights societies are further divided into the domains of written works, recorded music and artist imagery. These organisations monitor the use and payment of licence fees to copyright holders, be these authors, musicians or recording companies. (Smith, 2011)

Fullerton and Punj (2004) argue that consumer acceptance of intellectual property theft rest upon a nexus of cultural, moral and ideological rationalizations. They are stating link between the current cultural, moral and ideological thoughts in people

heads that are making it easy for them to freely download a song from the internet (Fullerton & Punj, 2004).

According to Chiou & al (2005), the problem that people do not experience the issue of free downloading or playing music lies partly in the exposure of the artist's success. (Chiou, Chien-yi, & Lee, 2005) People think that artists do not need all revenues from their music. They already live in the biggest houses and it seems to be that they live the life everybody wants. Artists are seen as wealthy and do not appear to suffer as a result of lost revenues. Consumer's willingness to pay is a key incentive for threatened intellectual property owners to engage with new and disruptive technologies before damage is cause to markets- and consumer perceptions of the worth of products are adjusted. The growing acceptance of legitimate online services supports the use of competitive products as a method for reducing the likelihood of habitual piracy (Appleyard, 2015).

The current state of intellectual property in music is that there is a successful in operation for protecting the rights of artists. Also it is getting more attention from different organizations. But protecting intellectual property isn't the only problem at the moment. It seems to be that the current image of intellectual property is that people don not really recognize the value from music products and services.

### **5.3 What are new business models in music?**

Music consumers appear to be listening and interacting with music more than ever; the total volume of music purchases reached an all-time high in 2012, totalling over 1, 65 billion units (Nielsen, 2012). The youth in particular is spending more and more time with music. A study of America's youth found that kids aged 8 to 18 listened to music 2 hours and 31 minutes a day in 2010 on average, compared to 1 hour and 48 minutes a day in 1999 (Henry J. Kaiser Foundation, 2010). If one considers these factors, the debate on music should not necessarily be about whether or not consumers value music in today's society. Since there are many types of currency consumer's trade in order to obtain value from music products and services. From this perspective the value of music for consumers is clearly evident. The question industry stakeholders should ask themselves is how to increase willingness to pay for their product range, because when free products are perceived to offer the same value as paid products, willingness to pay is greatly reduced (Global Entertainment, 2013).

The figures mentioned earlier indicate that people certainly value music, but with the current business models the willingness to pay for music greatly declines (Appleyard, 2015). So the music industry must regain the willingness to pay for the use of music. But to do so the industry has to use new business models. Models that take into account the changes in the new music industry. One of the models that do so is the model of Spil (2013). In his article he describes the future of digital music services in three stereotypes. He states that the models should not be interpreted as a blueprint but provides a direction for new digital music services. In this article this model is a starting point to find a new business model which

takes into account the changes in the music industry as the intellectual property.

#### **5.3.1 New Business Models**

One of the new business models is the Artist Focus business model. This model implies the artist to keep a close artist-fan relationship to create value (Bockstedt, Kauffman, & Riggins, 2005). This business model is supported by a study from Nielsen (2013). He concludes that exclusive music merchandise, such as signed posters, limited edition t-shirts, handwritten lyrics, and even direct personal experiences such as a 30 minute Skype conversation with an artist could generate a potential \$450 million to \$2.6 billion in annual incremental revenue (Nielsen, 2013).

Yet another is the Extra Value Focus model. This model tries to gain customers with a differentiating value element (Bookholt, Spil, & Katsma, 2013). This model has similarities with Bockstedts' vision of what Digital music providers have to change if they want to keep up with the new developments in music. According to him digital music providers could achieve higher profitability by differentiating their branding. Digital music retailers should also consider offering new services, such as recommender systems, versioned products bases on audio quality or copyright restrictions, and product extensions. The latter includes downloadable lyrics, artwork, liner notes and additional content found in enhanced CED versions such as video games, desktop wallpaper, and video clips (Bockstedt, Kauffman, & Riggins, 2005).

The last one is the social focus business model. In this model there is a strong focus placed on social interaction to stimulate sharing and discovery of music. This model is supported by a study from Vannoy & Palvia, (2010). According to them human innovation, in combination with the internet, networking and communications technologies have produced a new platform of community, and communication. This phenomenon is known as social computing: Intra-group social and business actions practiced through group consensus, group cooperation, and group authority, where such actions are made possible through the mediation of information technologies, and where group interaction causes members to conform and influences others to join the group (Vannoy & Palvia, 2010). This matches with the model of Spill where the users connect to each other through music service supported by some form of social medium.

### **5.4 What is the future of intellectual property in new business models?**

According to Vannoy & Palvia (2010) the music industry has been slow to move from its traditional ways and it is important for practitioners to be proactive and begin to consider ways that capitalize upon current trends. So it is not a surprise that artist are looking for different ways to share their music. In those ways there is far less attention for intellectual property or even none. Okoli and Carrilo (2013) claim in their article that many artists are increasingly deciding to use existing copyright law to legally authorize consumers to freely share some or even all of their music (Okoli & Carillo, 2013). By doing so an artist

voluntarily renounces his or her intellectual property right. Artists can individually decide whether their fans' sharing of their music should be considered illegal or authorized as legal.

Open licensing of music encourages consumers to share freely and legally, which leads to greater distribution. Such greater distribution would have the same positive effects as illegal sharing though it would be through legal means. Specifically, open licensing encourages consumers to not only freely listen to the music, but to download it and even share it with friends. Moreover, they may even legally upload it on file sharing sites to share it with strangers. These legal sharing mechanisms for music that consumers appreciate will increase its distribution beyond what can be done with music that legally restricts such (Okoli & Zhang, 2014).

## 6. Analyses

This chapter will introduce the results of the semi-structured interviews. A total of six employees of Sena were approached to participate in the interviews. As mentioned in the introduction Sena is an organization which protects intellectual property rights of music which is played in public places. Five of them have more than two years' experience with working in an organization that protects the neighbouring rights of music. One has been working for a period of six months at Sena, but during his entire career he worked with the protection of intellectual property rights. So because these employees work with protection of intellectual property for years one can consider them as experts in this field of work.

Quotations have been selected on the grounds of representatives.

### 6.1 Intellectual property in new business models

When the new business models from Spil were presented to the experts all of them did not see a threat for protection of intellectual property rights. The experts work in an organization who licenses recorded music played in public, radio or TV and then distributes the fees to its performer and record company members. By collecting fees the organization protects neighbouring rights of music. The three business models of Spil are related to music sales, additional revenue that can be generated by those sales and trying to be known. In these models the experts do not see a threat for intellectual property rights in public places. One expert argues.

*'When a radio station plays music Sena regulates it. The publishing is being invoiced. This is separated from how that song has become known. .... All of the three model stand apart from Sena, because Sena is about the music played in public.'*

Where the experts agree that the new business models of Spil do not threaten intellectual property rights directly, they have different opinion about the role a neighbouring rights organization should take in these models. This applies in particular for the social focus model. Regarding the other models, extra value and artist focus, the experts agree that there is no role for a neighbouring rights organization. Where they stress that it is important in these models to maintain a good relationship with the record companies and artist. One expert

thinks that the role of record companies will change in the artist focus model. Record companies must do more marketing, distributing and networking tasks in the artist focus model.

The situation differs in the social focus model. Here, the experts have a different opinion. Two of them do not see the value in the model for the artist. Maybe if you are a beginning artist it is a way to be known. They doubt whether there is money to earn for the artist, because revenues are too low. Revenues from airplay on the radio are important for an artist. If they do not get those by giving the rights of their music away artist will lose an important source of income. So because these experts do not see this model become a successful one for the artists, there is no role for a neighbouring rights organization.

*'But, at the moment when your music is played at different radio stations I believe that it becomes really interesting for a band to get money for your music throughout rights. Someone else uses your music where you have worked hard for.'*

The other experts do see a role in this model. They think of a model where the neighbouring rights organization provides in need of the artist and producer. Neighbouring rights companies do have a lot of data records. By these data records they could play a role in this model. Also for small artist a neighbouring rights organization could be valuable. For instance, if neighbouring rights companies share music from small artists.

*'I certainly think there is a role for Sena. ... Promising bands without support from record companies; in that segment we can mean a lot'*

All experts think that the rights of the music played in public will be protected in the future and also that it remains important that those rights are protected. At this moment it is determined by law that the music played in public, on TV or in a company the rights of the music must be protected by a neighbouring rights organization. The legislator has provided a mandate for this to a neighbouring rights organization. This organization has a monopoly position. The expert, who specializes in the law, mentions that the law is not as rigid as most of people think. The law where the intellectual property rights protection is based on already is twenty years old. Still neighbouring rights organizations are able to protect the music by collecting and distributing fees to artist and producers all based on this law.

*'I believe there has never been any question, at the moment of a new technology development or new business, that it could not be implemented within the legal system.'*

At this moment there is a change of law coming up which causes that neighbouring rights organizations lose their monopoly position. A new law will able Artist in the Netherlands to choose an organization that protects their intellectual property. For now they have to go the organization that is designated by the law. The experts admit that other organizations are capable of protecting these rights. They doubt whether that the fee that artist receive then is just as high as it is now.

*'We do not know what the deals are between record companies and artists. We pay everything off 50/50. Frankly I think that*

*artists receive more money when we license them, than that a label is doing it.'*

## **6.2 Intellectual property remain guaranteed**

It seems that the protection of music played in public remains guaranteed, also with a change in law coming up. But the experts mention that this is only the case if it goes about linear playing of music. Therefore a neighbouring rights organization is mandated. Linear use of music means that you use music that is actually at the radio or TV. The experts note that there is a change going on. Instead of using music linear, people use music more and more on-demand. According to the experts this change runs parallel with the fact that possession of music has become less important. For people it is more important that they could use music the experts say.

*'Cd sales decrease and usage of streaming services increase. Possession is not important anymore, access is. We notice this.'*

### *Public played music*

For the protection of intellectual property rights this has two main consequences. The first is that only using the music has caused a decline in sales of music, so claim the experts. This means that artists lose an important source of income. As a result artists are going to look for other sources of income. One source that is becoming more important is the money they receive from a neighbouring rights organization. These organizations could only collect and distribute money if music is played linear.

*'The financial dependence of the neighbouring rights for a performer is increasing because they are getting less and less revenues from physical sales.'*

On this moment the use of music on-demand is only allowed for private use, to the extent that it has no influence on neighbouring rights companies. Because they only protect music played in public. All the experts are not afraid that companies or other public places will stop playing music. In fact 3 of them think that this use will only increase. People are increasingly seeing the value that music can have on their business. According to all of the experts music has influence on people. The way employees work, but also on behaviour of customers in a shop. This is supported by a study from Skandrani & al (2011). According to that the lack of variation in the musical program, incongruence of music genre - salespersons musical preferences, long exposure to the same rhythms, task complexity, crowding, might affect the employees' attitudinal and behavioural responses (Skandrani, Mouelhi, & Malek, 2011). By independent research neighbouring rights organizations try to show that music works in a business. They encourage the use of music in a company. The experts also note that the attitude from employers towards paying for music in their business is changed. Where previously there were a lot of comments to pay for the use of music, now it is accepted that there has to be paid for. Because employers are beginning to see the value that music can have within a company a change of attitude towards the use of music on the work floor is set in motion. Due to this change the protection of intellectual property rights also increase.

*'Because of these studies we hope to indicate entrepreneurs that the bill should not only be seen as costs, but rather as a complementary tool for the entrepreneur.'*

### *On-demand played music*

On-demand playing of music means that a user can play a music song whenever he wants. The music consumer is no longer dependent on the radio to hear his favourite song. The increase in the use of music has led to the shift that more and more people want to consume music on-demand. A way that they can do this is through streaming services. All of the experts experience in their work that these services have become increasingly popular in recent years. According all of to the experts this has for the protection itself little impact. It does have consequences for the way the rights are protected. Neighbouring rights organizations do not have a mandate to license on-demand music. So they cannot collect and distribute money from music played by streaming services. Those rights are with the record companies. These companies make arrangements with the streaming services how many money a streaming services has to pay for the use of their music. Record companies themselves then speak with the artists about how much money they get if they are played on a streaming service. Three of the experts think that in practice a song of an artist must stream quite often to earn some money for it. All of them do not know the exact figures but it would not be comparable to the amount of money artists would get if they are played several times on the radio. The experts do not believe that between now and five years companies massively switch to on-demand use of music. Even if public licenses will become available for streaming services. They believe that companies continue to make use of linear music.

*'Companies will always continue to use music. It will certainly change, but not that within 5 years everyone will only stream music. I do not believe that entrepreneurs are working on using on-demand music within a company. The radio is easy.'*

All of the experts do believe that eventually the change from linear to on-demand completely takes place. Not within five years, but certainly in twenty on expert mentions. For a neighbouring rights organization it is important that they get a mandate for licensing on-demand music. Only in this way the organization keeps her function. Because when this change occurs there is no longer linear music playing. So licences provided by a neighbouring rights organization have then become worthless.

*'If we do not retrieve a mandate for the on-demand rights then the income from media will come under pressure. As everyone is going to watch on-demand, our rates will go down. .... It is necessary to obtain a mandate for on-demand; otherwise you become an unimportant player.'*

## **7. Limitations and further research**

The first limitation is that the literature is heavily based on the article of Bockstedt. With a broader use of articles for the literature research the findings would be more generalizable.

The second limitation is that all the interviews are perceived from employees who work at neighbouring rights organization.

The legitimacy for this organization is that it is designated by the legislature to protect the intellectual rights in public played music. It is in their interest that they can continue to protect this music. There may be doubts about the objectivity from these experts.

The third limitation is that the analysis is only based on the view of employees from a neighbouring rights protection organization. By also engaging the perspectives of employees from record companies and different artists, a more generalized representation can be created.

So for further research one can argue to explore what record companies and artists want. Record companies have more power than the artists so their interests would weigh more heavily, but also the opinion from the artist matters. Other further research could be to what extends the change from linear consuming of music to on-demand consuming is going to. Here you can determine if and when it is necessary for a neighbouring rights company to get a mandate for licensing on-demand music.

## **8. Conclusions**

The analysis shows that there is not a general way in which the intellectual property rights of music are being protected. There is a difference between linear and on-demand playing of music. Public playing of music must be linear and therefore are the intellectual property rights of music protected by organizations that protect the neighbouring rights of music. Music that is played on-demand does not have protection. When it comes to the protection of on-demand consumed music artist are dependent on the record companies. There have been several developments in both areas so I will draw different conclusions.

### **8.1 Public played music**

The first, and main, conclusion that I like to draw from the analysis about public playing is that the intellectual property rights under certain circumstances will be guaranteed in the future. Results of the interviews show that companies increasingly recognize the value of music. It has a positive impact on customers and the employees. So they will continue to play music in their company. Streaming services are at this moment only allowed for private use. For a company it is not allowed to pay a music streaming service an amount of money to create a playlist that will be used by the company. Companies must apply for a license at an organization that protects the neighbouring rights of music when they want to play music in public. When companies do, they are forced by law to pay for the intellectual property rights of music. According to the results of the interviews there is no reason to assume that this will change in the nearby future. So in general one can say that when it comes to public playing of music the intellectual property rights remain protected. The results show that there is one circumstance possible where this can come under pressure. This is when on-demand streaming services will also provide music for public use.

The second conclusion that I like to draw from the analysis is that there is no influence of new business models on intellectual property. According to the results of the interviews all of the experts think that these models will not affect the role of public

playing of music. People like it when there is music played at work or in the club. As long as the law requires that it must be controlled by a company who protects neighbouring rights, new business models in music have little impact

### **8.2 On- demand played music**

The conclusion that I like to draw from my analysis about on-demand consuming is that the intellectual property rights will be guaranteed in the future, but the power of the record companies increases. As mentioned above the accessibility of music is becoming more important than owning music. In case of on-demand consumption of music the deal is made with the record company. The record company makes a deal with a streaming service. They determine how much money the services have to pay record companies for each time a song is played. The revenues record companies receive from on-demand platforms will become an increasingly important source of income for them. Partially in their own interest record companies will continue to protect the intellectual property rights of the artist. However it is very questionable whether in this case the incomes of the artist are just as high as the current situation with a neighbouring rights organization.



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